

Shinhan Financial Group 2020 ESG Report



E Environmental

FINANCE for **IMPACT**



S Social



G Governance

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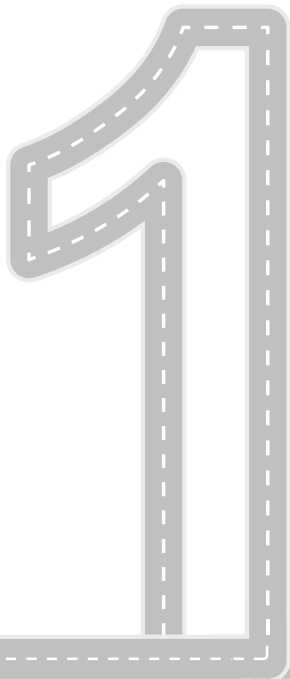
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BUSINESS REPORT



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Introduction

Corporate Overview

General Information

Corporate Name	Shinhan Financial Group	
CEO	Cho Yong-byoung	
Establishment Date	September 1, 2001	
Credit Rating	DOMESTIC	OVERSEAS
	AAA NICE Investors Service	A1 (Stable) Moody's
	AAA Korea Investors Service	A (Stable) S&P
	AAA Korea Ratings	

Group Subsidiaries

BANKING	Shinhan Bank	INVESTMENT & ASSET MANAGEMENT	Shinhan Investment
	Jeju Bank		Shinhan Asset Management
	Shinhan Savings Bank		Asia Trust
CREDIT & LEASING	Shinhan Card	CREDIT MANAGEMENT	Shinhan Alternative Investment Management
	Shinhan Capital		Shinhan REITs Management
			Shinhan Venture Investment
INSURANCE	Shinhan Life Insurance	DIGITAL & INFRASTRUCTURE	Shinhan Credit Information
	OrangeLife		Shinhan DS
			Shinhan AITAS
			Shinhan AI

Total Assets (Consolidated)	Net Income ¹⁾
605 KRW trillion	3.41 KRW trillion
Market Capitalization	No. of Customers ²⁾
16.6 KRW trillion	19,141 thousand
Global Networks	No. of Employees ³⁾
20 countries	30,530 persons

* As of December 2020

¹⁾ Net income in controlling interest

²⁾ Excluding double count

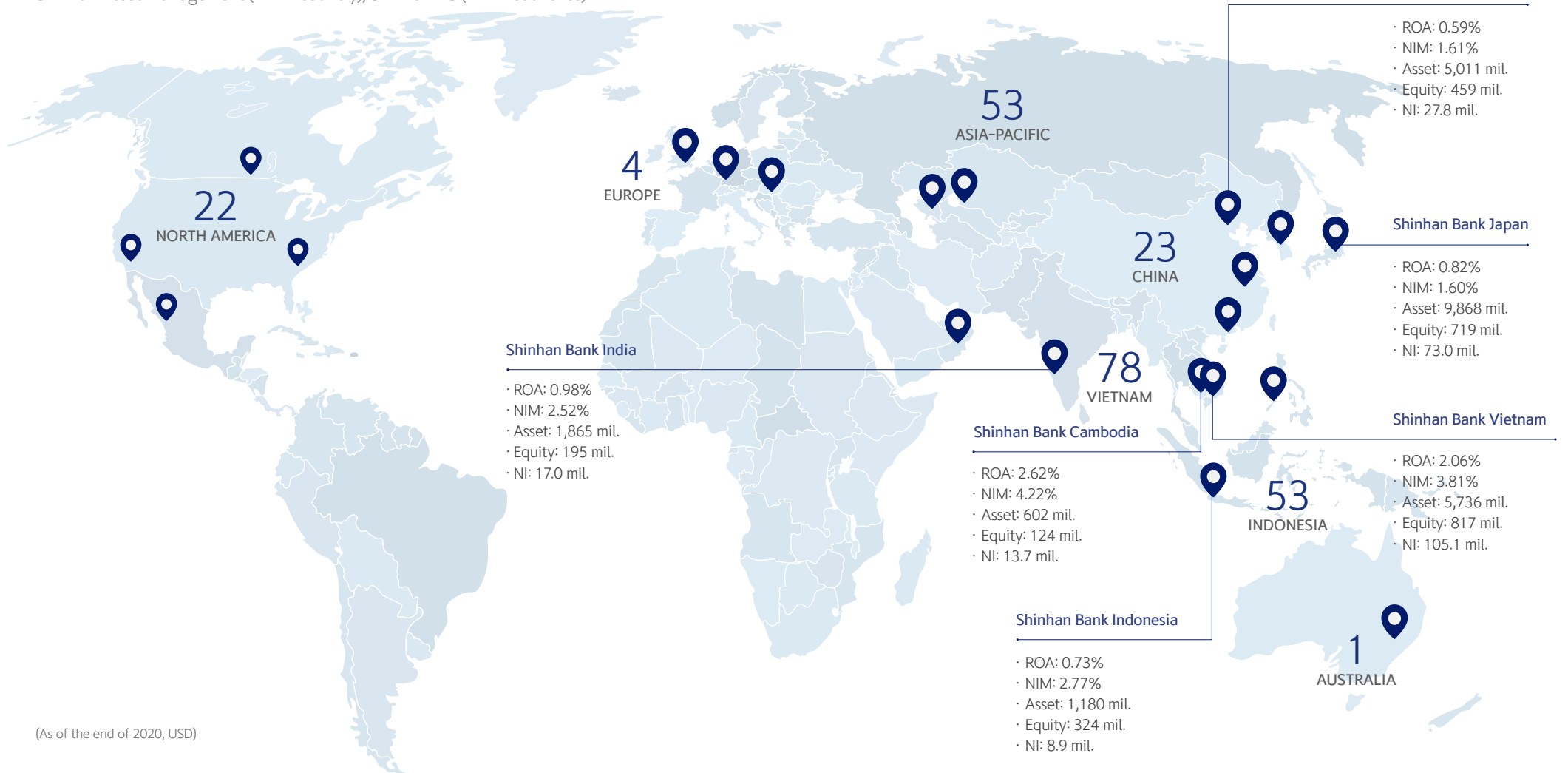
³⁾ Based on all Group subsidiaries

* Shinhan Life Insurance and OrangeLife were integrated into Shinhan Life in July 2021

Global Network

20 Countries 242 Networks (Branches, branch offices, and representative offices)

Shinhan Bank (161 in 20 countries), Shinhan Card (69 in 4 countries), Shinhan Investment (7 in 5 countries), Shinhan Life Insurance (2 in 2 countries), Shinhan Asset Management (1 in 1 country), Shinhan DS (2 in 2 countries)



(As of the end of 2020, USD)

Mid- to Long-term Plan

Shinhan Financial Group has set “Excellence, Shinhan” as its mid-term goal to achieve its vision of becoming a “world-class financial group” even amid complex uncertainties. We, then, established our new mid-term strategy, “F.R.E.S.H 2020s”, as our distinctive strategy for growth.

In implementing the F.R.E.S.H 2020s, we took a comprehensive consideration of business environment in 2021, and set four major strategies – optimal growth, global consolidation and expansion, digital transformation, sustainability management – and are systematically implementing them.

Shinhan’s Distinctive Growth Direction

F.R.E.S.H



Fundamental

Maximizing corporate value by fortifying fundamentals



Resilience

Strengthening resilience, the ability to recover quickly from adversity



Ecosystem

Building a digital ecosystem to elevate digital competitiveness



Sustainability

Executing a coherent Group wide strategy towards a more sustainable future



Human-talent

Versatile and talented people to lead future growth

Business Performance

Shinhan Financial Group has been maintaining its growth pace in net income for seven years in a row on the back of strong growth in interest income, a main profit source of the Group, and stable growth in its asset portfolio. We posted a net income of KRW 3,414.6 billion in 2020 with the net income contribution by non-bank subsidiaries reaching 41%, reflecting diversified business portfolio.

Economic Performance

(Unit: KRW billion)

	2018	2019	2020	
Creation of Economic Value				
Sales ¹⁾	35,344.0	43,859.1	49,027.2	
Earnings before Income Tax	4,466.6	4,911.5	4,753.9	
Net Income ²⁾	3,156.7	3,403.5	3,414.6	
Distribution of Economic Value				
Shareholders & Investors	Dividend and interest expense	5,745.4	6,853.3	5,695.1
Employees	Salaries	1,945.3	2,147.1	2,273.2
	Employee benefits	791.3	770.9	761.4
Government	Income tax	1,268.3	1,269.1	1,255.8
Local Communities	Social expenditures	181.6	227.0	213.0
Business Partners	Purchase and outsourcing expenses	1,583.3	2,070.4	1,456.5

¹⁾ There is no "sales" account according the financial statements in accordance with K-IFRS, so the "sales" figures in this table are the sum of interest income, non-interest income, and other operating income.

²⁾ Net income in controlling interest

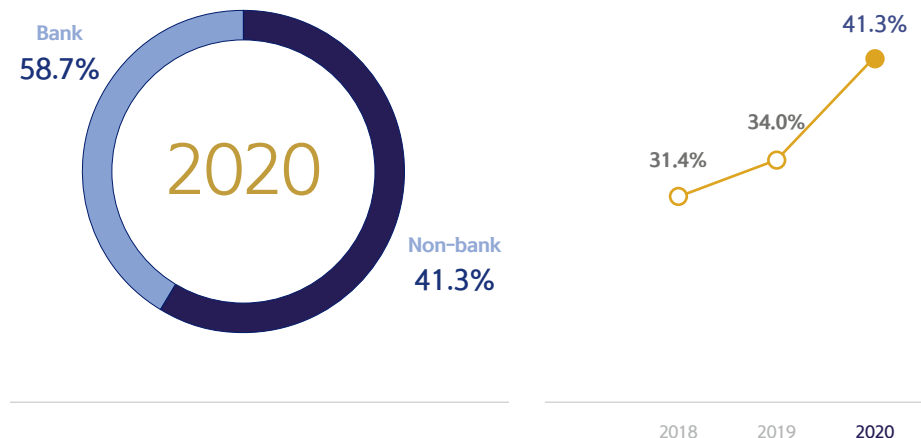
Operating Income by Business

(Unit: KRW billion)

	2019	2020
Total	10,903.4	11,532.8
Retail (Individual Customers)	4,182.0	4,319.1
Corporate Clients	3,505.4	3,588.0
Investment Banking	407.9	629.5
Project Financing	274.6	286.5
Asset Management	227.3	669.3
WM/PB	470.7	162.6
Others (Insurance, etc.)	1,835.4	1,877.8

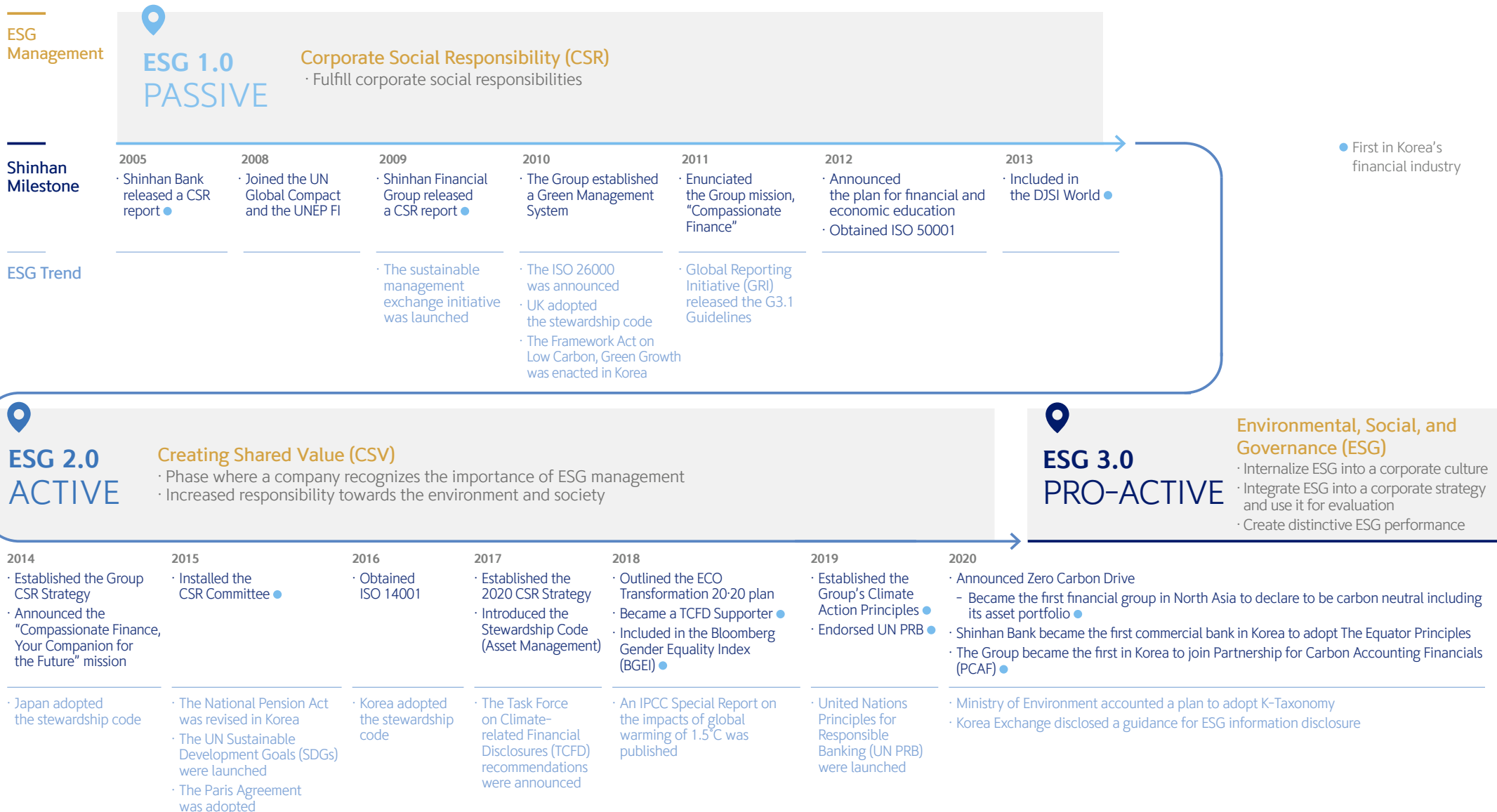
Diversified Income Sources

Net Income Contribution by Non-Bank Subsidiaries



ESG Milestones

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



Participating in Global Initiatives

Shinhan Financial Group collaborates with a wide range of global initiatives in environmental, social, and governance (ESG) 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 its strategic implementation.

 [Initiative Report](#)



Joined March 2007, and named Carbon Management Sector Honors in 2018

Carbon Disclosure Project (CDP)

A project which aims to make environmental reporting and risk management a business standard and drive disclosure, insight, and action on sustainable economies



Joined January 2008

UN Environmental Programme Finance Initiative (UNEP FI)

Public-private partnership between the UNEP and the financial sector

 [UNEP FI Finance Initiative](#)



Joined May 2008

UN Global Compact (UNGC)

A UN pact that encourages businesses to fulfill their social responsibilities and be inspired for socially responsible policies

 [Social Value Initiative](#)



Joined September 2018

Task Force on Climate-related Financial Disclosures (TCFD)

A task force for disclosing financial information related to climate change

 [TCFD Report](#)



Joined September 2019

UNEP FI Principles for Responsible Banking (PRB)

A framework for ensuring that signatory banks' practice for the UN SDGs and the Paris Climate Agreement

 [PRB Report](#)



Joined February 2020

UNEP FI Principles for Sustainable Insurance (PSI)

A guide for the insurance industry to align sustainability factors with operation strategy, risk management, product governance, and other management activities



Joined September 2020

Equator Principles

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



Joined November 2020

Partnership for Carbon Accounting Financials (PCAF)

A global partnership of financial institutions to develop an approach to assess and disclose the greenhouse gas emissions associated with their loans and investments



Joined November 2020

Science Based Target initiative (SBTi)

A global initiative developed to help companies set a target in line with science-based reduction criteria (1.5°C and 2°C scenarios)



Joined March 2021

Value Balancing Alliance (VBA)



New concepts to measure the value of corporate behavior that a company contributes to society, economy, and the environment that is not reflected in financial statements



Joined April 2021

Net-Zero Banking Alliance (NZBA)

Participating as a founding signatory and made an agreement to align the participants' lending and investment portfolios with pathways to net-zero by 2050

 First in Korea's financial industry
 First in Korea

ESG Evaluation

Shinhan Financial Group transparently discloses its ESG management goals, performance and information, while also expanding its ESG disclosure. We make continuous efforts to measure and quantify ESG management performance in a more objective way, thereby further developing our ESG system, and these efforts and resulting excellence are recognized by internationally renowned ESG evaluation agencies.

ESG Evaluation



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)

SRI Evaluation



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



ISS Quality Score Grade: 1

ESG Summary

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>1 Zero Carbon Drive</p> <p>Achieve carbon neutrality by cutting down carbon emissions and expanding green investment</p>	<p>2 Triple-K</p> <p>Create an innovative ecosystem in Korea in partnership with stakeholders</p> <p>3 Hope Together SFG</p> <p>Provide inclusive finance</p>	<p>4 Respect for Diversity</p> <p>Reduce social inequality and eliminate discrimination</p> <p>5 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 13 CLIMATE ACTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>1 NO POVERTY 4 QUALITY EDUCATION 5 GENDER EQUALITY 10 REDUCED INEQUALITIES</p>

5 Impact Tasks

1

Zero Carbon Drive

Achieve carbon neutrality by cutting down carbon emissions and expanding green investment



[2020 ESG Highlight \(P. 06\)](#)

2

Triple-K

Create an innovative ecosystem in Korea in partnership with stakeholders



[2020 ESG Highlight \(P. 11\)](#)

3

Hope Together SFG

Provide inclusive finance



[2020 ESG Highlight \(P. 15\)](#)

4

Respect for Diversity

Reduce social inequality and eliminate discrimination



[2020 ESG Highlight \(P. 22\)](#)

5

Financial Consumer Protection

Strengthen product governance and offer financial education



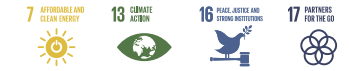
[2020 ESG Highlight \(P. 25\)](#)

ESG Table

ENVIRONMENTAL

📄 Environmental

Alignment with UN SDGs



Establishment of a green finance system for zero carbon

01

Green finance

- Expansion of exclusive and guaranteed green loans and green infrastructure PF
- Investments in green energy and eco-friendly machinery
- 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 Climate Action Principles

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



• First in Korea's financial industry

SOCIAL



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

01

Innovative finance

- Launch of the Innovative Finance Promotion Committee
- Execution of Triple K Project
 - Establishment of a startup ecosystem with 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 (for SOHO clients)
- 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

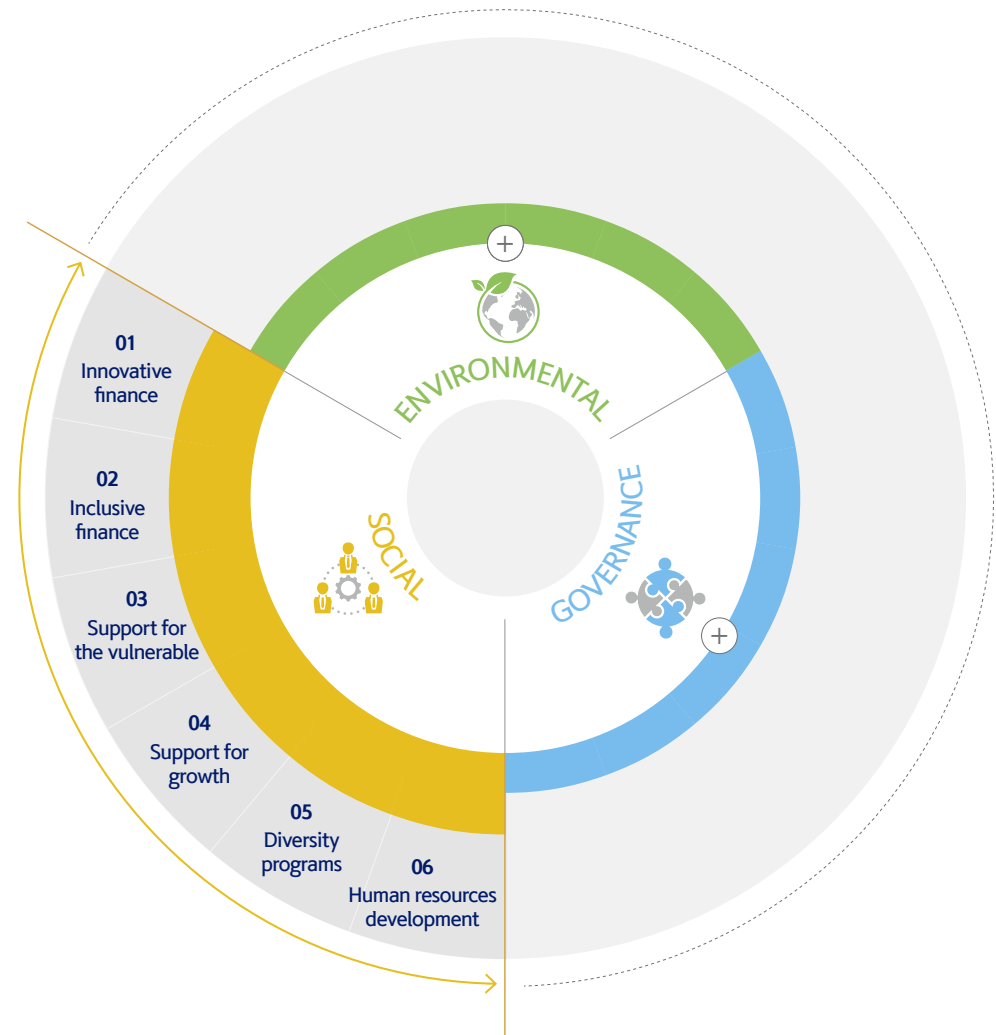
06

Human resources development

- Fostering of specialized experts
- Upgrading of employee's digital capabilities
- Operation of a mobile in-house education platform
- Implementation of an in-house startup system

- First in Korea's financial industry

Alignment with UN SDGs



GOVERNANCE

📄 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
 - Women represent at least 20% of director candidates

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 CSSO/Working Group
- Development of Shinhan Social Value Measurement Framework (SVMF)
- Adoption of the Stewardship Code
- First in Korea's financial industry

04 Ethics & compliance

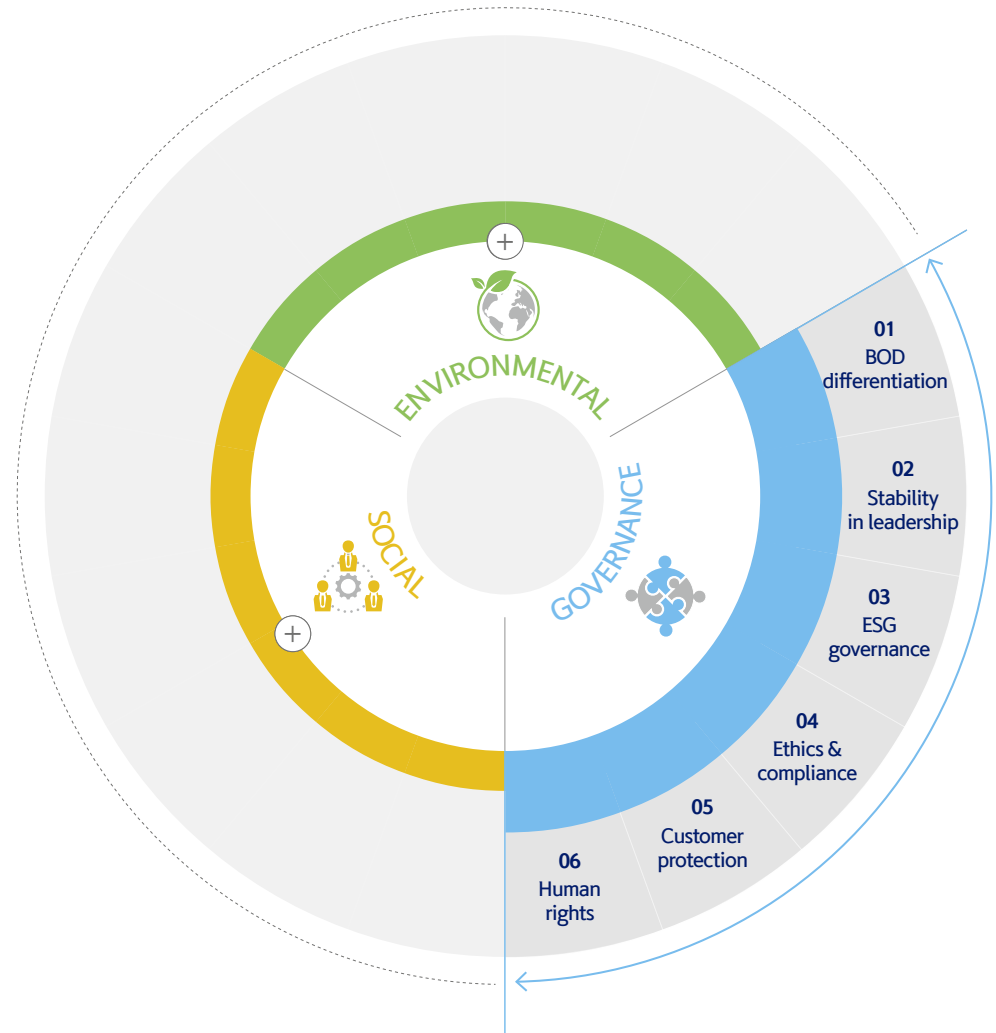
- Group Compliance Officer Council, Internal Control Committee
 - Code of Ethics, Standards of Conduct, Internal Reporting System
 - Fair Transaction Compliance Rules
 - Promotion of ethics/compliance education
- Anti-money laundering system

05 Customer protection

- Financial consumer protection system
 - Creation of the Consumer Protection Group, ESG examination of financial products, 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.



Shinhan ESG Way

ESG INVITATION LETTER

Dear stakeholders,

Hello, this is Cho Yong-byoung, CEO of Shinhan Financial Group.
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 we will demonstrate our 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 trusted.

We feel 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.



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



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.

In Korea, “ESG” is in the process of finding its way through many aspects. Shinhan, in creating its ESG Way towards a sustainable future, is paving a path never trodden before, and seeks to become an ESG lighthouse that guides stakeholders to right directions. Such determination and resolve of Shinhan is reflected in this ESG Report.

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-byung

ESG 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.

Shinhan’s ESG Ambitions



Zero Carbon Drive

Ten Unicorns

100% Stakeholder’s Satisfaction

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’s 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

ESG MEASUREMENT

ESG WAY

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

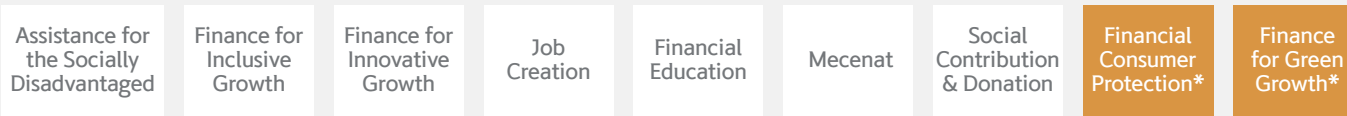
Shinhan SVMF Social Value Measurement Framework

Shinhan Financial Group developed the “Shinhan Social Value Measurement Framework (SVMF)”, in collaboration with the Center for Global Business Ethics and Responsibility of Yonsei University, in November 2019, and thus became the first financial company in Korea to develop social value measurement model. In 2020, on our second implementation of Shinhan SVMF, we newly added “finance for green growth” and “financial consumer protection” areas, and, consequently expanded the scope of our measured projects from 93 to 192 projects. Measurement results indicated that financial consumer protection, financial education, and job creation projects have high social value. Going forward, we will evaluate ESG activities through the Shinhan SVMF and focus on ESG activities with high social value to better implement sustainable finance.



SFG Hope Foundation
2020 Corporate Social Responsibility Report
(P. 18 SVMF Measurement Outcome)

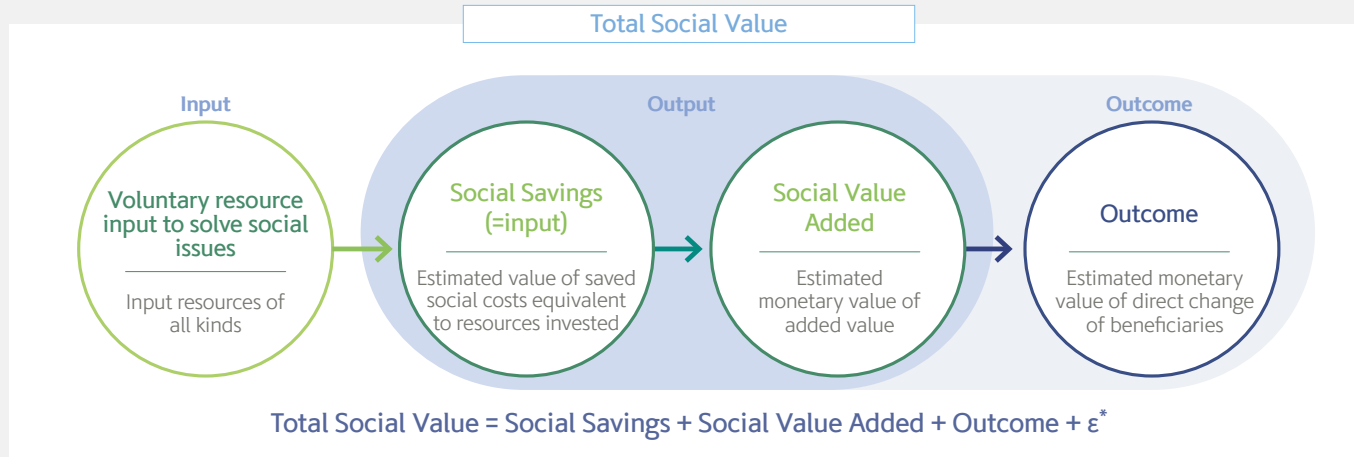
Measured Projects (9 Areas)



* New measurement areas in 2020

Shinhan SVMF

Measurement Principles (6 principles)



* ε Monetary value added by external impact



8.03 KRW billion (392%)

Shinhan Dream Dodamteo¹⁾ created social value of KRW 8.03 billion (392%) with an investment of KRW 2.1 billion in 2020



¹⁾ Project to provide after-school for elementary school students so that dual-income couples can work without having to worry about learning or care gaps in the education of their children

- Renovation of the idle spaces owned by local governments as childcare centers for elementary school students
- Offering financial education programs to children who use Shinhan Dream Dodamteo

ESG INSIGHT

ESG WAY

What is the role of finance in paving the “ESG Way”?

“ To achieve ESG goals, finance must first develop a clear understanding of ESG management and contribute to the goals through proper resource allocations. ”

Su-Keun Kwak

Independent Director of Shinhan Financial Group
Chair of ESG Strategy Committee



Q

ESG management has become a hot topic of late. Many companies are bolstering their ESG management, and we are curious about the driving force behind this trend. Also, what do you think finance’s functions and roles should be with respect to the trend?

A

As the focus of corporate management is shifting from shareholder to stakeholder value, sustainable value is playing an increasingly important role in the evaluation of corporate value. ESG Information has become an important criterion for assessing corporate sustainability, making ESG management essential to the survival and growth of corporations.

In particular, climate issues are viewed more seriously than ever. Non-profit organizations, such as the UN, and government organizations are in pursuit of an ambitious goal of reaching carbon neutrality by 2050, developing diverse action programs in line with the goal. In 2021 alone, many climate issues were addressed at the Leaders Summit on Climate, P4G Summit, and G7 Summit. The COP26 Conference, to be held in the UK in November, is expected to set a new goal, which will surpass the Paris Agreement and be backed by the whole world with a pledge to put the goal into action.

Finance’s role in the ESG management is extremely important for financial resource allocations can greatly influence the outcome of intended goals in various ESG areas, including climate change, a crisis of a global scale. Therefore, for finance to make right decisions on resource allocation matters, a clear understanding of ESG management should come first.



Q

What efforts are Shinhan Financial Group making to achieve its goals in ESG management?

What are main examples of actions Shinhan has taken that are representative of Shinhan's capabilities?

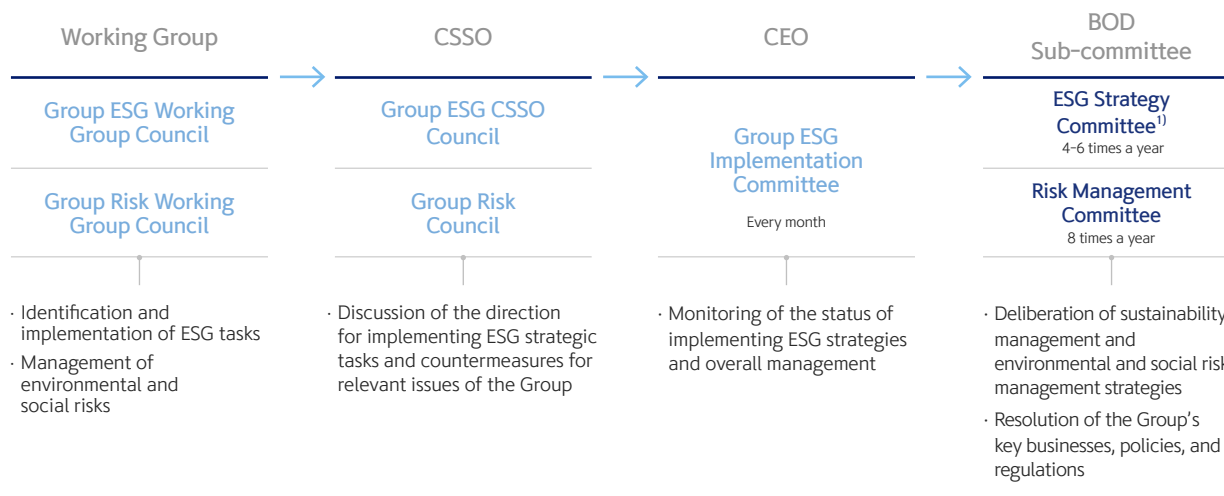
A

What makes Shinhan's ESG management distinctive is that Shinhan's ESG strategies are systematically and actively implemented at the Group level. The BOD and management lead ESG activities in close cooperation and through active communication. To this end, the BOD is responsible for devising basic strategies and execution processes while management, under the direction of the CEO, is in charge of developing and executing detailed action plans. Also established are consultative bodies of varying levels to help all Group subsidiaries execute the Group's ESG strategies in a coherent manner.

In systematically implementing the Group's ESG strategies, the ESG Strategy Committee within the BOD draws on Group synergies. In the social area as well, the Committee is discovering key issues through selection and concentration, and realizing "FINANCE for IMPACT" by demonstrating Shinhan's unique capabilities in diverse areas, such as startup development, support of the financially underprivileged in their pursuit of financial stability, social diversity, and financial consumer protection.

Moreover, as an industry leader in ESG management, Shinhan Financial Group has been actively participating in the resolution of climate issues by proactively responding to CDP, adopting TCFD, and declaring carbon neutrality. Recently, we became the first financial company in Korea to take part in Value Balancing Alliance, and also participated in the Net Zero Banking Alliance as a founding signatory. Shinhan will continue to engage in global efforts to implement ESG management, while also changing and innovating to scale the impact through finance.

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)

Empowering a green future

 [Shinhan Financial Group 2020 ESG \(P. 4\)](#)



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.



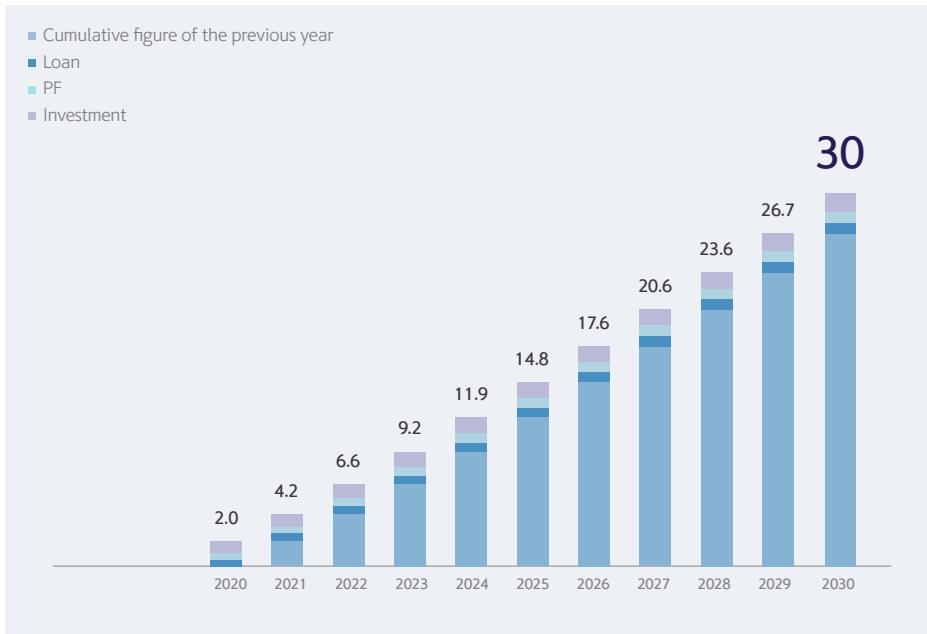
Green Finance

Green Financing

- Disclosed our goal of making the Group asset portfolio's carbon emissions "zero" by 2050 by expanding green financing to fulfill our roles as a financial institution for future generations
- In accordance with the Group's eco-friendly strategy, "Zero Carbon Drive", set the goal for green financing at KRW 30 trillion, 15 times larger than 2020 figure, by 2030

Zero Carbon Drive – Goal for Green Finance

(Unit: KRW trillion)



Zero Carbon Drive – Performance in 2020

315.3 KRW billion
Green Loan

659.7 KRW billion
Green PF¹⁾

1,702.3 KRW billion
Green Investment²⁾



¹⁾ Excluding fund investment performance of the Group subsidiaries (included in green investment)

²⁾ Including investment performance of asset managers and fund sales performance of fund distributors, such as banks and securities companies



Green Financing Activities Suited for Each Group Subsidiary to Facilitate a Smooth Shift to a Low-Carbon Economy

· Support the transition to a low-carbon economy through green financing activities suited for the Group subsidiaries since the declaration of the Zero Carbon Drive – the first carbon neutral strategy by a financial group in North Asia

Launched an ESG evaluation-based financial product

[Shinhan Bank] Outstanding Win-Win ESG Support Loan

Expand ESG evaluation-based financial products and support outstanding companies that are excel in eco-friendly and social contribution activities

210 KRW billion

(March-April 2021)

0.2-0.3%p per year

Preferential interest rate 0.2-0.3%p lower than general loans

Presented determination criteria for ESG investments

[Shinhan Investment] ESG Consensus

Set standards for ESG investment by enabling analysis and comparison of ESG indicators of companies subject to investment through the ESG Consensus

8 agencies

Data of 8 evaluation agencies

60 companies

ESG reports of 60 companies

Presented its own ESG investment principles and strategies

[Shinhan Asset Management] ESG Engagement

Expand ESG disclosure and reflect ESG factors in overall management

242 companies

No. of companies to which a letter (TCFD shareholder letter) was sent

101 & 82

Among 101 companies responded, 82 out of 83 companies, required for emissions management, responded

ESG Project Financing¹⁾

(Unit: KRW billion)

	2019	2020
Solar power	219.7	375.6
Waste	111.7	146.7
Wind power	82.5	69.6
Other renewable energy sources	167.7	213.8
Total – New ESG PF amount	581.6	805.7
Total – Total new PF amount	3,653.9	1,188.5
New ESG PF rate (%)	15.9	67.8

ESG Asset Management¹⁾

(Unit: KRW billion)

	2019	2020
Renewable energy/energy efficiency	918.1	1,992.6
Eco-friendly transportation	507.2	672.0
Job creation, SME financing	103.5	238.8
SRI funds ²⁾	158.5	319.8
Total – Size of ESG asset management	1,687.3	3,223.2
Total – Size of total asset management	50,308.9	58,583.9
ESG asset management ratio (%)	3.4	5.5

¹⁾ Including Group & Global Investment Banking (GIB) Division performance of Shinhan Financial Group and fund investment performance of the Group subsidiaries (KRW 659.7 billion if investment performance of the Group subsidiaries is excluded)

¹⁾ Performance of Shinhan Asset Management

²⁾ Socially responsible investment

Shinhan Bank ESG Finance

(Unit: KRW billion)

		2019	2020	
Corporate Finance & Investment Banking	Eco-friendly loan (balance)	10,457.0	12,504.7	
	ESG loans	2 eco-friendly guarantee loans	88.9	43.5
		5 eco-friendly exclusive loans	26.2	90.8
		6 eco-friendly policy loans	70.7	89.6
	Total – Amount of ESG loans	10,642.8	12,728.6	
Total – Size of corporate loans (balance)	123,816.0	137,523.5		
Ratio of ESG loans (%)	8.6	9.3		
Retail	ESG loans	Home loan for low-income families (Beotimmok <i>Jeonse</i> Loan)	3,290.1	2,393.4
		Digital-only credit loan for financial inclusion (Shinhan Sol Pyeonhan New Hope Spore Loan (digital only))	121.6	216.14
		Auto loan exclusive for electric vehicles (EV-MyCAR Loan)	0.6	2.79
	Total – Amount of ESG loans	3,412.3	2,612.3	
	Total – Retail loans	40,205.0	51,942.6	
	Ratio of ESG loans (%)	8.5	5.0	
	ESG investment (AUM) ¹⁾	Renewable energy/energy efficiency	0.9	0.7
		Eco-friendly transportation	-	27.7
		Natural resources	11.3	9.7
		Job creation/SME financing	79.2	67.6
SRI fund ²⁾		14.2	80.4	
Total – Amount of ESG investment	105.6	186.1		
Total – Amount of investment	8,298.4	7,830.2		
Ratio of ESG loans (%)	1.3	2.4		

¹⁾ Balance of ESG investment product sales

²⁾ Excluding the sales amount of Shinhan Asset Management SRI Fund

The Group Subsidiaries (excluding Shinhan Bank) ESG Finance

(Unit: KRW billion)

		2019	2020		
Corporate Finance & Investment Banking	ESG loans	Shinhan Card	Transaction amount of eco-friendly cards	112.4	247.4
		Shinhan Capital	Environment/sustainable energy	72.5	87.6
		Jeju Bank	Loans for solar power businesses	13.7	2.6
Retail	ESG investment (AUM) ¹⁾	Shinhan Investment	Renewable energy/energy efficiency	700.0	824.6
			Eco-friendly transportation	195.5	216.7
			Natural resources	3.1	2.0
			Infrastructure for developing countries	396.6	387.1
			Job creation/SME financing	369.1	393.8
			SRI fund ¹⁾	47.1	31.8
		Shinhan Life Insurance	SRI fund ¹⁾	190.5	186.4
Asset Management²⁾	ESG investment (AUM) ¹⁾	Shinhan Life Insurance	Infrastructure for developing countries	43.7	35.6
		OrangeLife	Global climate change	20.1	30.6
		Shinhan Alternative Investment Management	Renewable energy/energy efficiency	200.0	450.4
			Eco-friendly transportation	176.7	176.7
			Job creation/SME financing	32.0	45.0
Shinhan REITs Management	Green certification/eco-friendly buildings	301.8	306.1		
ESG-related (vulnerable customer³⁾) Insurance Sales		Shinhan Life Insurance	-	2.5	
		OrangeLife	-	67.8	

¹⁾ Excluding the sales amount of Shinhan Asset Management SRI Fund

²⁾ Group subsidiaries excluding Shinhan Asset Management

³⁾ An insurance product with simplified application process for the elderly and persons with an illness history who find it difficult to buy an insurance policy, thereby easing their burden of health examination costs

ESG Products

Shinhan Bank

- Launched the “Shinhan Outstanding Win-Win ESG Support Loan”, a financial product based on ESG evaluation, in March 2021
- Provide preferential interest rate to companies with excellent ESG management levels, and also enable business partners recommended by outstanding ESG companies to use the loans, as a way to build a virtuous cycle of ESG management by practicing “win-win with SME partner companies”, a key to ESG management

Shinhan Asset Management

- Launched the “Shinhan Beautiful SRI Green New Deal Fund” in September 2020 through the remodeling of a fund that the company had managed for 15 years; and aim to fulfill social responsibilities by investing in stocks that have a high level of sustainability and can directly or indirectly benefit from expanded implementation of the government’s Green New Deal policy
- Received the Grand Prize in the ESG fund category at the “Korea Securities Awards” organized by the Seoul Newspaper in November 2020



Shinhan Asset Management received the Grand Prize in the ESG fund category



Shinhan Asset Management’s Shinhan Beautiful SRI Green New Deal Fund



Shinhan Asset Management’s Global Sustainability ESG Fund

Shinhan Investment

- Published ESG analysis materials – New Paradigm, ESG by Theme and Business
- Outline ESG issues, ESG bonds and alternative investments, and ESG impact by industry through the “New Paradigm, ESG by Theme”; and produce an ESG consensus for Korean companies in 2020 and provide analysis materials on the ESG reports of 60 companies through the “New Paradigm, ESG by Business”



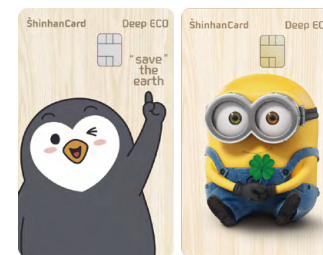
Promotion of Eco-friendly Consumption

Shinhan Bank

- Encouraged customer participation in ESG by launching the “EV-MYCAR” loan that is provided to retail customers when they purchase an electric car, and the “Green Remodeling Loan” that is provided to corporate clients when they remodel their building

Shinhan Card

- Launched the “Deep ECO Card” in October 2019 and provided services connected with various eco-friendly activities, such as automatic donation of eco-friendly points, shared mobility and recycling
- Ran the “Green Mobility Campaign” in 2020 for increased dissemination of eco-friendly vehicles and donated a certain amount to environmental organization every time a Peugeot electric vehicle was sold; and formed 100 thousand Green Mileage per one electric bus sold through the end of the year and donated it to environmental organization to support the ECO Zone Project aimed to establish an eco-friendly park in the city center



Shinhan Card’s Deep ECO Card aimed at promoting customer’s eco-friendly activities



Shinhan Card’s Green Mobility Campaign



Issuance of ESG Bonds

- Have been active in issuing green bonds and ESG bonds for eco-friendly investment financing; and beginning with the issuance of a green bond by Shinhan Bank in 2018, other Group subsidiaries, including Shinhan Card and Shinhan Capital, are expanding the issuance of ESG bonds
- Issued social bonds and ESG bonds in 2020 to help recover from COVID-19 damages; and plan to issue bonds aimed for expanding eco-friendly businesses in 2021

ESG Bonds

(Unit: KRW billion)

		2019	2020
Shinhan Financial Group			
Social bond	COVID-19 support (USD 500 million)	578.9	542.5
Shinhan Bank			
Social bond	COVID-19 support (USD 50 million)	648.7	59.6
Social bond	COVID-19 support (AUD 400 million)	463.1	332.5
Shinhan Card			
Sustainability bond	COVID-19 support	100.0	100.0
Social bond	COVID-19 support (USD 400 million)	-	459
Shinhan Capital			
Sustainability bond	Renewable energy, low-income housing, etc.	-	200.0
Total – ESG bonds issued		1,790.7	1,693.6
Total – Total bonds issued¹⁾		17,387.8	11,406.6
Ratio of ESG bond issuance (%)		10.3	14.8

¹⁾ Total amounts issued by Shinhan Financial Group and Shinhan Bank

* Based on the basic exchange rate as of the last day of 2019 for the foreign currency-denominated bonds issued in 2019 and the issuance date for the bonds issued in 2020

ESG Bond and ESG Finance Standards

- Use the Green Bond Principle and Social Bond Principle of the International Capital Market Association (ICMA) as standards for the use of fund raised through ESG bonds and financial performance, and communicate with stakeholders as a way to align Shinhan's ESG finance with not only social and environmental values but also the UN SDGs
- Implement green finance categorizations (K-Taxonomy) in accordance with the green bond guidelines announced by the Ministry of Environment in December 2020; and plan to expand green financing according to the environmental categorization standards in Korea (K-Taxonomy)

Environmental Industry & Project

Green Bond Principle-based Categorization and Activities

Alignment with UN SDGs

New & renewable energy



Energy efficiency



Pollution prevention and control



Environmentally sustainable management of natural resources and the use of land



Eco-friendly transportation



Sustainable water and wastewater management



Adaptation to climate change



Eco-friendly buildings



Social Industry & Project

Social Bond Principle-based Categorization and Activities

Alignment with UN SDGs

Job creation, SME financing, and microfinance



Social enterprise financing



Housing finance for residential stability of the low-income class



Livelihood support, including health, education, financing, and financial services



Infrastructure for developing countries



Environmental Risk System

First Financial Group in Korea to Set Environmental and Social Risk Management Policy Framework

Shinhan Financial Group

- Selected 12 significant environmental/social areas that may have a harmful or sensitive impact in environmental/social aspects; and manage loans that are handled in the respective areas through more detailed monitoring
- Established conditional financial standards for illegal activities and the construction of coal power plants
- Set a management procedure that consists of environmental/social risk assessment of development project financing with significant environmental/social impacts because of the large scale and long period, and reflection of mitigation measures in financial contracts, if necessary

 [Environmental and Social Risk Management Policy Framework](#)

Environmental and Social Risk Management Policy Framework

Established the Environmental and Social Risk Management Policy Framework that define environmental/social risk management objectives, principles, major tasks, and roles and responsibilities

Management of Significant Areas

Selected significant environmental/social areas, managed them through monitoring and others, and established conditional financial standards for illegal activities and the construction of coal power plants

- Adopt and implement checklists to check for environmental/social effects in addition to the quantitative aspects of risk review
- Have established an environmental/social risk monitoring system to check significant areas every quarter

Environmental/Social Reviews

Set a management procedure that evaluates environmental/social risks for development project financing with significant environmental/social impacts, and, if necessary, reflects mitigation measures in financial contracts

- Review environmental/social impacts involved with the implementation of large-scale development projects; and reflect the results thereof in PF investment decisions

First Commercial Bank in Korea to Adopt the Equator Principles

Shihan Bank

- Adopted the Equator Principles, which restricts financial support in case a large development project can cause environmental-social issues, such as harm the environment or violate human rights, in September 2020; and conduct screenings that apply the “Equator Principles Screening Process” for relevant PF
- In reviewing new projects, the Bank’s organization dedicated to the Equator Principles added screening items, environmental/social risk management standards that have been adopted by global financial institutions, to all transactions that are subject to Equator Principles review
- In case of a project with a risk grade of medium or higher, it is stipulated that the borrower comply with an action plan that is designed to ease risks while the Bank continues to conduct monitoring, thereby strengthening environmental/social risk management capabilities

Relational Finance¹⁾ Using ESG Information

Shihan Bank

- Conduct a comprehensive evaluation of not only existing financial information upon the evaluation of relational finance¹⁾ but also ESG information (governance-related issues like labor disputes, industrial safety, customer satisfaction, turnover rate, employee benefits, social contribution, accounting transparency, managerial morality, and reputation)

¹⁾ A scheme by which long-term (more than 3 years) funding required by a company is provided, along with offers of long-term loans, equity investments, and management consulting, including accounting and legal services, based on long-term trust



Incorporating ESG in the Credit Evaluation Model

Shinhan Bank

- Consider ethical management, environmental issues, product liability, job creation, reputation, etc.

Creating Financial Product ESG Checklist

Shinhan Financial Group

- Created the financial product ESG check system in May 2020; and made it mandatory for departments overseeing ESG to conduct an examination and reach an agreement through the "ESG Checklist" when launching and choosing new products
- Adopted by all Group subsidiaries in June

Reflecting the ESG Principles in the "Investment Guidelines for General Accounts"

OrangeLife

- Consider the impact of economic activities and corporate governance of the investment target companies on the environment and/or society in managing assets (stocks, bonds, alternative investments)
- Select and manage significant areas on the basis of the Group environmental/social risk management system

Environmental/Social Risk Review of Project Financing

	2018	2019	2020
Total number of project financing	8	22	32
Number of projects completed the environmental/social risk review	4	11	16
Grade A ¹⁾	2	4	0
Grade B ²⁾	2	4	3
Grade C ³⁾	0	3	13

¹⁾ Project with a serious environmental/social risk and has a possibility of affecting an extensive region

²⁾ Project that is less serious than Grade A and whose impact is limited to the project site; and project that is easy to mitigate or take recovery measures

³⁾ Low Risk: Project with an insignificant or no environmental/social risk

Fossil Fuel Exposure

(Unit: KRW billion)

	2018	2019	2020
Fossil fuel exposure ¹⁾	3,985.5	5,069.2 ⁴⁾	5,812.2
Exposure in a narrow sense ²⁾	304.6	141.4	121.7
Mining industry			
Coal mining industry	176.9	40.8	30.2
Crude oil and natural gas mining industry	104.3	76.2	76.8
Service industry related to crude oil and natural gas mining	23.4	24.5	14.7
Exposure in a broad sense ³⁾	3,680.9	4,927.8	5,690.4
Manufacturing industry			
Corks and related products manufacturing industry	2.2	1.1	1.3
Briquettes and other coal product manufacturing industry	5.8	13.8	11.7
Crude oil refining and processing industry	1,518.4	1,826.1	2,651.1
Lubricant and grease manufacturing industry	48.9	59.4	57.3
Other petroleum refinery product reprocessing industry	24.0	28.4	39.3
Electricity, gas, steam, and water industries			
Thermal power generation industry	1,462.5	1,920.4	2,076.3
Gas production and pipe supplying industries	619.1	1,078.6	853.5
Ratio of fossil fuel exposure compared to total loan amounts within the Group (%)	1.40	1.65	1.71
(Group's total loan amount)	285,301	306,978	339,048

¹⁾ Energy Industry Classification Status (Korea Energy Economics Institute) – Including only mining, manufacturing, and supplying of energy-related products, excluding such activities as distribution and transportation

²⁾ Direct mining of fossil fuels (mining industry)

³⁾ Direct mining as well as manufacturing/power generation businesses

⁴⁾ Additional exposure resulting from OrangeLife's incorporation into the Group in 2019

Eco-friendly Policy

Declaration of the Zero Carbon Drive

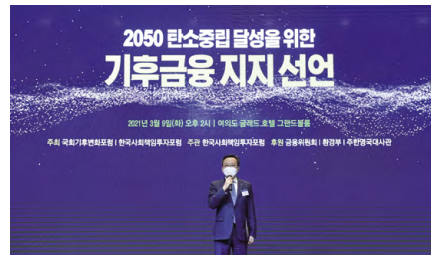
Shinhan Financial Group

- Declared the “ECO Transformation 20-20” in 2018 and have been implementing a measure that invests KRW 20 trillion in the green industry by 2030 and reduces greenhouse gas emissions by 20%; and became the first financial group in East Asia to declare the “Zero Carbon Drive” in November 2020
- Set a goal to make carbon emissions of the Group’s asset portfolio “zero” by 2050 by increasing eco-friendly financial support; and plan to reduce the Group’s own carbon emissions by 46% by 2030 and 88% by 2040, using the Science Based Target initiative (SBTi), a methodology in compliance with the Paris Agreement

[Zero Carbon Drive](#)

Shinhan Bank

- Declared “No New Coal Financing” as its commitment to practicing climate finance to achieve carbon neutrality by 2050
- Developed competitiveness in climate risk response and climate finance through declaration as a CDP signatory (2007), joining of Principles for Responsible Banking (2019), declaration of past-coal finance (2021), and satisfaction of all execution items of the Net-Zero Banking Alliance (2021)



Shinhan Card

- Supported increased dissemination of eco-friendly transportation, including electric cars and buses, in connection with the eco-friendly transportation market; and conducted activities aimed at reducing carbon emissions

Shinhan Asset Management

- Launched an ESG-exclusive fund

Group’s Principles for Responding to Climate Change

Shinhan Financial Group

- Establish the “Action Principles towards Climate Change” which defines principles required to a financial company to respond to climate change, for the first time among Korean companies, with the goal of strengthening the climate change response system at the Group level; and set 5 Climate Action Principles to limit global warming to below 1.5°C

[Action Principles towards Climate Change](#)

5 Climate Action Principles

- Recognize climate change as a key factor in Group management, and establish and pursue Group-wide response strategies.
- Promote climate financing and green financing for eco-friendly projects.
- Proactively identify and manage climate change risks.
- Reduce of GHG emissions and increase the use of renewable energy throughout the Group’s business operations.
- Strengthen governance to manage the risks and opportunities of climate change.

Stewardship Code & Customer Engagement

[Shinhan Financial Group](#) [Shinhan Life Insurance](#) [OrangeLife](#) [Shinhan Asset Management](#)

- Shinhan Asset Management, Shinhan Life Insurance, OrangeLife, Shinhan Alternative Investment Management, and Shinhan Venture Investment adopted the Stewardship Code and participated in the Group’s ESG management
- Review the mid- to long-term value or social responsibilities of investment target companies and pursue a shareholder return policy, including participating in governance improvements and increasing dividends, thus contributing to capital market advancement through the adoption of the Stewardship Code
- Each Group affiliate transparently discloses regulations on exercising voting rights on their website, details of exercising voting rights, and details of trustee responsibility fulfillment activities
- Shinhan Asset Management exercised voting rights on 18 companies to fulfill responsibilities as a trustee that manages customer assets, and sent a public letter to 242 companies to identify carbon emissions, emission reduction goals, and the status of low carbon/eco-friendly programs
- Shinhan Asset Management plans to have companies that have acquired a certain level of ESG grade account for at least 70% of the domestic equity-type public offering fund portfolio starting in 2021

Environmental Management

Environmental Management System

Shinhan Financial Group

- Minimize GHG emissions through efficient use of resources and energy
- Minimize environmental impact that may arise in business activities based on the Group's eco-friendly strategy
- Carry out systematic eco-friendly activities through the environmental management system

 [Environmental Management Standards](#)

ISO 14001

Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, and Shinhan Capital acquired the top-tier environmental management certification

Integrated Green Management System

Shinhan Financial Group

- Monitor selected environmental indices that require continued improvement through integrated green management system
- Established measurement criteria for each of the 12 indices in the areas of resource management, energy/GHG management, waste management, green management training, green products/services, and social contribution; and conduct monitoring on a regular basis to minimize environmental impact

Environmental Performance Indexes

Operational Performance			Management Performance		
Resource management	Energy/GHG management	Waste management	Green management training	Green products/services	Social contribution
Paper usage	Energy consumption	Waste generation	Green management training	Green product purchase rate	Social contribution performance
Water consumption	GHG emissions	Waste recycling rate		Green product performance	
Water recycling rate	Business trip distance				

Implementation of GHG/Energy Reduction

Shinhan Bank

- Contribute to national GHG reduction by implementing the government's reduction target every year as a GHG/energy management company
- Operate a company-wide environment and energy council on a quarterly basis to regularly monitor performance in environmental protection and energy management

Information on GHG Emissions

Provide information on Scope 1, 2, 3 GHG emissions reported data based on Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, OrangeLife, Shinhan Asset Management, Shinhan Capital and Jeju Bank

SCOPE 1

Use of fuel for heating (stationary combustion), fuel for vehicles (mobile combustion) of headquarters and branches

SCOPE 2

Indirect emissions that are generated to create electricity and steam that are purchased by headquarters and branches

SCOPE 3

External emissions caused by logistics, business trips, supply chain, and product use

GHG Emissions (Scope 1, 2)

	2017	2018	2019	2020
Scope 1+2	97,630.5	95,933.0	90,195.0	90,878.2 ²⁾
Scope 1	16,733.3	15,669.1	14,086.5	13,796.8
Scope 2	80,897.2	80,263.9	76,108.4	77,081.3
GHG emissions intensity (Employee ¹⁾)	4.6	4.6	4.1	4.2

(Unit: tCO₂eq)

¹⁾ Emissions per employee (Excluding employees at Jeju Bank, and based on full-time employees)

²⁾ Increase of GHG emissions resulting from OrangeLife's incorporation into the Group



GHG Emissions (Scope3)

(Unit: tCO₂eq)

		2017	2018	2019	2020
Scope3		19,462.5	19,158.6	18,643.2	17,549.9
Business trips	Airline (Domestic)	181.8	79.3	80.3	35.1
	Train	188.6	116.5	87.8	31.8
	Bus	47.5	9.4	12.2	1.7
Cash-in-transit	Diesel	418.6	429.3	483.9	479.0
	LPG	0.7	0.0	0.0	0.0
Purchase of Products and Services	Printing paper	4,581.2	3,613.8	3,240.8	2,870.4
	Credit card	13,128.8	13,996.4	13,569.4	12,893.2
	Bankbook	175.8	164.7	159.5	115.6
Capital Goods	Laptop	2.3	0.0	0.0	6.5
	PC desktop	28.2	112.9	134.0	192.0
	Monitor	143.0	65.1	30.4	106.5
	Printer	122.3	156.1	184.1	291.0
	LED lights (50W)	176.1	148.3	353.4	181.9
Waste	Credit card	126.0	134.4	130.3	133.9
	Bankbook	3.8	3.5	3.4	2.5
	General waste (Incineration)	26.9	31.8	64.8	64.4
	Recycled waste (Paper)	20.6	4.9	5.1	12.4
	Recycled waste (Styrofoam)	0.0	0.0	0.0	0.0
	Recycled waste (Glass)	1.9	2.6	2.8	3.4
	Recycled waste (Can)	0.0	0.0	0.0	0.1
	Recycled waste (Plastic)	0.2	0.3	0.5	0.4
Water	Tap water	64.1	65.4	83.5	126.1
	Underground water	24.2	23.9	17.0	11.8

Energy Consumption

(Unit: MWh)

	2018	2018	2019	2020
Total energy consumption	56,411.7	54,158.1	51,015.0	61,784.6
Electricity	35,395.1	34,343.1	32,548.9	40,286.8
Town gas	5,588.3	5,991.2	5,113.9	8,979.4
Gasoline	15,261.3	13,659.4	13,195.5	12,434.2
Diesel	167.0	164.5	156.7	84.1
GHG emissions intensity (Employee)¹⁾	2.6	2.6	2.3	2.8

¹⁾ Emissions per employee (Excluding employees at Jeju Bank, and based on full-time employees)

Resource Management

Shinhan Financial Group

- Operate the integrated green management system to manage the amount of wastes, water consumption and paper usage of Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Asset Management, Shinhan Capital and Jeju Bank
- Analyze and evaluate to determine whether the goals are achieved on a quarterly basis

Water Consumption

	2017	2018	2019	2020
Tap water	192,978.0	197,136.0	289,410.0	379,940.0
Underground water	72,813.0	71,903.0	51,321.0	35,662.0

(Unit: m³)

Waste Discharge

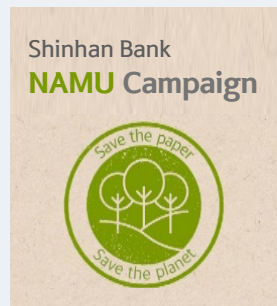
	2017	2018	2019	2020
General waste	324.8	377.4	444.9	523.9
Recycled waste	117.4	136.6	99.3	165.1

(Unit: Ton)

Expanding Eco-friendly Activities

Shinhan Bank

- Take the lead in environmental protection by running the "NAMU¹⁾ Bankbook Campaign" that encourages customers not to use printed bankbooks until the end of 2021
- Enable all retail customers and individual business owners to participate in the campaign when they open a checking account, lump sum deposit account, and installment deposit account; and offer a "Green Badge" to participants when they access Shinhan SOL



Shinhan Card

- Launched the "Deep ECO Card" in 2019 that is made of tree material that received eco-friendly certification
- Contribute to minimizing environmental impact when the card is discarded once it expires

¹⁾ Pronounced the same as "tree" in Korean, and meaning no use of paper

Green Campaign & Leadership

Shinhan Life Insurance

- Have been running green campaigns since April 2020, such as spreading the paperless work culture, using personal mug cups and tumblers, using eco-friendly garlands, and minimizing standby power



Please create a paperless work culture!

(Promote paperless reports and approvals, electronic subscription, etc.)



Please use mug cups and tumblers during meetings!

(Mineral water and paper cups are not provided for executive/department head meetings, etc.)



Please use an eco-friendly garland to communicate your sentiments!

(Objet garlands, rice garlands, etc.)



Please take part in minimizing standby power when you go out!

(Lunch time: Monitor, Leave work: PC power)

"Upcycling Plastics" Environmental Education for Elementary School Students

OrangeLife

- Provided environmental education on "new use plastics (upcycling)" to elementary school students in November 2020 in response to the sharp rise in use of disposable packaging containers due to COVID-19

1,656 participants



Received the Presidential Commendation at the "2020 Eco-friendly Technology Promotion-Consumption Facilitation Merit"

Shinhan Bank

- Chosen as the best organization in the category of practicing a low-carbon life and received the Presidential Commendation at the "2020 Eco-friendly Technology Promotion and Consumption Facilitation Merit" Award hosted by the Ministry of Environment in December 2020



Going Paperless

Shinhan Financial Group

- Expanded eco-friendly financial services, by adopting paperless teller windows and expediting digital transformation
- Conducted campaigns jointly participated by customers to minimize paper usage

Shinhan Bank

Mobile Bankbook Event

- Conducted a campaign aimed at promoting to use less paper to save the Earth
- Provided points and tumblers on a first-come-first-served basis to customers who created a mobile passbook (August-October 2020)

Shinhan Card

Less Printing Campaign

- Less printouts campaign: Reduced printouts of an annual 70 thousand documents
- Digitalization of printed mail statements: Reduced use of an annual 200 thousand paper statements and mailing envelopes

Shinhan Life Insurance

Mobile Letter Campaign

- Ran a campaign to promote use of mobile information letters (April-July 2020)
- Established a document improvement system through the scraping service and picture-taking function (December 2020)
- Mobile letter perusal success rate: 10.9% in March → 16.2% in December

OrangeLife

Expansion of Digital Services

- Expanded mobile services using digital services, including information letters, insurance policy, and terms
- Launched simple, convenient digital services through digital media, including premium reduction, cancellation of special policy conditions, and beneficiary change

Paper Usage

	2018	2019	2020
Paper	542.8	410.1	459.7

(Unit: Ton)

Practicing Eco-friendly Management

Shinhan Card

Adoption of Hybrid Vehicles

- Replaced internal combustion engine vehicles used for work with eco-friendly vehicles as a way to take part in reducing GHG emissions by reducing exhaust gas that is discharged from vehicles
- Hybrid vehicles accounted for 30.9% of work vehicles in 2020
- Plan to build an electric vehicle-charging infrastructure and expand energy efficiency-improving facilities, while also expanding eco-friendly management aimed at reducing use of disposables

Shinhan Investment

Adoption of Electric Vehicles

- Have been replacing vehicles used for work with electric vehicles since 2018; and set up electric vehicle-charging facilities

Shinhan Life Insurance

Enhancement of Environmental Awareness

- Conducted a green leadership campaign, targeting the CEO, executives, department heads, and managers (branch managers, team leaders, etc.) in 2020, with a focus on environmental protection and energy saving, thereby spreading positive influence within the company

OrangeLife

Expansion of Eco-friendly Purchasing

- Have been offering additional points to products with high energy efficiency, eco-friendly, recycled product certifications and social enterprise certifications in the company's internal purchase management regulations since 2020, expanding eco-friendly purchasing
- Provided cooler bags that used renewable PET, a recycled material, to customers as a way to expand eco-friendly management activities

Environmental Investment

	2018	2019	2020
Amount of environmental investment	6,651	6,720	9,781
Purchasing eco-friendly IT products	4,676	4,984	7,007
Purchasing LED lights	599	1,186	1,224
Replacing old facilities	1,375	550	1,550

(Unit: KRW million)

Environmental Management & Environmental Information Disclosure

UNEP FI Principles for Responsible Banking and Sustainable Insurance

Shinhan Financial Group

- Participated in the “United Nations Environment Programme Finance Initiative (UNEP FI) Global Roundtable” held in Paris, France in November 2018; and jointly enacted and announced the “Principles for Responsible Banking” and then joined in September 2019 to expand global financial leadership at the Group level

Shinhan Bank

- Joined the Principles for Responsible Banking (PRB) in September 2019

Shinhan Life Insurance

- Joined the Principles for Sustainable Insurance (PSI) in March 2020, implementing leading eco-friendly financial strategies
- Plan to implement distinctive ESG management by incorporating ESG factors in overall management, including insurance company management strategies and development of products and services

Chosen as UNEP FI GSC Asia Pacific Banking Sector Representative

Shinhan Financial Group

- The Group’s Deputy President & Chief Strategy and Sustainability Officer (CSSO) Park Sung-Hyun was appointed as the UNEP FI Global Steering Committee (GSC) Asia Pacific Banking Sector Representative in November 2020.
- Became the first company in Korea to produce a UNEP FI GSC Representative, an outcome of receiving international recognition for performing leading roles in promoting green financing in Korea

UNEP FI Finance Initiative

Supporting TCFD

Shinhan Financial Group

- Became the first company in Korea to publicly declare support for TCFD and its recommendations; and published the Group’s first TCFD report in 2019
- Shinhan Asset Management became the first asset manager in Korea to declare support for the TCFD; and is strengthening green financing and responsible investing strategies
- Plan to reflect climate change factors in the overall asset management business, including policy, investment process, and product development

TCFD Report

Joining SBTi and PCAF Aiming for Carbon Neutrality of Asset Portfolio

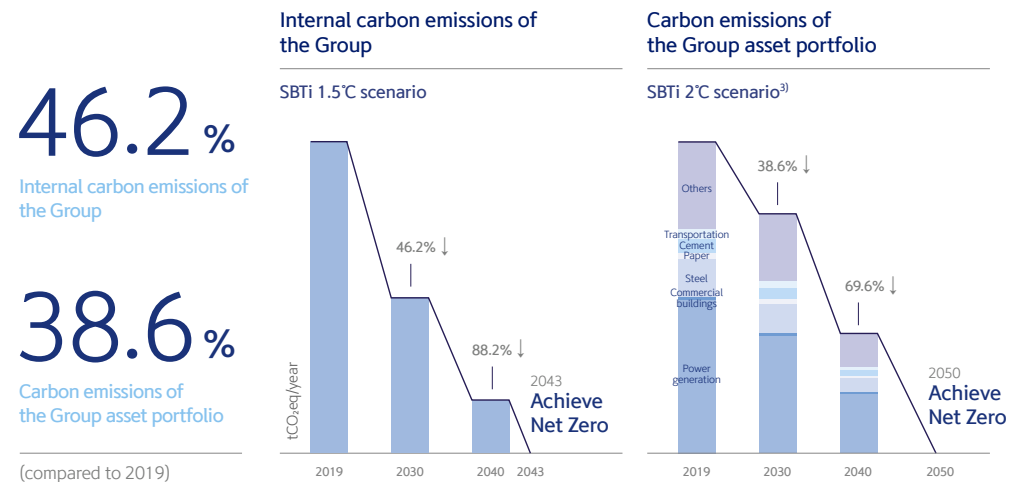
Shinhan Financial Group

- Became the first financial company in Korea to join the Partnership for Carbon Accounting Financials (PCAF), an initiative on carbon emissions measurement, in November 2020
- Plan to reduce the Group’s own carbon emissions by 46% by 2030 and 88% by 2040 in order to comply with the Paris Agreement
- Joined the Science Based Target initiative (SBTi) to further upgrade the Group’s carbon emissions measurement model and to receive international verification for emissions reduction goals; and review the status on a quarterly basis
- Disclose carbon emissions information when making public announcement of quarterly business results of the Group

1Q 2021 Business Results (P. 16)

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)



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
³⁾ The target for each sector reflects the Beyond 2 Degree Scenario (B2DS) set by the International Energy Agency’s Energy Technology Perspectives – the B2DS refers to well-below 2°C, which seeks to restrict the rise in temperatures more than the 2°C scenario (around 1.75°C increase by 2100, net zero by 2060)



Steering in the desirable way

Shinhan Financial Group
2020 ESG Highlight (P. 9)



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.



Innovative Finance

Triple-K Project

Shinhan Financial Group

- Carry out the “Shinhan Triple-K Project” which consists of “Korea Cross Country, Korea to Global, and K-Unicorn”, to build an innovative growth ecosystem in Korea
- Launched the “S² Bridge (Shinhan Square Bridge)”, a new innovative startup platform brand, and integrated the names of startup platforms that are being established in major cities across the nation
- Help startups grow into unicorn companies through the startup accelerator program; and support startups’ advancement into the global market through collaboration with global accelerators



Shinhan Future’s Lab

Shinhan Financial Group

- Held the “Weekly Pitch Day” every Wednesday from August to October 2020 to provide opportunities for Shinhan Future’s Lab companies to engage in regular IR activities
- Chose 32 companies for the 7-1 class of “Shinhan Future’s Lab” as of February 2021; provide “S-Membership” benefits of nurturing and investment for each development stage of a startup, lease of office space, and mentoring; and offer business expansion opportunities through collaboration with the Group subsidiaries and large enterprise partners
- Chose ESG startups, in line with the ESG management strategy, in addition to the previous recruitment areas



Providing Consulting for Scale-up of Startups

Shinhan Bank

- Provide customized consulting to startups with less than seven years of business experiences since their founding to achieve joint growth by establishing partnerships, from a long-term perspective, with SMEs, ventures, and innovative companies
- Offered 56 cases of consulting to SME startups in 2020

Greatest Number of Products Registered in the Financial Data Exchange

Shinhan Card

- Advanced into the data business in 2014, in order to preoccupy the rapidly expanding data industry market; have been conducting an accumulated cases of 370 big data projects, based on which the company developed 65 types of various data products and registered them in the Financial Data Exchange
- Sell data on the analysis of COVID-19’s impact on consumption as a way to contribute to small business support policies and regional economy-vitalizing policies, and to help companies establish marketing strategies to better respond to changing consumption patterns

Innovative Finance Performance

(Unit: KRW billion)

		2018	2019	2020
Loan	Technological finance	9,598.1	12,558.1	19,865.9
	Job creation & innovative growth guarantee loan	383.5	1,699.3	2,897.1
	Loans secured by IP	-	89.1	335.1
	Loans secured by moveable assets	18.8	52.0	154.1
Loan total		10,000.4	14,398.5	23,252.2
Investment	Shinhan Future’s Lab	1.6	8.8	8.5
	Discovery			
	Company discovery investment	12.3	27.4	20.8
	Finance for new tech companies	13.8	35.6	51.0
	Nurturing			
	Company nurturing investment	234.8	270.7	231.6
	Shinhan BNPP FoFs	100.0	180.0	150.5
Government matching fund	0.0	51.1	80.0	
Social enterprise fund	9.0	14.5	7.5	
Investment total		371.5	588.1	549.9

Inclusive Finance

Success Do Dream Program (SOHO)

[Shinhan Bank](#)

- Changed the method of SOHO consulting to a non-face-to-face platform amid the prolonged COVID-19 situation; and the Shinhan SOHO Academy adopted a non-face-to-face education method to strengthen SOHO client competencies, including branding, marketing, and business know-how
- Worked together with customers who had completed the Shinhan SOHO Academy to donate 10,000 “Hope Lunch Boxes” as a way to help small business owners hit by COVID-19 and to support meals for socially vulnerable groups
- Run a customized education program aimed at helping self-employed businesses with tax, legal affairs, and business district analysis; and have been producing videos on the support system and post-COVID-19 strategies for self-employed businesses in partnership with Financial Supervisory Service since September 2020

“Valuable Bag” to Sell Products of Small Businesses and SMEs

[Shinhan Card](#)

- Opened an exclusive hall for products of small business owners and SMES in the “All That Shopping”, the company’s online shopping mall, in March 2020 to facilitate their business; and provided support to facilitate product sales through PR videos and promotions
- Opened the “All That Jeju Hall” in April 2020 to sell local products of Jeju, in partnership with the Jeju Agriculture Industry Support Center and social enterprises in Jeju, thus contributing to regional development as well as local small businesses

Credit Evaluation Model for Small Businesses

[Shinhan Card](#)

- Developed a credit evaluation model that reflects individual business owners’ repayment capabilities through merchant sales information, etc.; and applied it to credit evaluations
- As of November 2020, seven Group subsidiaries, including Shinhan Bank, Shinhan Capital, Shinhan Life Insurance, and Shinhan Savings Bank, use it for SOHO loan screening

[Shinhan Bank](#)

Ranked first in microfinance for 7 years in a row as of December 2019; and inducted into the Hall of Fame in 2020

7 years in a row

Support for Small Businesses to Overcome the COVID-19 Crisis

[Shinhan Bank](#)

- Implemented a quick settlement service for small business owners to help SOHO clients and small businesses hit by COVID-19 secure short-term liquidity
 - Small businesses can receive a sales payment on the following day of sales which they previously received as long as 20 days after sales, which considerably reduces the payment period and supports small businesses in securing short-term liquidity funds
- Provided an export safety net insurance policy, free of charge, that covers 95% of the loss amount and up to an annual USD 20 thousand if an export company suffers a loss because it did not receive payments from an import company in China
- Exempted non-face-to-face channel fees to ease the financial burden of customers in Daegu and North Gyeongsang Province, which was a special COVID-19 management region
- Ran the “Our Neighborhood-Rooting Program” that posts advertisements of small businesses on electric signs and digital posters set up in branches of the Bank, free of charge, and the “Kind Advance Payment Campaign”

[Shinhan Card](#)

- Provided financial support for the financially vulnerable, including a 30% reduction in the interest rate for business fund loans provided to small business and SME merchants with annual sales of no more than KRW 500 million to help SMEs and small businesses that are experiencing difficulty due to COVID-19, as well as an interest-free two-three months installment plan and deferment of charging the payment amount
- Provided “weekend loans” based on card payment approval amount to help resolve business difficulties of small merchants that experience difficulty in securing operating funds because card sales payments are not made during weekends

[Shinhan Life Insurance](#)

- Ran the “Healthy Food-Sharing Campaign” that involves purchasing fruit, vegetables, etc. from small businesses and delivering them to underprivileged families to realize win-win between small businesses and local communities; and created and provided a “Chuseok Gift of Love” kit for seniors living alone

[Jeju Bank](#)

- Designated each Friday lunch as “Day of Using Restaurants in the Side Streets” for 200 employees to help small businesses in the side streets that were suffering from a reduction in the number of tourists and a downswing in consumption due to the prolonged COVID-19, contributing to the vitalization of the sluggish local economy

Leading Mid-Interest Rate Loans for Low-Income Households

Shinhan Financial Group

- Have been operating the “Smart Loan Center” since 2018 which is an integrated mid-interest rate loan-specializing platform where users can apply after comparing mid-interest rate loan products of the Group subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Life Insurance, and Shinhan Savings Bank
- Customers can subscribe after comparing several affiliates’ mid-interest rate loan product interest rates and ceilings, etc., thus allowing them to choose an advantageous product according to conditions, such as the ceiling and interest rate

Mid-Interest Rate Loan Size of the Group Subsidiaries

2,159.6 KRW billion	2,626.5 KRW billion	3,615.6 KRW billion
2018	2019	2020

Financing for Low-Income Households

(Unit: KRW billion)

	2018	2019	2020
Total	2,314.0	2,859.7	3,615.6
Shinhan Bank			
New Hope Spore Loan	635.4	637.0	464.8
Shinhan Sunshine Loan	11.7	192.1	395.4
Shinhan New Hope Dream Loan	1.9	1.6	0.9
Shinhan Stepping-Stone Loan	1.1	1.9	0.2
Mid-interest rate loan for the working class	159.5	115.6	99.6
Household Debt Healing Program (Credit Loan 119)	948.2	1,072.5	1,135.3
Products for social enterprises	33.4	51.3	32.3
Mid-interest rate loan	0.0	26.4	595.7
Shinhan Card			
Security deposit loan (Housing for low-income households only)	107.8	94.7	73.8
Business fund loan	46.6	138.5	108.7
Jeju Bank			
New Hope Spore Loan	7.1	5.1	2.7
Mid-interest rate loan for the working class	0.6	0.3	0.0
Shinhan Savings Bank			
Sunshine Loan	235.6	378.6	561.7
Mid-interest rate loan for the working class	51.8	57.4	49.2
Shinhan Hug Loan	73.3	86.7	95.3

Inclusive Finance Support for Platform Workers

Shinhan Card

- Developed the “card-based income advance settlement service” to shorten the wage settlement cycle for platform workers; and operate the service in collaboration with LINKASIA – when a platform worker applies for the service on the LINKASIA website, the worker’s income, which used to be paid on a monthly basis, can be accumulated as an amount for credit card use every week

Support for the Underprivileged Children

Shinhan Bank

- Have been implementing the Stepping Seed Savings program since 2007
- Provided a total KRW 8.4 billion through 2020 through employee sponsorships; and offered e-gift certificates to the underprivileged receiving child allowances in partnership with Ministry of Health and Welfare

Other Inclusive Finance

(Unit: KRW billion)

	2018	2019	2020
Shinhan Bank			
New Hope Installment Savings	73.1	24.4	32.8
Shinhan Smile Dream Savings	0.4	0.1	0.1
Deposits			
Shinhan Youth Dream Savings	110.9	71.7	16.3
Stepping Seed Savings	32.5	38.0	49.9
Yellow Umbrella deduction for small businesses/merchants	46.7	34.7	31.9
Others			
Microfinance ¹⁾	16.2	13.7	13.1
Mid-term Healing Program	287.8	266.5	157.7
Fee discount for socially vulnerable groups	0.6	0.2	0.3
No. of financial service fee exempted accounts for financially vulnerable groups (cases)	198,277	200,530	221,214
No. of newly opened financial service fee exempted accounts for financially vulnerable groups (cases)	362,529	359,898	383,531

¹⁾ Cumulative no. of cases of microfinance: 14,607 (as of 2020)

(Unit: KRW million)

	2018	2019	2020
Shinhan Life Insurance & OrangeLife			
Shinhan Life Insurance			
Premium discount for socially vulnerable groups	53.3	58.2	50.9
Deferred payment of insurance premiums for households hit by disaster	11.8	15.4	1,772.9
OrangeLife			
Deferred payment of insurance premiums for households hit by disaster	-	-	220.3

Support for Vulnerable Groups

Youth Debt Total Care

Shinhan Financial Group

- Support youths who are experiencing financial difficulty due to a tuition loan by providing employed youths with a Korean nationality who are no more than 34 years old who are overdue on their tuition loan payment
- Provide financial support amounting to a maximum KRW 3.22 million a year per person, including the hope support fund, a credit rating improvement, and a job competency reinforcement subsidy; and offer the KCB credit education program for credit recovery

Support for Career-interrupted Woman

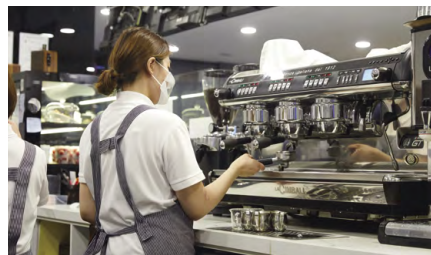
Shinhan Financial Group

- Signed a memorandum of understanding (MOU) with Ministry of Gender Equality and Family to provide a training allowance to 5,000 underprivileged women a year, among job training participants at the Career Development Center for Career Interrupted Women
- Provide a monthly KRW 1 million training allowance for three months, employment support fund, and congratulatory gift for maintaining employment to persons who were chosen for the Hope Challenger 100 program

Job Support for the Disabled

Shinhan Bank

- Changed "Vocational School in City Center: Café Do Dream", which has been running for out-of-school youth since 2018, into an employment support program for the disabled, who are more vulnerable in finding a job
- Support employment training and hiring of the hearing-impaired by sponsoring social cooperatives which run the business for the underprivileged employment; and help the disabled become socially and economically independent by offering professional barista trainings and field internship programs at the "Café S with", which was created in an unused space at Shinhan Bank headquarters



Support Program for Self-Employed Businesses

Shinhan Financial Group

- Operate the program which involves providing business support software to business sites that receive the government's job stability fund, social enterprises, standard workplaces for the disabled, and other business sites that need support
- Provide the "Shinhan SOHO Success Project Ansim¹⁾ Management Pack", free of charge, which consists of four services essential for store operations – PR on store location, help-wanted ads for part-time jobs, card sales inquiry, commute management – to outstanding small business owners and self-employed businesses that observe minimum wage and strive to improve workers' work environment



"Shinhan THE Dream Sarangbang" to Support the Silver Generation

Shinhan Bank

- Run the "Shinhan THE Dream Sarangbang" project to build an informatization education environment for the silver generation based on an MOU signed with Ministry of Health and Welfare and Korea Association of Senior Welfare Centers to enhance the welfare of the silver generation
- Select some 20 facilities year to support the improvement of information classrooms and rest areas; and have been supporting environmental improvement of information centers at 61 senior welfare facilities across the nation since 2018 as of 2020

¹⁾ Meaning "safe" in Korean

Growth Support

Job Support Program

Shinhan Financial Group

- Operate the “Shinhan Global Young Challenger (GYC)”, a youth overseas employment support program, through the Shinhan Financial Hope Foundation, and choose youths who want to work overseas and provide one-stop support, ranging from systematic training to matching for overseas employment
- Support job matching between outstanding SMEs and talent to resolve the youth employment issue, such as job polarization



Education Support Program

Shinhan Financial Group

- Run the “Hope School Software Class”, a software education program for special school students, to remove the digital gap between the disabled and non-disabled and to create a world without discrimination
- Provided education to around 1,400 disabled students at approximately 50 schools through 2019 so that anybody can prepare for life in the Fourth Industrial Revolution era as a person with self-determination abilities without being restricted by disability; and provided coding, IT education, finance education, and others to more than 50 special schools in 2020



Hope School Software Class

Shinhan Bank

- Operate the “Shinhan Children’s Financial Experience Class”, an experiential financial program for elementary school students that is run based on employee talent donation; and provided everyday financial education for the financially underprivileged, such as “Financial Experience Class on the Wheel” for youths on islands and in mountainous areas where it is difficult to access banks and “Everyday Financial Education” for youths with developmental disabilities

Shinhan Card

- Opened the Areumin Financial Friend website (<http://www.easyarum.com>) to enable free non-face-to-face use of financial education materials

OrangeLife

- Provided the “Orange Finance Class” through the online contact method to around 4,600 middle/high school students across the nation to offer education on simple financial transactions and establishment of a future asset plan and also to offer financial industry career exploration services

No. of People Who Received Financial Education

(Unit: Person)

	2019	2020
Total	156,577	75,243
Shinhan Bank	114,936	58,475 ¹⁾
Shinhan Card	15,801	7,005
Shinhan Investment	4,186	1,949
Shinhan Life Insurance	11,944	2,872
OrangeLife	4,416	4,659
Shinhan Capital	41	- ¹⁾
Shinhan Asset Management	100	- ¹⁾
Jeju Bank	5,003	224
Shinhan Savings Bank	150	59

¹⁾ Face-to-face education was not conducted due to COVID-19

Shinhan Life Insurance

- Carried out the “Winter Meal Support Campaign” which connects small businesses and residents in a village of tiny one-room residences and implements social win-win
- Purchased coupons from small side street restaurants and provided them to around 1,000 residents in a village of tiny one-room residences near Seoul Station; and delivered packed lunch to residents who have mobility difficulties

Shinhan Card

- Provided a stage to the culture and arts industry hit by COVID-19 through “Digital Stage” a contactless performance program
- Have been running the “Areumin Volunteering Festival” to help the underprivileged every year since 2013
- Created braille sense-of-touch books for the visually disabled, “Areumin Dream Box” that consists of hygiene products for children who are hospitalized for a long time, and masks for hygiene and health of underprivileged seniors
- Have supported a total of 508 libraries through the “Areumin Library” since 2010; and opened the Digital Theme Areumin Library, where users can enjoy e-books and other digital contents, in 2020

Financial Education Programs Offered by the Group Subsidiaries

Shinhan Bank

- Shinhan Children’s Financial Experience Class
- Career Experience Class
- One Company, One Financial Education
- Everyday Financial Education for Youths with Developmental Disabilities
- Financial Education for North Korean Defectors and Youths
- Financial Experience Class on the Wheel
- Financial Education Musical
- Online Financial Education Center
- Virtual Bank Tour

Shinhan Card

- One Company, One Financial Education (Areumin Financial Class, Areumin Financial Expedition)
- Shinhan Card Areumin Financial Friend (for slow learners and digitally vulnerable people)

Shinhan Investment

- One Company, One Financial Education (Compassionate Finance Camp)

Shinhan Life Insurance

- One Company, One Financial Education (Happy Finance Academy)

Shinhan Financial Hope Foundation

- Shinhan Dream Dodamteo (for elementary school students)
- Youth Debt Total Care

Social Contributions

(Unit: KRW billion)

Social Contribution Expenditures	2018	2019	2020
Social contribution investment amount	181.8	227.0	201.6
Charitable donations ¹⁾	81.2	69.5	81.9
Investment in local community ²⁾	69.6	122.1	94.2
Commercial initiatives ³⁾	31.0	35.3	25.5

¹⁾ Donation of cash and goods, sponsorship for culture and the arts that is not part of a marketing strategy, matching funds, employee volunteering time and costs, etc.

²⁾ Donations to partner organizations important to community strategies or employee dispatch and training programs to promote local employment

³⁾ Community activities for the company’s direct success, such as increasing brand awareness through support for colleges and event sponsors, and product and service promotion (only the amounts directly used for partner organizations/charities are specified)

(Unit: KRW million)

Investment Amount by Donation Type	2018	2019	2020
Cash	181,583	222,787	198,531
Converted employees’ volunteering hours from working hours	106	413	245
Volunteer service hours (hours)	234,843	69,367	30,256
Converted value of goods donations ¹⁾	68	262	404
Indirect costs ²⁾	176	3,547	2,448

¹⁾ Market value of donated products/services

²⁾ Expenses spent on program management other than those directly spent on social contribution programs

(Unit: KRW billion)

Social Enterprise Support	2018	2019	2020
All Group subsidiaries			
Loans	57.9	93.9	108.6
Goods procurement	1.2	1.0	0.3
Sponsorship and donation	0.1	3.5	0.2

Diversity Programs

Respect for Diversity

Shinhan Financial Group

- Eliminate any discrimination based on gender, race, age, religion, marriage, disability, political orientation, etc. in the process of employee recruitment, promotion, and others; and give preferential treatment to war veterans, the disabled, women whose career was interrupted, graduates of specialized vocational high schools, and others in consideration of the socially underprivileged in recruitment
- Do not discriminate concerning wage, including base pay, according to gender; and determine wages based on relevant regulations, title, position, continuous years of service, work performance, and others

[Diversity Report](#)

Diversity

(Unit: Person)

	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
Female leadership						
Management ¹⁾	10	188	14	226	16	216
Manager level ²⁾	2,427	8,207	3,006	8,669	3,247	8,594
Manager	774	1,514	1,094	1,744	1,208	1,880
Employees with national merit	387	628	410	604	406	590
Employees with disability	58	146	66	154	66	155

¹⁾ Executives and Division Heads

²⁾ Managers – General Managers

Diversity by Job Type of Shinhan Bank in 2020

(Unit: Person)

	Female	Male
Profit-generating departments ¹⁾	4,630	4,564
STEM ²⁾ departments	236	563

¹⁾ Branches, etc.

²⁾ Science, Technology, Engineering, Math

Nurturing Female Talent

Shinhan Financial Group

Shinhan SHeroes

- Launched “Shinhan SHeroes”, a female talent-nurturing program, in 2018; and produced 143 female leaders and 18 executives and department heads up to the third class through a systematic process aimed at strengthening leader capabilities, including mentoring and academy, for identification of female leaders and nurturing of talent
- Even after the end of the program, Shinhan SHeroes participants perform roles as an in-house mentor to nurture future female leaders based on the program’s virtuous cycle in which coaching and mentoring between higher and lower-level positions continually take place



Female Talent Development Program of the Group Subsidiaries

Shinhan Bank

SHeroes Blue

Shinhan Life Insurance

S-Wing

Shinhan Card

S-DIVA

Shinhan AITAS

Sai-Salon

Employment

(Unit: Person)

	2018		2019		2020		
	Female	Male	Female	Male	Female	Male	
Total number of employees	9,155	12,257	9,899	12,503	9,870	12,346	
By employment type	Management	10	184	14	221	16	216
	Full-time	8,714	11,037	9,333	11,134	9,398	10,819
	Part-time	431	1,036	552	1,148	456	1,311
By age	Under 30	1,100	811	1,523	958	1,538	822
	30-50	7,570	8,678	7,226	9,307	7,487	8,131
	Over 50	442	3,045	536	3,031	690	3,497

No. of New Employees*

(Unit: Person)

	2017		2019		2019		2020	
	Female	Male	Female	Male	Female	Male	Female	Male
New employee hires								
Under 30	128	156	402	337	330	263	204	173
30-50	54	140	100	99	61	140	75	116
Over 50	-	11	3	14	15	11	-	14

* No. of new employees hired by Shinhan Bank, Shinhan Card, Shinhan Investment, Life Insurance, and OrangeLife (excluding employee transfers among the Group affiliates and reemployment after retirement)

Internal Hire Rate for the Open Positions at Shinhan Bank

(Unit: %)

	2017	2018	2019	2020
Internal hire	96.9	87.9	92.5	96.4

Employee Turnover

(Unit: %)

	2017	2018	2019	2020
Employee turnover rate ¹⁾	3.4	6.0	2.8	2.6
Voluntary employee turnover rate ¹⁾	1.7	1.5	1.2	0.9

Employee turnover rate¹⁾

		2017	2018	2019	2020
By gender	Female	1.3	3.0	0.9	0.7
	Male	2.2	3.0	1.8	1.9
By age	Under 30	0.6	0.6	0.5	0.3
	30-50	1.1	3.2	0.8	0.6
	Over 50	1.7	2.2	1.5	1.7
By position	Management	-	-	-	0.0
	Manager level	2.0	4.1	1.6	1.8
	Staff	1.4	1.9	1.1	0.8

Voluntary employee turnover rate¹⁾

		2017	2018	2019	2020
By gender	Female	1.2	1.0	0.9	0.6
	Male	0.5	0.5	0.3	0.4
By age	Under 30	0.6	0.6	0.5	0.3
	30-50	1.0	0.9	0.7	0.5
	Over 50	0.0	0.0	0.0	0.0
By position	Management	-	-	-	0.0
	Manager level	0.3	0.1	0.1	0.1
	Staff	1.4	1.4	1.1	0.8

¹⁾ Based on Shinhan Bank

Family-friendly Management

Shinhan Financial Group

- Have been implementing the flexible working hours system at all the Group subsidiaries since 2017; and in 2016, Shinhan Bank became the first bank in Korea to adopt the smart working hours system, including telecommuting and flexible hours for coming to and leaving work, which was expanded and implemented throughout all subsidiaries
- Increased the number of the Group's common daycare centers; adopted reduced working hours for the entire pregnancy period; and expanded other child birth and childcare support in 2020
- Run six daycare centers in Seoul and the metropolitan area to support employee's childcare

Shinhan Bank

- Adopted the smart working hours system in 2016 to fully establish a flexible working environment
- Provide a childcare allowance for three years to employee's preschool child aged 5 to 7; and offer a paid maternity leave for 110 days which exceeds the 90-day statutory leave

Parental Leave

(Unit: Person)

	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
No. of employees scheduled to return to work in the current year after parental leave	842	21	854	25	741	34
No. of employees who have returned to work in the current year after parental leave	722	19	698	19	622	25
Percentage of employees who have returned to work in the current year after parental leave (%)	86	90	82	76	84	74
No. of employees over 12 months after returning to work in the previous year	573	9	559	18	610	19
Percentage of employees over 12 months after returning to work in the previous year (%)	72	90	77	95	95	100

Included in the "Bloomberg Gender-Equality Index" for three years in a row

Shinhan Financial Group has been expanding the scale of female leader development programs aiming at nurturing manager-level female talent, while also running diverse programs, including mentoring, theme lectures, and conferences, for career development. In particular, in 2020 we quantified such various gender equality programs as an expansion of female promotions, improvements to wage and welfare systems, and expansion of the Group common daycare centers. As a result of these efforts, Shinhan Financial Group was included in the 2021 Gender-Equality Index (GEI), announced by Bloomberg, for three years in a row.

Performance Evaluation and Compensation

Shinhan Financial Group

- All employees regularly receive a review for performance and career development, and Shinhan Financial Group maintains a level that is higher than the statutory minimum wage
- Do not discriminate based on gender; and provide the same base pay to new employees

Shinhan Bank

- Set a management by objective (MBO) target for all employees at the beginning of each year; and conduct performance evaluation based on the MBO
- Frequently share information and feedback on the performance progress status between evaluators and evaluatees; and enhance evaluation fairness and objectivity through the multifaceted evaluation through which a 360-degree multifaceted competency evaluation is carried out to deputy managers and higher level employees, share the evaluation results with evaluatees, and offer a leadership-strengthening training program to encourage employees to develop their capabilities
- Use personal performance evaluation results for promotion deliberations, personnel transfers, selection for training, etc., irrespective of whether employees are subject to bonus payment

Retirement Pension Reserves

(Unit: KRW billion)

	2018	2019	2020
Present value of defined benefit liabilities	1,842.0	2,063.1	2,182.5
Fair value of plan assets	(1,714.6)	(1,943.6)	(2,138.3)
Recognized liabilities from defined benefit plan	127.3	119.5	44.1

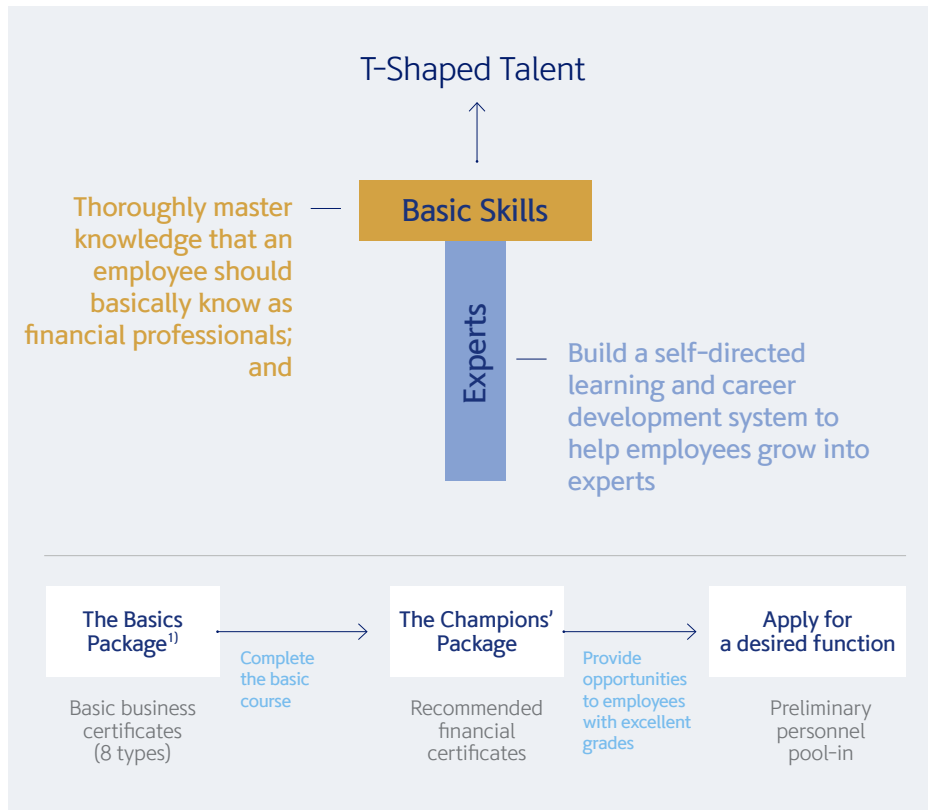
Human Resources Development

Employee Competency Building Programs

Shinhan Financial Group is securing a global key talent pool and making continued investments in order to nurture future talent.

[Shinhan Bank](#)

Job Training Direction



¹⁾ Five subjects to be completed – deposits, loans, foreign exchange, law, customer-centered (at least 75 points)

Employee Education

	Unit	2018	2019	2020
Total education hours	Hour	2,073,900	1,745,284	1,880,234
Total education expenses	KRW million	23,960	25,321	23,787
No. of employees subject to education (no. of full-time employees)	Person	19,751	20,467	20,217
Education hours per person	Hour	105	85	93
Education expenses per person	KRW million	1.2	1.2	1.2

Detailed Information on Employee Education in 2020

Education hours per person (Unit: Hour)		Education expenses per person (Unit: KRW million)	
Female: 88.6	Male: 86.0	Female: 1.2	Male: 1.1

* Based on data of Shinhan Bank, Shinhan Car, Shinhan Investment, Shinhan Life Insurance, and OrangeLife

Nurturing Digital Experts

Shihan Bank

- Operate a four-step digital training program, ranging from the digital competency-building program that is provided to all employees to the specialist course, in order to develop future competitiveness by nurturing digital-based convergent talent

Digital Training in 2020



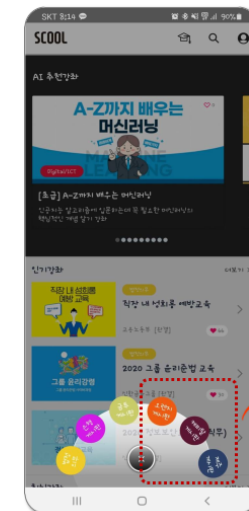
Mobile In-house Training Platform

Shinhan Financial Group

- Established Shinhan Collective Open Online Learning (SCOOL), is the Group's common digital training platform, in December 2020 to expand employees' digital training opportunities based on financial case-centered content and to efficiently run the Group subsidiaries' digital training programs in an integrated way
- Launched the "SCOOL check" in March 2021 to diagnose and evaluate employees' digital capabilities to strengthen Group-level digital transformation competencies; and helped employees self-diagnose and evaluate their practical digital skills
- Plan to measure the performance of digital training using the SCOOL check and use diagnosis results in various areas, including recruitment of digital personnel and assignment to functions that employees want; and aim to expand it to all Group subsidiaries to nurture convergent talent who are proficient at digital technology and finance

[AI recommended lectures]
AI makes recommendations based on data of members with a similar function and position per individual

[Group subsidiary-only page]
Each subsidiary's exclusive page is opened to enable training customized for each Group subsidiary



Linked to an exclusive page for each Group subsidiary

Supporting Career Development and Re-employment

[Shinhan Bank](#)

- Provide a re-employment support service program, including career planning education and support for acquiring certificates, to employees who are subject to change jobs due to involuntary reasons, with the goal of promoting employment and job stability of the elderly
- Run such various programs as a curriculum, consisting of eight subjects related to life planning and post-retirement career planning, and one-on-one career counseling with a professional counselor

[Shinhan Card](#)

- Operate a re-employment program for employees who are planning re-employment after voluntary retirement that enables them to use their expertise

In-house Startup System

[Shinhan Card](#)

- Run a wide variety of support programs, such as covering business development expenses and providing office space, aimed at spin-off and internal commercialization of outstanding in-house startups; and set a bonus system in place, such as payment of dividends, to promote in-house startups
- Adopted the in-house startup system in 2016 and ran the "I'm Ventures", an in-house venture nurturing program, to nurture "CV3", an in-house startup specializing in shopping information curation, which went through a spin-off and became an independent corporation in February 2021. With the spin-off, Shinhan Card made an equity investment worth KRW 200 million, and Shinhan Financial Group plans to provide various benefits, such as providing an office space through the Shinhan Future's Lab, as well as incubating training, mentoring, IR, etc.

Organizational Culture

[Shinhan Bank](#)

Full Adoption of an Agile Organization

Shinhan Bank adopted an agile organization to quickly and flexibly respond to the sharply-changing environment. Around 240 employees are working in the agile organization that consists of two Tribes and 17 Squads under the Tribes. Top management sets the company's strategic goals and direction, and the authority to make and execute decisions to achieve the goals is delegated to working-level employees. End-to-end authority is given so that a Squad, which is a cross-functional organization for enhanced efficiency of interdepartmental collaboration and increased speed in handling work, takes charge of the entire process of a project.

Spreading the Horizontal Organizational Culture

[Shinhan Bank](#)

- Increased decision-making speed and strengthened business execution capabilities by reducing top management's positions from three steps – deputy president, assistant deputy president, director – to two steps – deputy president and director
- Removed such positions as managers and deputy managers and unified titles, in order to spread the horizontal organizational culture; and use "pro" at some departments

Smart Work

[Shinhan Bank](#)

- Built "MOLI-mate", a smart working platform application, in October 2020, enabling all employees to handle work using a smartphone no matter where they are, including customer sales, internal management, training, and compliance
- Use "MOLI", an AI knowledge management system, to handle such diverse work as recommending Jeonse loan products and inquiring loan limits



[Shinhan Card](#)

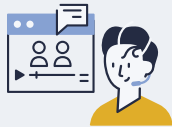
- Set up the Smart Working Place (SWP) by region to establish a work environment that enables employees who have family or friends in a regional area to handle headquarters work in the respective regional area
 - Provide opportunities for employees working in regional areas to develop a new career, other than working at a branch
- Have applied robotic process automation (RPA) to around 100 work processes, ranging from credit card customer recruitment, screening, and issuance to settlement of accounts, auto finance, and sales support, within two years since its adoption, resulting in time-saving of around 60 thousand hours a year
- Ensure business continuity in the event of an emergency situation on the back of the remote working system using RPA

Communications in the Workplace

Shinhan Financial Group

- Hold regular meetings to discuss improving employees' work environment and enhancing welfare, improving productivity and work engagement, facilitating the organization, promoting communication, and other matters
- Strive to create a healthy work environment by operating a counseling and reporting channel for handling of employee grievances and by quickly handling them

Held a "One Shinhan Panel" Employee Ontact Meeting



In May 2020, Shinhan Financial Group held a regular meeting of the "One Shinhan Panel" through the Group's video conference system. The One Shinhan Panel is an opinion leader group that consists of working-level employees and is aimed at strengthening competitiveness and performing think tank roles within the Group. At the meeting, discussions were held on various ideas regarding the Group's strategic direction based on the theme, "ontact", meaning online contact. Also, details were finalized on the direction of improving the Group's internal online collaboration system after analyzing online collaboration solutions that are used outside the Group. As the COVID-19 situation is prolonged, Shinhan Financial Group will spread the ontact communication culture within the Group so as to give deep thought to and develop ontact-based communication with all customers, in addition to employees.

Shinhan AITAS - Launched the S-WAY Application



Shinhan AITAS opened the S-WAY, an in-house communication application, in January 2020, and provides various functions, including anonymous social media, group social media, in-house grievance reporting, and complimenting colleagues. Points are received by making posts, replies, and compliments, and these points can be exchanged into various products. Employees are communicating actively through the S-WAY.

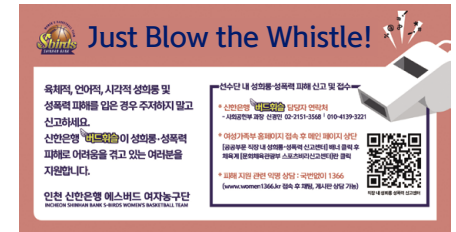
Grievance Handling

Shinhan Bank

- Operate the "Bird Whistle", a sexual harassment and sexual violence reporting hotline to enhance accessibility of female athletes, who can be passive toward sex crime-related reporting and counseling, thereby protecting their rights and interests

Jeju Bank

- Operate "Jeju Guardian", which is used to report violations, such as discriminatory treatment of employees



Protection of Customer Center Staff

Shinhan Bank

- Set various support systems in place to protect the human rights of customer center staff in tandem with changes in the perception of emotional labor and the work environment, and to enable them to be passionate about their job and work happily
 - Grievance handling hotline: Grievance Handling Committee (receiving reports on grievances, held once a quarter), anonymous grievance box on the Intranet
 - Counseling treatment system: Counseling and coaching by Korea Employee Assistance Program Association experts, operation of a healing center program
 - Distribution of a manual on protecting emotional workers, health management education for emotional workers

Employee Health

Shinhan Financial Group

- Observe “social distancing” among all employees according to government guidelines to prevent the spread of COVID-19; and have established and strictly comply with quarantine guidelines to protect business site safety and employee health

Shinhan Financial Group's Quarantine Guidelines

Category	Daily quarantine	Regional spread phase		Nationwide spread phase	
	Phase 1	Phase 1.5	Phase 2	Phase 2.5	Phase 3
Vacation, telecommuting Work separately	Autonomous work based on department head decision (10% are working separately, such as TFT)		Mandatory telecommuting of 30% of department employees		Mandatory telecommuting of 50%
Employee gathering	Limited to no more than 8 persons	Limited to no more than 4 persons		Prohibited	
Headquarters access control	Discuss with the Comprehensive Situation Room	Prohibited		Prohibited	



Comply with quarantine guidelines at branches



Installed acrylic divider at branches

Safety and Health

	Unit	2017	2018	2019	2020
Industrial accidents	Case	4	12	7	5
Days of absence due to industrial accidents	Day	79	242	196	459
Absence rate	%	0.0015	0.0045	0.0035	0.0083
Work loss hours	Hour	632	1,936	1,568	3,672
Total work hours	Hour	43,434,000	42,824,000	44,804,000	40,434,000
Accident rate	%	0.0184	0.0560	0.0312	0.0225

Labor-Management Relations

- Among 15,839 persons eligible to join labor associations (labor union, labor-management council) of nine companies – Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, OrangeLife, Shinhan Asset Management, Shinhan Capital, and Jeju Bank – 97% or 15,358 persons joined a labor association

Collective Bargaining

	2018	2019	2020
No. of people eligible to join labor associations	15,926	16,016	15,839
No. of people with labor association membership	15,592	15,570	15,358
Labor association membership rate (%)	97.9	97.2	97.0
No. of people eligible to join labor union	15,429	14,800	14,624
No. of people with labor union membership	15,095	14,537	14,322
Labor union membership rate (%)	97.8	98.2	97.9

(Unit: Person)

Employee Satisfaction

Shinhan Financial Group

- Conduct the “Shinhan WAY Survey” via mobile channels on all employees of the holding company and the Group subsidiaries by gender. In 2020, 19,316 employees participated in the survey, and the overall level of satisfaction in the organizational culture was 4.1 points out of 5 points, a year-on-year rise of 0.1 point

Result of Shinhan WAY Survey

	2018	2019	2020
Employee satisfaction level	4.0	4.0	4.1

(Unit: Point)

Guiding toward sustainable change

Shinhan Financial Group
2020 ESG Highlight (P. 20)



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.



Corporate Governance

Governance Policy

Shinhan Financial Group strives to secure transparency, soundness, and stability of its governance system, and to establish a governance structure that reflects the Group's growth paths and organizational culture as a way to promote long-term development and protect the interests of stakeholders, including shareholders and financial consumers. In an ESG evaluation conducted by Korea Corporate Governance Service (KCGS) under the Korea Exchange, we have been receiving A+ at the overall grade since 2015 and were the only one to receive an S rating in the governance category in 2017. In addition, we have continued to receive the highest rating of A+ even when a more advanced evaluation model began to be applied to financial institution governance assessments in 2018. In 2020, we received recognition for our efforts to build a stable responsible management system based on active BOD activities and was awarded the "2020 Best Company Award in Governance". We actively disclose our governance-related standards, procedures, and outcomes through our annual corporate governance report and website to ensure transparent corporate governance.



[Disclosures of Corporate Governance](#)

[Disclosures of Board of Directors](#)

Composition of the BOD

Shinhan Financial Group's BOD consists of no more than 15 directors, in accordance with Article 36 of the Articles of Incorporation, Article 3 of the Internal Code of Corporate Governance, and Article 5 of the BOD Regulations. It is stipulated that independent directors account for at least a majority of BOD members, and in actual operations, of the total 14 members, 12 are independent directors and one is an independent non-executive director (independent director ratio of 85.7%), reflecting stricter application. Since March 2010, it has been stipulated in Article 45 of the Articles of Incorporation that the BOD Chairperson be separated from the CEO and that the BOD Chairperson be appointed from among independent directors, thereby realizing independent director-centered BOD operation value. In March 2021, Independent Director Lee Yoon-jae was appointed as the BOD Chairperson.

[Articles of Incorporation](#)

[BOD By-law](#)

Independent Director Appointment Process and Criteria

We appoint or reappoint the BOD members individually, on an annual basis, at an annual general meeting (AGM) after verifying candidates who satisfy the "independence" and "expertise" that are required by internal regulations and external laws through an impartial process, in accordance with the Regulations of the Independent Director Recommendation Committee. A reputation inquiry is conducted by an outside advisory organization on all independent director candidates to prepare verification materials in advance. It is regulated that once the BOD decides on matters regarding BOD composition, such as the areas of expertise and the number of independent directors who will be appointed, in consideration of the key diversity principle and others, and verifies them based on the independent directors' board skill matrix, the Independent Director Recommendation Committee recommends a candidate who is in line with the BOD resolution and satisfies independent director qualification requirements and deliberation criteria. As independent director qualification requirements, we apply expertise, fairness in carrying out duties, sense of ethical responsibility, and faithfulness, which are specified in the Act on Corporate Governance of Financial Companies, and, as additional deliberation criteria, we apply BOD composition diversity, suitability with Shinhan Financial Group, and effectiveness of management advice.

When AGM agenda items that are related to an independent director are introduced, agenda items that are different in their nature, such as independent director recommendation, are not combined together to be introduced as a separate agenda item, and are introduced as individual agenda items.

Restrictions on Concurrent Position

Article 39, Paragraph 2 of the Articles of Incorporation and Article 23, Paragraph 2 of the Internal Code of Corporate Governance stipulate that Shinhan Financial Group's independent directors cannot be elected as a different company's independent director, non-executive director, or non-executive auditor, and cannot hold a concurrent position as a director at two or more companies, other than Shinhan Financial Group. Highly-intensive restrictions are placed on holding a concurrent position. Whether a director is holding a concurrent office is transparently disclosed in the brief biographical information of the Board of Directors. .

Director Tenure

A director's tenure is decided at an AGM within a scope that does not exceed three years, and a director may serve consecutive terms. An independent director's tenure is no more than two years, and when an independent director serves consecutive terms, it should be no more than a year. An independent director cannot serve for more than six years, and cannot serve for more than nine years based on the sum of the period of serving as an independent director at the company or subsidiary, etc. Shinhan Financial Group restricted the tenure to prevent independent directors' clubby boards by reflecting Article 6, Paragraph 1, Sub-paragraph 7 of the Act on Corporate Governance of Financial Companies.



Independence of Independent Directors

Shinhan Financial Group’s internal regulations stipulate that independent directors account for at least a majority of BOD members. The Group forms an independence-verified independent director-centered BOD to ensure that the Group’s and company’s major decision-making takes place from various perspectives. We stipulated directors’ independence determination criteria that are in line with global standards and disclose the “Independence of Director” Guidelines on our website. We observe the Commercial Act and the Act on Corporate Governance of Financial Companies in Korea to verify director independence, and check independence of director candidates and directors in office by applying the US NYSE regulations or by establishing stricter independence requirements.

[“Independence of Director” Guidelines](#)

Diversity and Expertise of BOD Composition

Shinhan Financial Group established detailed criteria on expertise and diversity and refers to the criteria when choosing an independent director candidate. To have the BOD engage in important decision-making based on an extensive perspective, we stipulated the “Board Diversity Guidelines”, thus realizing governance diversity and expertise. The BOD is formed through balanced appointment of independent directors with expertise in seven areas – finance, economy, business administration, accounting, law, consumer protection, information technology – among areas presented as expertise requirements in the Act on Corporate Governance of Financial Companies, and in the global area, which was set by the BOD in connection with the strategic business direction. Considering the characteristics of a financial holding company that covers the financial industry, we strive to appoint independent directors of wide-ranging experience. In 2020, the Independent Director Recommendation Committee included in its candidate group experts in the area of technology strategy and HR with extensive organization management experience, in addition to the aforementioned eight expertise, thus improving the independent director candidate group by adding greater detail.

We also observe the Board Diversity Guidelines that specifies that we arrange a long list of candidates for independent directors with varying experience and perspectives in terms of ethnicity, gender, age, experience, and background. We maintain a minimum 20% for female candidates in the long list, and also appointed Yoon Jaewon, an accounting expert, to join the BOD in March 2020 to pursue gender diversity of the BOD. Shinhan Financial Group’s BOD is making continuous efforts to meet global standards with diverse cultural backgrounds.

[Board Diversity Guidelines](#)

BOD Composition by Expertise

(Unit: Person)

	Mar. 2019	Dec. 2020	Mar. 2021
Finance	5	5	3
Economy	1	1	1
Business administration	3	3	2
Accounting	1	1	2
Law	1	1	3
Information technology	1	1	2
Global	1	1	1
Total	13	13	14

No. of Female Candidates in Independent Director Pool

(Unit: Person)

	2018	2019	2020
No. of independent director candidates	131	108	117
No. of female candidates in the independent director pool	33	30	29
Percentage of female candidates in the independent director pool (%)	25.2	27.8	24.8

BOD Composition

(As of March 2021)

Classification	Name	Gender	Expertise	Main Work Experience	Nationality / Country of Residence	Date of Appointment	Date of Termination	Roles in BOD
Inside Director (CEO & Chairman)	Cho Yong-byoung	Male	Finance, Business Administration	<ul style="list-style-type: none"> CEO, Shinhan BNP Paribas Asset Management President & CEO, Shinhan Bank CEO & Chairman, Shinhan Financial Group (Current) 	Korea	Mar. 23, 2017	Mar. 2023	<ul style="list-style-type: none"> Member of ESG Strategy Committee Chair of Subsidiary Management Committee
Independent Director (BOD Chairperson)	Lee Yoon-jae	Male	Economy, Business Administration, Finance	<ul style="list-style-type: none"> Financial and Economic Secretary to the President CEO, korEI 	Korea	Mar. 27, 2019	Mar. 2022	<ul style="list-style-type: none"> Member of CEO Recommendation Committee Member of Audit Committee Member of ESG Strategy Committee
Independent Director	Gwak Soo-geun	Male	Accounting, Business Administration	<ul style="list-style-type: none"> Honorary Professor, Seoul National University Business School (Current) Chairperson, Governance Advisory Committee, Korea Listed Companies Association (Current) Chairperson, Financial Supervisory Advisory Committee, Financial Supervisory Service 	Korea	Mar. 25, 2021	Mar. 2023	<ul style="list-style-type: none"> Chair of ESG Strategy Committee Member of Subsidiary Management Committee
Independent Director	Park Ansoon	Male	Business Administration, Global	<ul style="list-style-type: none"> Chairman, the Korean Residents Union in Japan (Current) Chairman, Taisei Corporation (Current) 	Korea / Japan	Mar. 23, 2017	Mar. 2022	<ul style="list-style-type: none"> Member of Subsidiary Management Committee
Independent Director	Bae Hoon	Male	Law, Accounting, Global	<ul style="list-style-type: none"> Representative Attorney, Orbis Legal Profession Corporation (Current) Certified Public Accountants of Japan Director, Lawyers Association of Zainichi Korea (LAZAK) 	Korea / Japan	Mar. 25, 2021	Mar. 2023	<ul style="list-style-type: none"> Member of Remuneration Committee
Independent Director	Byeon Yang-ho	Male	Finance, Business Administration, Economy	<ul style="list-style-type: none"> Commissioner, Ministry of Finance and Economy President, Korea Financial Intelligent Unit Company Advisor, VIG Partners (Current) 	Korea	Mar. 27, 2019	Mar. 2022	<ul style="list-style-type: none"> Member of CEO Recommendation Committee Chair of Risk Management Committee Member of Remuneration Committee Member of Subsidiary Management Committee
Independent Director	Sung Jae-ho	Male	Law, Global	<ul style="list-style-type: none"> Chairman in Korea, International Law Association (Current) Professor, Sung Kyun Kwan University School of Law (Current) Chairman, Korean Society of International Law 	Korea	Mar. 27, 2019	Mar. 2022	<ul style="list-style-type: none"> Chair of CEO Recommendation Committee Member of Audit Committee Member of Remuneration Committee Member of Subsidiary Management Committee
Independent Director	Yoon Jaewon	Female	Accounting, Business Administration	<ul style="list-style-type: none"> Vice Chairman, Korean Academic Society of Taxation (Current) Professor, College of Business Administration, Hongik University (Current) Member, Deliberation Committee, Ministry of Economy and Finance (Current) 	U.S. / Korea	Mar. 26, 2020	Mar. 2022	<ul style="list-style-type: none"> Chair of Audit Committee Member of Independent Director and Audit Committee Member Recommendation Committee Member of ESG Strategy Committee
Independent Director	Lee Yong Guk	Male	Law, Finance, Global	<ul style="list-style-type: none"> Clinical Professor, Seoul National University School of Law (Current) Cleary Gottlieb Steen & Hamilton LLP (Partner Attorney at New York and Hong Kong Offices / Seoul Office Representative) Director, Foreign Law Firm Association 	Korea	Mar. 25, 2021	Mar. 2023	<ul style="list-style-type: none"> Member of Risk Management Committee Chair of Remuneration Committee Member of Independent Director and Audit Committee Member Recommendation Committee
Independent Director	Jin Hyun-duk	Male	Business Administration, Global	<ul style="list-style-type: none"> Visiting Professor, Engineering, Utsunomiya University, Graduate School, Japan Councilor, The Korea Educational Foundation (Current) CEO, PHOEDRA Co., Ltd. (Current) 	Korea / Japan	Mar. 26, 2020	Mar. 2022	<ul style="list-style-type: none"> Member of CEO Recommendation Committee
Independent Director	Choi Kyong-rok	Male	Information Technology, Business Administration, Global	<ul style="list-style-type: none"> Research Associate, Information Technology Center at Keio University CEO, CYS Corporation (Current) 	Korea / Japan	Mar. 22, 2018	Mar. 2022	<ul style="list-style-type: none"> Member of CEO Recommendation Committee Member of Independent Director and Audit Committee Member Recommendation Committee
Independent Director	Choi Jae Boong	Male	Information Technology	<ul style="list-style-type: none"> Member, Advisory Committee, Financial DT Academy, Korea Banking Institute (Current) Professor, Sung Kyun Kwan University College of Engineering (Current) Policy Advisor, Innovative Growth Committee, Ministry of Strategy and Finance 	Korea	Mar. 25, 2021	Mar. 2023	<ul style="list-style-type: none"> Member of Risk Management Committee Member of Independent Director and Audit Committee Member Recommendation Committee Member of ESG Strategy Committee
Independent Director	Huh Yong-hak	Male	Global, Finance, Business Administration	<ul style="list-style-type: none"> CIO of Alternative Investment, Hong Kong Monetary Authority CEO, First Bridge Strategy Ltd. (Current) 	Korea / Hong Kong	Mar. 27, 2019	Mar. 2022	<ul style="list-style-type: none"> Member of CEO Recommendation Committee Member of Risk Management Committee Chair of Independent Director and Audit Committee Member Recommendation Committee
Non-Executive Director	Jin Ok-dong	Male	Finance, Business Administration, Global	<ul style="list-style-type: none"> Deputy President, Shinhan Financial Group President & CEO, Shinhan Bank (Current) 	Korea	Mar. 27, 2019	Mar. 2023	

BOD Sub-Committees

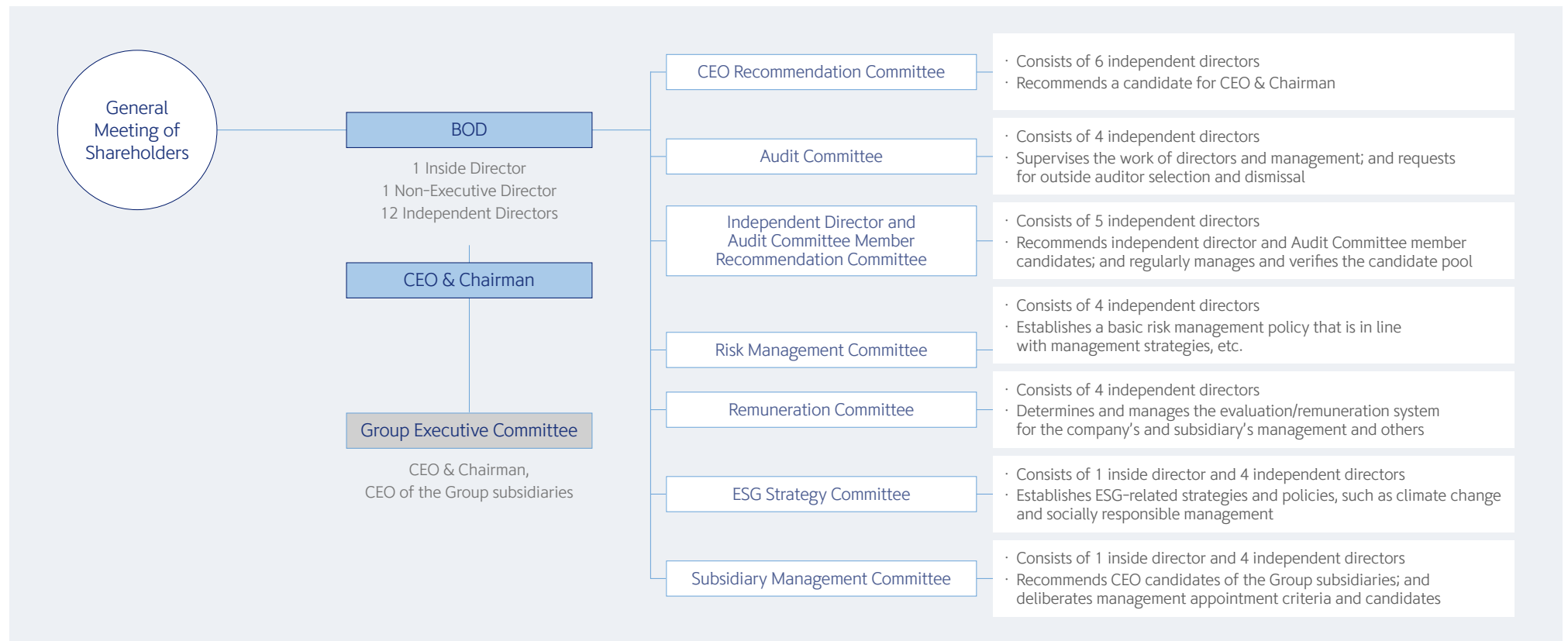
The BOD Sub-Committees include the CEO Recommendation Committee (former Corporate Governance & CEO Recommendation Committee), Risk Management Committee, Remuneration Committee, Audit Committee, Independent Director and Audit Committee Member Recommendation Committee (the former Independent Director Recommendation Committee and Audit Committee Member Recommendation Committee were merged), ESG Strategy Committee (former Corporate Social Responsibility Committee), and Subsidiary Management Committee. Work is subdivided according to regulations per committee to result in increased efficiency and expertise of BOD work. Although it is not stipulated in the Act on Corporate Governance of Financial Companies, we continually have at least one

person who worked at a financial company or in the field of corporate financial or accounting affairs in the Risk Management Committee and Remuneration Committee in consideration of the intent of relevant regulations of previous best standards. Also, BOD Sub-Committees are centered around independent directors. Even in the ESG Strategy Committee, which was established based on an autonomous BOD resolution, independent directors account for the majority. With the exception of the Subsidiary Management Committee, an independent director was appointed as the chairperson of all BOD Sub-Committees.

 [Activates of BOD Sub-Committees](#)

Governance Organization Chart

(As of March 2021)



BOD Operations

BOD meetings are categorized into regular and extraordinary BOD meetings, and the chairperson convenes the meetings. Regular BOD meetings are held each quarter, and an extraordinary BOD meeting is convened when the chairperson or chairman acknowledges the need to hold a meeting or when there is a request by a director or BOD Sub-Committee. Materials on agenda items that were submitted for consideration are sent seven days prior to a BOD meeting so that independent directors can sufficiently review the agenda items beforehand, thus supporting efficient BOD operations.

In 2020, 16 BOD meetings were held, including four regular and 12 extraordinary meetings, and discussions were made on a total 40 agenda items. Directors' average attendance rate was 97%, while we set the minimum meeting attendance rate that is demanded from all directors as 75% by applying Institutional Shareholder Services (ISS) standards. Shinhan Financial Group provides information on the financial environment and training that reflects trends to increase the level of independent director understanding of the business characteristics of the financial holding company and each subsidiary and to support the execution of their duties.

[Major BOD Activities](#)

[Disclosures of Board of Directors](#)

BOD Activities

(Unit: Case)

	2018	2019	2020
No. of meetings held	13	12	16
Agenda items for resolution	36	38	40
Agenda items for report	55	98	92

BOD Participation

(Unit: %)

	2018	2019	2020
Average participation rate	97	98	97

Evaluation of the BOD

BOD operations are evaluated based on the adequacy of resolutions and reporting items, level of management information provided, its roles, etc. every year in accordance with Article 8 of the Internal Code of Corporate Governance, and the Board refers the result to its operations. All members of the BOD are evaluated on their performance in conjunction with an external assessment agency to ensure the fairness and independence of the evaluation based on operating performance (the appropriateness of the meeting hours, agenda items, and frequency of the meetings, and whether sufficient information is provided by the company) and their given roles (the appropriateness of activities relevant to the authority of the board). Results of the BOD evaluation in 2020 indicate that BOD operations and execution of roles are at an adequate level.

Evaluation of Directors

To strengthen directors' responsibilities and verify their work skills when they are recommended for reappointment, we conduct an independent director evaluation at the beginning of each year in accordance with Article 30 of the Internal Code of Corporate Governance. The evaluation consists of self-assessment (by the director him/herself) 30%, the Board's evaluation (by all other independent directors) 60%, and evaluation by employees 10%. Evaluation indicators include professionalism, job fairness, ethical responsibility, integrity, and 12 detailed evaluation indicators. In addition, opinions on each independent director are described comprehensively to reflect qualitative factors to the assessment. In 2020, we improved the indicators to evaluate activity details and efforts by reflecting independent directors' finalized work scope and level. The evaluation of independent directors in 2020 was conducted in January 2021. In case of independent directors subject to reappointment, the evaluation results were reported during the first meeting of the Independent Director Recommendation Committee held on February 5, 2021 to reflect them in making reappointment decisions, and we disclose the evaluation outline and results through the annual report on corporate governance. We conduct both quantitative and a qualitative evaluation for management, and the Remuneration Committee handles deliberation and decisions in connection with work performance at the organizational level. Non-concurrent non-executive evaluation criteria are applied as evaluation criteria for non-executive directors.

BOD Compensation

(Unit: KRW million; and as of December 2020)

	No. of people	Total compensation	Average compensation per person
Registered directors (excluding independent directors and the Audit Committee members)	3	1,298	469
Independent directors (excluding the Audit Committee members)	7	516	71
Audit Committee members	3	247	82

 [2020 Annual Report on the Governance and Remuneration System \(P. 194\)](#)

Remuneration System

The compensation limit of the BOD is determined at the AGM by resolution and compensation is paid fairly and transparently according to the compensation rules after the shareholders' resolution. The information on the employee compensation system including the remuneration information of directors and auditors is disclosed transparently through an annual report on the governance and remuneration system. In particular, the annual compensation details for directors and auditors whose annual compensation is over KRW 500 million, and five highest-paid employees among those with annual compensation of more than KRW 500 million are disclosed in a business report and an annual governance report.

Key Performance Indicators for CEOs and Executives

For the CEO of the holding company, both financial performance and non-financial evaluation factors are reflected in the evaluation. As financial performance indicators, we use the Group key performance indicators (KPI), including total shareholder returns (TSR) as a shareholder value indicator; ROE and ROA as profitability indicators; NPL ratio as a soundness indicator; risk adjusted return on capital (RAROC) as a risk indicator; and cost income ratio (CIR) as an efficiency indicator. For each indicator, the rate of achievement against the target for the year is converted into a score and reflected in the evaluation. To assess their non-financial performance, we evaluate their achievement in strategic tasks in line with the strategic directions of the Group – strengthening the customer-centered One Shinhan system, expanding market-leading business models, implementing advanced global growth strategies, focusing on innovation-driven digital transformation, fully launching value-creating sustainable and innovative finance, differentiating risk management capabilities to better respond to change, etc.

Other executives of the holding company are evaluated on their performances based on the Group's KPIs and the implementation rate of key strategic tasks according to their duties. In case of executives who are in charge of risk management, compliance monitoring, and audit work, which require work independence, we use performance indicators that are not connected to the company's financial performance to ensure independence.

Criteria for Deferred Compensation, Alignment, Clawback, and Guarantee of Performance-based Compensation

The performance-based compensation consists of annual performance bonus and long-term performance shares. The former is paid by cash in a lump sum based on the performance results of the company of the previous year, while the latter is based on Shinhan Financial Group's shares. Of the total performance-based compensation, performance shares account for at least 50% in case of general executives and at least 60% in case of top management.

The final amount of long-term performance shares is determined based on the average performance (rate of stock price increase compared to competitors, rate of achievement of the net operating income target and the adjusted ROE target, and rate of achievement of the NPL target before impairment/selling) of four years after the shares are initially granted, and the long-term performance shares are provided in the form of deferred compensation according to the market price of the shares at the time of payment. The performance share amount is finalized based on an evaluation of the performance of four years, after which payment is made within four months in the following year, and the CEO variable compensation vesting period is 4.33 years at the longest. The total amount to be paid can be adjusted if a corporate loss takes place before the payment or the company fails to achieve the expected performance. In addition, the plan is designed to adjust the amount to be paid when the market price of the company's share falls due to decreasing corporate value. If an individual resigns due to reasons attributable to him/herself before payment of performance-based compensation, causes damage to the company, or is subject to heavy disciplinary action by a supervisory institution, clawback of the performance-based compensation is allowed to adjust the compensation amount.

CEO Compensation

In 2020, the Group CEO & Chairman received a total compensation of KRW 1,251 million, consisting of salary and wages. In addition, he was granted 20,351 performance shares whose exercisability will be determined by a review of business performance and share price movements during the period from 2020 to 2023.

CEO-to-Employee Compensation Ratio

(Unit: KRW million; and based on figures of the holding company)

Total CEO compensation	Average employee compensation	Ratio (Times)
1,251	141	8.87

Alignment Performance Measurement with Compensation

Performance-based compensation accounts for at least 50% of total compensation in case of executives to set a compensation system with a focus on performance-based compensation, and performance measurement results are reflected in payment of performance-based compensation. A performance evaluation for annual performance bonus consists of company-wide financial performance and non-metric strategic tasks. An individual's performance evaluation grade that is determined through this evaluation is reflected in the annual performance bonus rate. A performance evaluation for long-term performance shares consists of indicators related to shareholder value, profitability and soundness, and the results of the evaluation are reflected in the long-term performance shares rate.

Ownership of Shares

There is no requirement for the CEO and directors to hold shares of the company, but the directors have acquired shares as part of responsible management. As of 2021, directors who own the company's shares total 10, and details regarding the number of directors and ownership status are as follows.

[Share Ownership](#)

Share Ownership of Executives

(No. of shares is based on December 31, 2020; and base pay is based on 2021)

Position	Name	No. of shares	Ratio to base pay
CEO & Chairman	Cho Yong-byoung	13,580	1.15
	Heo Young Taeg	1,605	0.32
	Jang Dong-ki	968	0.20
	Roh Yong-hoon	1,670	0.34
	Wang Ho-min	780	0.16
Other Executives	Lee Een-Kyoon	5,000	1.01
	Park Sung-Hyun	1,692	0.34
	Ahn Jun Sik	2,092	0.42
	Kim Soung Jo	3,308	0.67
	Kang Shin-tae	1,012	0.20

* The Group CEO owns shares worth KRW 576,471,000, based on share price as of May 31, 2021 (KRW 42,450), and receives a base pay of KRW 500 million

Shareholders with Ownership of 5% or Greater

[Shareholders with ownership of 5% or greater of Shinhan Financial Group](#)

* Shinhan Financial Group operates the employee stock ownership plan (ESOP) and provides some of employee compensation in the form of the company shares as a way to improve ownership by sharing corporate growth and performance with employees.

Leadership Stability

In relation to executive candidate recommendation, Shinhan Financial Group operates the CEO Recommendation Committee and Independent Director and Audit Committee Member Recommendation Committee. Also, the Subsidiary Management Committee is run for independence and transparency in subsidiary CEO candidate recommendations. We appoint independent directors, who are Committee members, in a way that we avoid redundancy as much as possible so as to prevent executive recommendation rights from being concentrated on a specific independent director.

We assign the BOD an authority to handle management succession work. The CEO Recommendation Committee constantly manages management succession plans as part of efforts for transparent, sound governance. The Committee completes work related to candidate recommendation at least two months prior to the end of the tenure of the CEO & Chairman. The CEO & Chairman candidate prepares for succession for around two months until he or she is appointed as a director at the AGM to ensure management continuity and stability.

It is regulated that independent directors account for a majority of the CEO Recommendation Committee members, while we have all of the Committee members as independent directors to enhance transparency and independence of the CEO management succession process. In 2020, the Committee evaluated candidates nurtured for the Group management succession selected in 2019, and deliberated a development action plan for the chosen candidates as well as additional selection of candidates nurtured for the Group management succession, and then reported the results during a regular BOD meeting.

ESG Governance

ESG Governance System

Shinhan Financial Group

- Established the Corporate Social Responsibility Committee (current ESG Strategy Committee) as a BOD sub-committee in 2015 to manage ESG at the BOD level
- Discussed matters on reflecting ESG in the Group's major strategic tasks in 2018, which was followed by reflecting ESG performance in the evaluation system (KPI) for the CEO of the Group and all Group subsidiaries in 2019
- Have been operating a consultative body at each Group subsidiary since 2019 by designating the CSSO and working-level staff in charge of ESG affairs
- Created the ESG Implementation Committee run by the Group CEO and participated by all Group subsidiary CEOs in 2020, thereby establishing an ESG performance management system that quantitatively measures and evaluates Group subsidiaries' ESG performance

ESG Driving System

Corporate Social Responsibility Committee Operations in 2020

Meetings held

- **No. of meetings held: 6**
- **Participation rate of the Committee members: 100%**

Major Agenda

- Decided on matters on appointing the Corporate Social Responsibility Committee chairperson
- Reported on major tasks in 2020 and a plan for expanded operation of the Corporate Social Responsibility Committee
- Reported the implementation performance of sustainable management (ESG) by quarter in 2020
- Reported on the issuance of the Group's 2019 CSR Report and development of the Shinhan Social Value Measurement Framework (SVMF)
- Decided on a plan to establish a framework for the Group's socially responsible management strategy
- Decided on a plan to execute the Zero Carbon Drive

Measuring Social Value (Shinhan SVMF)

Shinhan Financial Group

- Measured the social value of 93 ESG projects conducted in 2019 by Shinhan Financial Group, Shinhan Bank, and Shinhan Financial Hope Foundation
- Measured the social value of 191 ESG projects conducted in 2020 by all the Group subsidiaries (18 companies)
- Plan to upgrade the Shinhan SVMF to quantitatively measure social values, and thus focus on ESG activities with high social value

Shinhan SVMF

Establishing an ESG Performance Management System

Shinhan Financial Group

- Declared ESG 3.0, which internalizes ESG in overall practical management activities, by establishing an ESG performance management system that quantitatively measures and evaluates the performance of ESG programs implemented by each Group subsidiary, such as green finance, management of the asset portfolio's carbon emissions, and startup support
- Have been disclosing key ESG issue management indexes on a quarterly basis through business results materials since 2020; and have expanded to disclose ESG performance through business results presentations since 2021 through ESG performance management system
- Discussed matters on reflecting ESG in the Group's major strategic tasks in 2018, which was followed by reflecting ESG performance in the evaluation system (KPI) for the CEO of the Group and all Group subsidiaries in 2019 (task name: Sustainability Management)

Ethics & Compliance

Ethics & Compliance

Shinhan Financial Group

- Have established the “Shinhan Financial Group Code of Ethics”, which contains major principles of our ethical management philosophy and policies, and the Code of Conduct for Employees to set standards for appropriate decision-making and conduct; and each Group subsidiary operates independent ethical standards that reflect the respective business characteristics and individual circumstances



SFG Code of Ethics

Applies to the holding company, subsidiaries, sub-subsidiaries, and all employees

Content

- Employee ethics (compliance with regulations and fair work execution, protection of confidential information and information security, prohibition of undue political activity, etc.)
- Ethics regarding customers, shareholders, employees, and partner companies
- Social responsibility and contribution

Group's Code of Ethics



Code of Conduct for Employees

Applies to all employees, including regular employees and contract workers, and all workers, including dispatched workers

Content

- Basic principles
- Integrity and honesty
- Anti-bribery and anti-corruption
- Prevention of conflict of interest
- Mutual respect and establishment of a sound work environment
- Local community contributions and environmental protection

Code of Conduct for Employees



Code of Conduct for Suppliers

Applies to all partner companies that do business with Group subsidiaries and sub-subsidiaries

Content

- Respect workers' basic human rights (voluntary work, protection of the work vulnerable class, work hours, wage and welfare, privacy protection and humanitarian treatment, establishment of a process to prevent human rights violation, etc.)
- Business sites' safety and health (industrial safety, industrial accident and disease management, etc.)
- Environment (comply with environmental regulations, reduce wastes, increase efficiency in use of resources, etc.)
- Corporate ethics

Code of Conduct for Partner Companies

Practicing Ethical Management

Shinhan Financial Group

- Every year, all employees make a pledge to practice ethics that embodies their determination to practice ethical compliance
- All Group subsidiary employees receive the Group's common cyber training on ethics and compliance every year and the Group Code of Ethics training as a mandatory course

Pledge to Ethical Management

Trainings on Awareness of Ethics and Human Rights

(Unit: Person)

No. of Participants in Ethics Training	2018	2019	2020
Online training	21,646	23,226	23,709
Pledge to ethics & compliance	21,391	22,399	22,841
Participation rate in signing the pledge to ethics & compliance (%)	99	96	96

(Unit: Hour)

Training Hours	2018	2019	2020
Online training ¹⁾	43,292	46,452	47,418
Human rights training ²⁾	21,646	23,226	23,709

¹⁾ Including trainings on ethics and compliance

²⁾ Hours of training aimed at preventing discrimination, sexual harassment, etc.

Shinhan Bank

- Provide the Group's common training and the Bank's own ethics & compliance self-check program
- Designate the second week of each month as Compliance Education Week and distribute the Compliance Letter, which focuses on financial regulations, money laundering prevention, and best practices in ethical compliance
- Have been running the “Hello Regulation Compliance” program every Thursday since June 2020, in order to enhance awareness of compliance with regulations and internal control

Shinhan Card

- Operate the “integrity contract system” to ensure contract transparency and fairness
- Operate the “regulation compliance self-diagnosis program” to exam work activities are ethically and legally appropriate
- Established “Regulations on Prohibition of Illegal Solicitation, etc.” to prevent illegal solicitation and receipt of money and valuables, etc.



Shinhan Investment

- Provide education on financial regulations and system changes, major compliance monitoring tasks, incident prevention, etc. during on-site inspections of branches

[Code of Conduct for Employees](#)

Shinhan Life Insurance

- Post “Ethics and Compliance Communication”, which has integrated Law Letter and Ethics and Compliance Communication, on the company portal bulletin board every month to share with all employees including sales staff, and review the results of education through self-examination registration by department

[Code of Conduct for Employees](#)

OrangeLife

- Make all employees sign a pledge to comply with the Code of Ethics
- Provide training that is intended to strengthen compliance with ethical standards and regulations and online training on ethical compliance to financial consultants

[Code of Ethics](#)

Shinhan Asset Management

- Examine financial product trade details, unfair trade details, receipt of gains in assets, etc. of all employees to strengthen control of unsound business activities

[Code of Conduct for Employees](#)

Internal Control System

Shinhan Financial Group

- The holding company’s compliance officer is in charge of the Group’s internal control and helps each subsidiary’s compliance officer carry out internal control
- Conduct collective training to strengthen the internal control capabilities of all the Group affiliates’ compliance officers
- Operate councils, including the Compliance Officer Council and Internal Control Committee, to strengthen internal control at the Group level; and examine Group subsidiaries’ internal control system and operations every year and report the results to the BOD
- Provided all employees working at the Group affiliates’ internal control departments with fair trade-related training every year, through which they become fully aware of and execute all relevant regulations, leading to prevention of violations

- Promoted the Compliance Officer and Head of Audit Team to vice-president in 2020, in order to strengthen prior compliance system and post conduct risk management function at the Group-level; and added anti-money laundering work and business management monitoring function to strengthen internal control

Whistleblower System

Shinhan Financial Group

- Operate the “Shinhan Guardian”, which is a whistleblower system for making reports via the Group website (mobile web), intranet bulletin board, phone, fax, mail, etc.
- The Compliance Officer receives a report, conducts investigation, and makes notification; and protect the whistleblower’s identity or report content so that there is no disadvantage or discrimination in work conditions due to the report

[Shinhan Guardian](#)

Financial Accidents and Measures Taken¹⁾

(Unit: Case)

	2018	2019	2020	
Violations ²⁾	Total	16	10	14
	Embezzlement	7	3	3
	Malpractice	2	2	3
	Bribery	0	0	0
	Intercession of private loan	1	0	0
	Violation of real-name policy	2	3	0
	Provision of private loan	3	1	1
	Others	1	1	7
	Total	53	69	17
Measures Taken ³⁾	Salary reduction	3	5	3
	Reprimand	10	9	2
	Warning	18	40	6
	Caution	11	12	2
Others (beyond salary reduction)	11	3	4	

¹⁾ Cases for which confirmation and measures were completed based on Shinhan Financial Group’s internal control system
²⁾ Only the financial incidents reported to the Financial Supervisory Service are reflected (excluding actions before OrangeLife was incorporated)
³⁾ Status of disciplinary measures related to financial accidents (including actors, aids, supervisors, etc.)

Anti-money Laundering

Shinhan Financial Group and 11 Group subsidiaries – Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, OrangeLife, Shinhan Capital, Shinhan Asset Management, and Jeju Bank – have an anti-money laundering system in place, including matters recommended by FATF. All Group subsidiaries established internal guidelines and provide anti-money laundering and compliance training in diverse ways.



Shinhan Bank

- Adopted the “Association of Certified Anti-Money Laundering Specialists (ACAMS) service” in June 2020, aimed at strengthening anti-money laundering
- Adopted Thomson Reuters’ training program training program in 2019, aimed at helping employees who carry out global work better understand anti-money laundering and economic sanctions; and expanded the scope from some 600 persons in 2019 to 1,650 in 2020
- Completed the “anti-money laundering advancement project”, which applies digital technology, such as AI and RPA to anti-money laundering
 - Developed a money laundering risk measurement model by using machine learning to improve the degree of accuracy in detecting high-risk suspicious transactions

Shinhan Card

- Carry out customer identification check and verification and identify customers’ money laundering and terrorist finance risk levels; and operate a management approval process for customers with a nationality of a Financial Action Task Force (FATF) uncooperative country
- Run a regular customer monitoring system to operate a system of reporting suspicious customers in relation to money laundering and terrorist financing as well as customers who carry out high-amount cash transactions to the Korea Financial Intelligence Unit

Shinhan Investment

- Adopted a company-wide risk assessment system to identify areas vulnerable to money laundering and terrorist financing and make improvement

Shinhan Life Insurance

- Upgraded the money laundering risk assessment system to secure proactive identification, evaluation and improvement of money laundering risks; and made improvements after identifying, analyzing, and evaluating money laundering risks for headquarters and branches

Compliance with the Market Order

Shinhan Financial Group

- Enhanced monitoring conducted at each subsidiary to prevent violations by ensuring that employees properly understand the contents of the Financial Investment Services and Capital Markets Act and do not get involved in any market disturbances
- Conducted collective training to strengthen the internal control capabilities of all Group subsidiaries’ compliance officers; and continue to provide video-based case training to all Group employees

Policy Influence

	2017	2018	2019	2020
Total membership fee paid to relevant associations	13.9	12.2	14.5	15.4
Korea Federation of Banks, etc. ¹⁾	8.3	9.2	8.8	8.7
Credit Finance Association	2.1	0.2	1.4	1.7
Korea Financial Investment Association	2.1	2.4	2.3	2.5
Korea Life Insurance Association	0.9	0.0	2.0	1.9
Korea Chamber of Commerce & Industry	0.5	0.4	0.0	0.6

(Unit: KRW billion)

* Shinhan Financial Group strictly complies with Chapter 6, Article 31 (Restrictions on Contributions) of the Political Funds Act of Korea which prohibits donations by corporates or entities, and regulated it in Chapter 1-7 of the Shinhan Financial Group Code of Ethics. The Group never offers any funds intended to directly influence the existing policies or the formation of a policy such as political funds, campaign funds, or funds for lobbying a specific political group or party. However, it contributes to the development of public goods with associations whose political neutrality is checked and maintained. The Group fully understands the possibility of costs on policy influence turning into a risk factor in the mid-and long-term and preclude the possibility by managing the total donation details and sizes. The Group operates and manages contributions according to contribution management guidance, and a working-level contribution committee deliberates donation decision and execution and if the donation exceeds KRW 1 billion, it is obligatory to pass a resolution by the Board of Directors in advance.

¹⁾ Sum of basic contribution regularly paid to such financial institutions as Korea Federation of Banks, Korea Institute of Finance, and Korea Credit Information Services, which are related to relevant banking activities

Risk Management

Risk Management System

Shinhan Financial Group

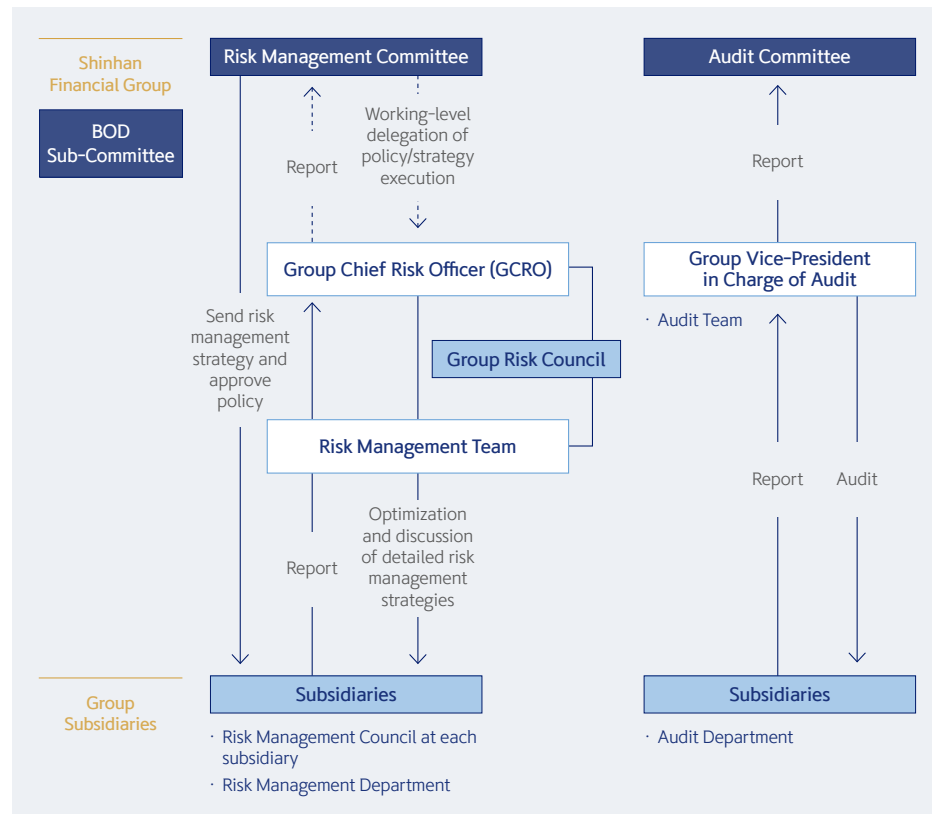
- Ensure consistent risk management – the Risk Management Committee, consisting of independent directors, establishes the Group’s risk management policies; and through the Group Risk Management Council, which comprises Chief Risk Officers (CROs) of the holding company and the Group subsidiaries, executes policies and conducts monitoring
- As a principle, CROs are dedicated to risk management to guarantee their independence, and it is specified in the “Group Risk Management Regulations” that no unreasonable disadvantage in relation to personnel affairs will be given for a reason related to the execution of duties

Risk Management Training

Shinhan Financial Group

- Specify the Group’s risk management philosophy and seven major risk management principles in the “Group Risk Management Best Practices” and “Group Risk Management Regulations”, based on which risk management training is provided to employees of each Group subsidiary
- Operate the Risk Expert Network (REN), a gathering participated by all Risk Management Department staff of the Group and general employees, to discuss the Group’s risk management-related issues and share the Group’s best practices
- Hold the “Group Risk Management Workshop”, participated by employees in the Group risk management sector at the end of every year, to share REN’s research results and to reward outstanding employees, such as “Risk Manager of the Year”

Risk Management Organization Chart



Integrated Risk Monitoring System

- Conduct preemptive, integrated management of financial and non-financial risks based on a risk management organization that is in semi-matrix form between the holding company and the Group subsidiaries
- Run a comprehensive risk monitoring system that measures external economic indicators, our own risk indicators, and the current status of our risk management process and policies – this system enables a timely identification of potential risks and other key issues; and upon an analysis of the impacts of such risks and issues, preemptive countermeasures are established at the Group level
- Operate a “risk dashboard” to monitor the amount of assets, risks, and related external issues contained in the portfolios being managed by each subsidiary, thereby detecting and managing unexpected changes of core indicators

Risk Management According to Population Structure Changes

- The rise in social expenditures from the aging population and reduction in productivity from a decline in the population ultimately lead to reduced financial institution profitability, asset quality, and capital adequacy, which in turn may result in increased system risks.
- Shinhan Financial Group analyzed changes in the macroscopic economic structure caused by population structure changes and the resulting opportunity and risk factors, and examined Group portfolio-level impact and countermeasures. We also identified vulnerable areas in risk aspects through an impact analysis, for each financial sector, and reviewed countermeasures.
- In addition to strengthening loan management for the elderly, who have weak repayment capabilities, and establishing mid- to long-term household loan strategies that prepare for population changes, including population changes by region and proportion of the elderly, we strengthened product planning that considers risk appetite and tolerance levels based on lifecycle.

Assessment of Systemically Important Banks

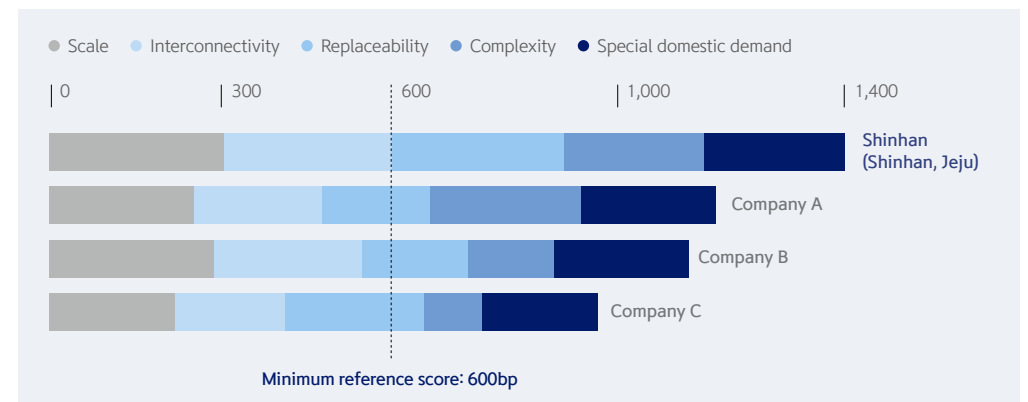
- Shinhan Financial Group submits management status materials related to the selection as a Global Systemically Important Bank (G-SIB) to Basel Committee on Banking Supervision (BCBS) every year after making the relevant disclosure mandatory at the end of 2013.
- In 2020, the Basel III minimum requirement, considering a conservation buffer of 2.5% and Domestic Systemically Important Bank (D-SIB) of 1.0%, is CET 1 ratio of 8.0%, Tier 1 ratio of 9.5%, and BIS ratio of 11.5%. But if a countercyclical buffer of 2.5%p is applied, the maximum BIS ratio that can be theoretically applied is 14.0%. (0%p as of the base date).
- As Shinhan Financial Group was selected as a D-SIB, the holding company and Shinhan Bank are putting aside additional D-SIB-related capital of 1.0%. As of the end of 2020, the BIS ratio of the holding company and the Bank stood at 15.7% and 18.5%, respectively, above the Basel III minimum requirement.

BIS Leverage Ratio

	2018	2019	2020
(Basel III) Tier 1 capital	30,678.0	31,699.8	36,267.2
(Basel III) Total exposure (on and off balance sheet exposures)	512,921.0	572,346.9	626,450.5
(Basel III) Leverage ratio	5.98	5.54	5.79

(Unit: KRW billion)

Assessment Results of D-SIB



* Source: 2020 Financial Services Commission (FSC evaluates and selects the importance of domestic banks and bank holding companies in consideration of size, interconnectivity, replaceability, etc.)

Tax Policy

Shinhan Financial Group

Shinhan Financial Group observes tax regulations of each country where it does business and faithfully fulfills its tax payment duties. We have established the “Shinhan Financial Group’s Tax Policy” and make the tax policy receive BOD approval. We do not engage in such conduct as using the tax structure or tax haven to avoid taxes. In addition, we have categorized into major business countries, which are Japan, China, Vietnam, and the U.S., and the others to disclose sales, operating profit, and paid tax by country in our report every year.

Income Tax by Country

	2018	2019	2020
Total			
Domestic			
Overseas			
Japan	Company Name: SBJ Bank No. of employees: 345		
China	Company Name: Shinhan Bank (China) No. of employees: 479		
Vietnam	Company Name: Shinhan Bank Vietnam, Shinhan Vietnam Finance Limited, Shinhan Securities Vietnam Co., Ltd., Shinhan DS Vietnam Company Limited No. of employees: 2,692		
U.S.	Company Name: Shinhan Bank America, Shinhan Investment America Inc. No. of employees: 248		
Others	Company Name: 12 companies including Shinhan Bank Europe GmbH and Shinhan Bank (Cambodia) Plc No. of employees: 2,075		

Effective Tax Rate

	2018	2019	2020
Earnings before tax	4,466.6	4,911.5	4,753.9
Reported tax amount	1,268.3	1,269.1	1,255.8
Reported tax rate (%)	28.0	25.8	26.4
Actual tax amount paid	900.0	1,140.3	1,126.7
Effective tax rate (%)	20.0	23.2	23.7

(Unit: KRW billion)

(Unit: KRW billion)

	2018	2019	2020
Sales	35,344.0	43,589.1	49,027.2
Operating income	4,499.4	5,046.3	4,929.7
Income tax	1,268.3	1,269.1	1,255.8
Sales	33,602.6	41,716.3	46,968.4
Operating income	4,023.9	4,378.3	4,436.2
Income tax	1,173.2	1,177.2	1,130.9
Sales	187.8	221.3	233.0
Operating income	99.6	98.4	109.4
Income tax	29.5	18.2	32.9
Sales	284.9	226.9	245.7
Operating income	49.1	19.3	26.0
Income tax	10.6	12.0	6.4
Sales	296.8	463.2	534.9
Operating income	124.4	172.4	171.6
Income tax	24.4	35.8	36.1
Sales	135.1	171.8	149.8
Operating income	15.9	24.0	30.7
Income tax	1.2	4.1	7.9
Sales	836.8	1,059.6	895.4
Operating income	186.5	353.9	155.8
Income tax	29.4	21.8	41.6

Customer Protection

Customer-Tailored Services

Shinhan Bank

- Reflected “work handling for the financially vulnerable” in internal rules (deposit system and loan system) and produced a service manual
- Operate an exclusive teller window and prior booking service for the disabled, and Sunday foreign exchange center for foreign workers
- Reduced customer wait time by using AI technology and improved automatic response system accuracy by using customer counseling data
- Have been using pictograms for convenience facilities for the disabled on the Sol branch information screens since December 2019 to intuitively provide information, thereby improving convenience

Shinhan Card

- Improved the credit assessment model per customer by developing a foreigner-only credit assessment model and financial platform
- Offer domestic foreigner-only counseling services (Vietnamese, etc.)
- Offer counseling care services for the elderly who are familiar with analogue
- Created the digital customer counseling service system
- Created the AI counseling system

Shinhan Life Insurance

- Provide customized services, including the “immediate connection and customized service for the elderly” and “the sign language center for hearing-impaired people”

- Launched the “Health Note Service” that provides tailored disease information depending on the customer’s gender and age
- Became the first in Korean insurance industry, in July 2020, to open the “convenient insurance claim service” that uses the open application programming interface (API) so that customers can more conveniently make insurance claims

Jeju Bank

- Installed the visually and hearing-disabled support service on all automated teller machines (ATMs) to increase convenience of the disabled; and produced and use a teller window response manual
- Set up facilities at 20% of all branches to enable access by a wheelchair

OrangeLife

- Have applied a solution that converts counseling content into text and analyzes it to call center counseling and then conduct an analysis using big data technology, thereby improving assessment and counseling quality

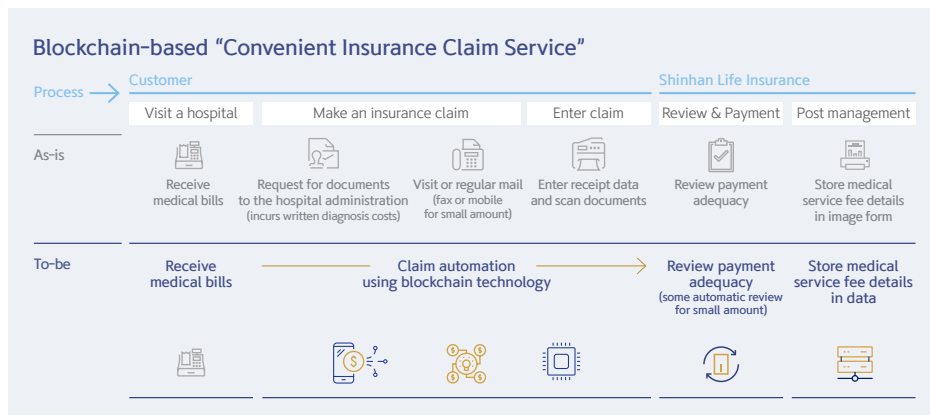
Ratio of Subscription to Digital Financial Services¹⁾

	Unit	2018	2019	2020
Customers	Case	51,307,566	51,714,602	52,441,610
Customers registered for web/mobile services	Case	32,916,730	35,565,682	39,404,600
Percentage of customers using digital financial service	%	64.2	69.3	75.1

¹⁾ Figures that reflect the change in member criteria using website on PC* made in 2019

* In case of PC website, management and subscription rate performance was submitted that included previous (until 2018) associate members (automatically subscribed web members, around 3.45 million persons), but adjustments were made to the number of actual digital members with the abolition of the automatically subscribed web member concept to prevent customer complaints.

* Percentage of customers using digital channels to the number of customers of the Group subsidiaries – Shinhan Bank, Shinhan Card, Shinhan Life Insurance, OrangeLife, Shinhan Savings Bank, and Jeju Bank



Digital Finance for Greater Customer Value

[Shinhan Bank](#)

- Signed an “MOU on industrial digital transformation scale-up financial support” to contribute to industry value chain innovation based on digital transformation of traditional industries; and provide comprehensive financial support for business growth of digital new deal companies



- Introduced the “Digitact Branch”, which is a innovative branch model of the future that has applied a video counseling system, to enable customers to make transactions remotely, with an assistance of professional staff, at a video counseling counter; which can be also installed anywhere to improve accessibility of the financially underprivileged

[Shinhan Life Insurance](#)

- Launched the “one-touch scraping document submission service” that automatically submits essential document issued by administrative agencies to increase convenience in non-face-to-face insurance process
- Established a system that enables processing of 11 types of major insurance work through the “mobile web insurance work simplification service”, such as small loan backed by insurance contract and premium payment, using an app without an accredited certificate
- Opened the “convenient insurance claim service” that uses an open API so that customers can conveniently transmit receipts and treatment details that are needed for an insurance claim via mobile communication

[Jeju Bank](#)

- Launched the mobile web banking “JWEB Service” that enables customers to handle financial transactions on a mobile device without having to install an application for such services as product inquiry and subscription using simple customer identification and financial certificate
- Customers can conveniently use one-stop service, ranging from automatic review to signing of a contract and receiving the loan, with only a financial certificate, without having to submit any separate documents
- Improved systems so that customers can subscribe to products, submit documents, fill out forms, and handle other such matters non-face-to-face through the electronic business card service

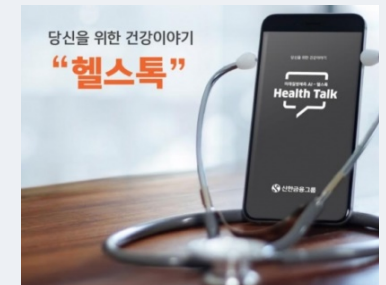
[OrangeLife](#)

- Launched “AiTOM 3.0”, which recommends customized sales models to financial consultants based on big data analysis, to help with recommending adequate products for diverse customers
- Established “Golden Days”, a digital platform that consists of online classes for VIP customers, to provide asset management information, including investments, taxes, real estate, inheritance and bestowal, as well as content offered by famous lecturers in various fields, such as humanities and art

[Shinhan Life Insurance](#) [OrangeLife](#)

Launched the “Health Talk”, a Health Prediction Service

We jointly launched the “Health Talk”, an AI service that predicts future health to promote customers’ health. This basic service compares and analyzes simple medical exam results that are based on customer responses and around five million cases of physical examination information of Koreans over 12 years, and consists of a premium service that conducts an in-depth analysis by including actual health exam results, thus enabling more detailed planning.



[Shinhan Investment](#)

- Built “SINC (Simple, Intuitive, Neo CRM)” by integrating customer management platforms of retail customers and corporate clients for distinctive customer management based on an accurate understanding of customers
- Launched the “Seoul Exchange Unlisted” service for integrated support of unlisted stock trading, ranging from sales registration to price search and trade, by forming an alliance with PSX, an unlisted stock-trading platform management firm; and offer supports so that users can check owned shares, purchase of shares, and transparent transaction of cash payment

[Shinhan Card](#)

- Developed a credit evaluation model that newly reflected individual business owners’ repayment capabilities through merchant sales information; and improved credit evaluation model by developing a foreigner only credit evaluation model
- Established the “My Rental Shop”, a rental platform that helps SMEs enter the rental market, to support the process that is needed to provide rental services, such as screening rental eligibility requirements, handling electronic contracts by proxy, and handling mid-way terminations and maturity cancellations

Customer Participation

Shinhan Bank

- Run an “event on customer suggestions on system improvements” semi-annually to examine and improve systems and processes from the customer perspective
- Outstanding suggestions that are chosen are shared with relevant departments, and applied to system improvements, such as “non-face-to-face fixed collateral right cancellation process” and “system on receiving non-face-to-face request to change an account with a limit to normal”

Shinhan Card

- Launched the “Shinhan Saida”, a customer panel system, in 2021 to identify the key of products and services that customers are looking for and to provide actual value; and expanded the system to include on/offline customer panel of 3,000 people



Shinhan Life Insurance

- Operate the “CEO Field Office”, a customer participation system in which the CEO visits major base regions, and the “Customer Jury Consisting of 100 Customers”, a customer panel system to prevent customer complaints and disputes and to preemptively reflect customer opinions



OrangeLife

- Operate a VOC-based system improvement organization (Service Recovery Squad) to quickly address consumer inconveniences
- Review and improve customer communication throughout the entire process, ranging from insurance sales to retention and payment, through regular meetings, social media discussions, and presentations on projects by selecting customer consultants every year



Customer Satisfaction

Shinhan Financial Group

- Conducted a customer satisfaction survey on six Group subsidiaries – Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, OrangeLife, and Jeju Bank

Shinhan Bank

- Ranked first place for four consecutive years in the banking sector of the National Customer Satisfaction Index (NCSI); and became the first in the banking sector to build a real-time mobile survey system and have been carrying out a “good service experience survey” on all customers who conducted a transaction at a branch since April 2020

Shinhan Card

- Ranked first place for ten consecutive years in the credit card category of the Korean Customer Satisfaction Index (KCSI)

Customer Satisfaction Level

	2018	2019	2020
Shinhan Bank	95.4	95.5	95.2
Shinhan Card	88.3	89.0	90.4
Shinhan Investment	93.2	93.3	91.5
Shinhan Life Insurance	96.0	96.0	95.5
OrangeLife	-	92.0	93.0
Jeju Bank	97.5	97.6	97.7

(Unit: Point)

Customer Complaint Handling

	Unit	2018	2019	2020
No. of customer complaints	Case	15,730	13,832	16,465
No. of complaints handled	Case	15,729	13,832	16,465
Handling rate	%	100	100	100
No. of complaints received through Financial Supervisory Service	Case	995	824	3,327
Rate of investigations through an agency	%	6	6	20
Monetary loss due to product sales-related lawsuits	KRW million	0	0	0

Customer-centered Product Governance

Shinhan Bank



- Created the “Shinhan Ombudsman” that consists of five experts in different areas and one investment product-specializing company in the product launch process to perform the role of certifying and improving various policies from the financial consumer perspective
- Implement the “system of temporary sales suspension of investment products” to further strengthen protection of customers who use investment products and to emphasize the importance of complying with the investment product sales process to employees
 - Conduct the first mystery shopping at all branches, and then chose branches for a second mystery shopping, after which branches with a score of less than 70 points are subject to temporary sales suspension

Shinhan Investment

- Established an agreement process on consumer impact analysis results between the Customer Protection Division under the CCO and Product Launch Council, to review investment risk factors, structural complexity, whether there are conditions unfavorable to consumers, and other matters from the perspective of consumer protection
- Designate the first Monday of every month as “Consumer Protection Day” to share information on consumer protection-related systems and policies
- Put into place the “Prior Happy Call” service that allows a customer who have subscribed to a closed-type private equity funds to cancel the product subscription before product management
- Implement the “Consumer Protection Officer” system, in which Consumer Protection Officers examine the product sales process and provide training on the complete sales process and incident prevention semi-annually at 88 branches
- Operate the “S-Friends”, an external expert advisory group that consists of an investment product expert advisory group and a general customer advisory group
 - The outside expert advisory group that comprises experts in different fields, including law, accounting, real estate, and risk, performs the role of verifying risk factors from outside perspectives before product launch.
 - The general customer advisory group reflects opinions from various customer perspectives, including housewives, the elderly, office workers, and college students, in product and service improvements.

Jeju Bank

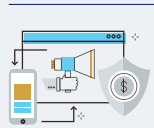
- Made a “resolution to provide services that move the heart of customers” in February 2020, and made commitments to strengthen financial consumer protection by declaring “customer-centric management” in 2021 to place top priority on consumer protection and practice customer-centric management
- Designate the first business day of each month as the “Day of Financial Consumer Protection”, to enhance the authority of financial consumers and strengthen post relief, and make continuous efforts to manage and review



Prevention of Voice Phishing

Shinhan Bank

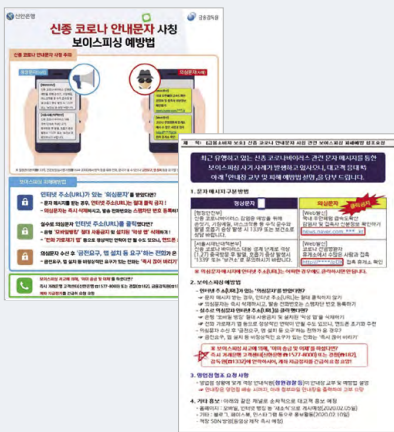
- Designated 2020 as the first year of protecting financial consumers through prevention of voice phishing damages; and adopted diverse services and systems to actively carry out activities aimed at protecting customers' precious assets



Strengthened PR on Voice Phishing Prevention

- Carried out PR activities and provided information to customers, aimed at preventing voice phishing that abused the sense of anxiety caused by COVID-19, by sending out information letters and using social media, SOL, and Internet banking
- Engaged in financial consumer PR activities, such as providing a video on preventing damages from COVID-19-related impersonation in the Cyber Voice Phishing Prevention Experience Hall during the "Online Korea Fintech Week 2020"
- Strengthened damage prevention PR activities using social media through collaboration among relevant departments in the second half of the year

Information letter to prevent damage



Preventing damage by using social media



Provided the First Transfer Notice Service

- Adopted the "first transfer notice service" that sends a notice to a customer when a customer transfers a certain amount from a Shinhan Bank account using the mobile application "Shinhan SOL", Internet banking, ATM, etc. and it is confirmed that the transfer is the first transaction
- Unlike the previous service that was focused on informing customers of simple transaction details, the first transfer notice service is a voice phishing damage prevention-specializing service and is provided to all Shinhan Bank customers





AI-based Voice Phishing Prevention Monitoring

Shinhan Bank upgraded its “anti-phishing platform” by using digital technology to prevent damages from voice phishing, for which crime techniques are evolving, and conducts monitoring to prevent voice phishing damages by detecting whether a malicious application is installed.

Once the Phishing Eyes¹⁾ application is installed, AI technology is used for real-time analysis of text messages and calls that are suspicious of voice phishing and are sent to customer mobile phones. Also, malicious applications and remote-control applications that are installed on mobile phones are automatically detected and an alert message is provided for suspicious cases.

After strengthening damage prevention monitoring, there was a rise in voice phishing crime attempts at night, when bank hours are over, and this is why we conduct monitoring even during nighttime hours from 6 to 11:30 pm. In addition, we made system upgrades so that we can detect signs of voice phishing beforehand even when a customer deletes the Shinhan SOL application, and also hired new employees with experience working at a bank to take charge of nighttime monitoring.



AI-based Financial Fraud Prevention Activities

Shinhan Card

- Diversified internal and external collaboration as well as the incident prevention system by launching the FDS-interfaced voice phishing prevention application (Phishing Eyes) that is an outcome of collaboration with the startup InfniGru and installing a malicious application detection solution (V3), an outcome of collaborating with AhnLab
- Achieved around an annual KRW 8 billion in incident prevention by building a real time voice phishing monitoring system that includes detection of high-risk financial transactions and development of a postponed deposit process

Shinhan Life Insurance

- Developed the “social media insurance fraud analysis system” to prevent social media insurance fraud and protect insurance policyholders
- Extract words that are presumed to be related to insurance fraud to predict and manage undue insurance claims by using “web-crawling” technique that collects and analyzes specific keywords
- Have been active in adopting digital technology, including “development of a big data automatic analysis system for insurance fraud suspicion” to efficiently prevent insurance fraud that continues to advance

OrangeLife

- Established an “insurance fraud prediction model” where by big data and AI technology is applied by using the company’s internal technologies, based on which the company quickly identifies whether there is an insurance fraud intent and targets with a relatively high risk beginning from the time of signing an insurance contract



¹⁾ A joint response platform that prevents damages from fraud through a connection with financial institutions' fraud detection system (FDS). It is designed in a structure that enables prevention of secondary and tertiary damages from voice phishing as the number of participating financial institutions increases.

Information Security

Information Security Management System

Shinhan Financial Group

- Directors with professional skills related to information technology serve as members of the Risk Management Committee; and the BOD receives a report on the Group's information protection-related performance, issues, and execution plan during a regular report every year
- A Chief Information Security Officer (CISO) is designated at each Group subsidiary for independent management
- Employee responsibilities and obligations are stipulated in the Group Information Security Management Guidelines, Information Protection Management Regulations, and Rules on Personal Information Protection to help with employees' observance and understanding of information protection; and the Group's online manual on security compliance is available for perusal on the Group's internal portal website

Security Training and Awareness Enhancement

Shinhan Financial Group

- Made information security training for employees mandatory according to Supervision Regulations of the Group Information Security Management Guidelines; and operate annual training programs for all employees with regards to information security training
- Conduct malicious email simulation and other information security drill on a regular basis, at least once a year, with the goal of enhancing employees' security mindset

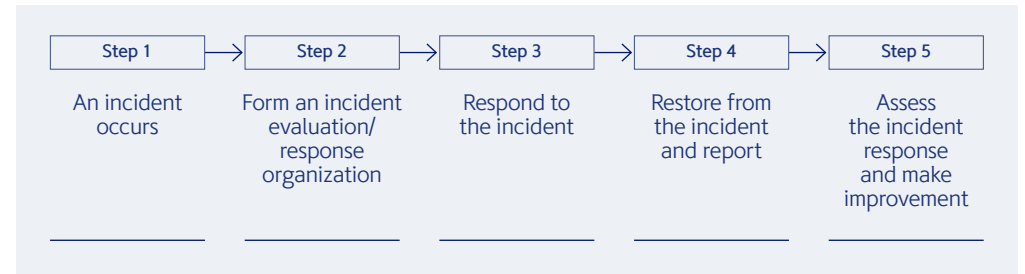
Mandatory Standard on Information Security Training

Executive	CISO	General employee	Employees in charge in the area of information technology	Employees in charge of information protection
At least 3 hours	At least 6 hours	At least 6 hours	At least 9 hours	At least 12 hours

Responding to Security Incidents

Shinhan Financial Group

- Established the standard procedure on responding to security incidents in 2014, which categorizes security incidents into four types – information leakage by internal personnel, information leakage by an outside party, service failure, and information leakage from customer sector hacking – and has established a five-step response system so that measures can be taken immediately after becoming aware of a security incident
- Operate a security reward and punishment system to enhance employees' security awareness and for employees to comply with security policies



Business Continuity Management

Shinhan Financial Group

- Define situations that can disrupt business continuity in the Group and the response process for each situation in accordance with Group Information Protection Management Regulations; and continue to update the business contingency plan (BCP) manual, which includes the emergency organization and reporting system, emergency communication network, and others, and conduct regular response trainings
- Conduct trainings according to an emergency response training plan every month to quickly respond to a failure in the event of an emergency ICT situation, such as a failure, disaster, and security violation

Establishment of Integrated Security Control

Shinhan Financial Group

- Have been establishing contactless global security control system through which headquarters in Korea reviews IT security management of overseas branches through non-face-to-face measures in consideration of the COVID-19 pandemic which has made direct security control and evaluation of overseas branches difficult

Information Protection and Privacy Protection Certifications

Entity	ISO27001	ISMS	ISMS-P
Shinhan Bank	ISO27001	ISMS	ISMS-P
Shinhan Card	ISO27001	PCI-DSS	ISMS-P
Shinhan Investment	ISO27001	ISMS	BS 10012
Shinhan Life Insurance	ISO27001		
Shinhan Capital	ISO27001		
Shinhan Asset Management	ISO27001	BS 10012	
Shinhan DS	ISO27001	ISO 27701	ISO 20000
Shinhan AITAS	ISO27001		
Shinhan Credit Information	ISO27001		

* ISO 27001: International information security standards developed by British Standards Institution (BSI)
 ISMS: Information protection management system certified by Financial Security Institute / ISMS-P: Information protection management system and privacy protection certified management system certified by Financial Security Institute
 PCI-DSS: Credit card information protection standard

Shinhan Bank

- Have been building a Security Information and Event Management (SIEM) system to ensure security and safety of local banking systems amid continued expansion of overseas branches; and have established a Security Operation Center (SOC) in Korea for overall monitoring and integrated management of overseas subsidiaries' security issues and infringement threat, response, etc.
- Global branches also received ISO 27001, an international standard information protection certification, thus building an international-level information processing system management scheme and security management process

Customer Information and Personal Information Handling Policy

Shinhan Financial Group

- Have established and operate the "Customer Information Handling Policy", bearing in mind that providing and using customer information among the Group subsidiaries was allowed to enhance the quality of financial services and to advance Korea's financial industry in accordance with the Financial Holding Companies Act
- Report the status of customer information-sharing among the Group subsidiaries and results of examination to the BOD on a quarterly basis

[Customer Information Handling Policy](#)

[Privacy Policy](#)

[Credit Information Handling System](#)

Information Protection

	Unit	2018	2019	2020
Customer information leakage ¹⁾	Case	0	0	0
No. of customers impacted by the leakage	Person	0	0	0
Monetary loss due to customer information leakage	KRW million	0	0	0
No. of customers who gave consent on providing information to a third party	Person	12,593,068	12,747,106	19,433,457
Percentage of customers who gave consent on providing information to a third party ²⁾	%	24.5	24.6	37.1
Employee training on information protection	Hours	129,810	136,913	144,328
	Participants	20,551	21,574	21,678
Employee training of outsourced/partner companies on information protection	Hours	23,908	23,059	21,856
	Participants	5,171	5,321	5,832

¹⁾ No. of incidents confirmed by the regulatory body

²⁾ Ratio of customers who gave consent on providing information to a third party to all active customers

Human Rights

Human Rights Policy

Shinhan Financial Group

Shinhan Financial Group created the Human Rights Declaration in 2014, and supports and actively practices the basic principles for protection of and respect for human rights that are presented in the UN Commission on Human Rights' "Universal Declaration of Human Rights" and "Guiding Principles on Business and Human Rights". In particular, we eliminate human rights violation factors that may arise in all areas, including selling financial products and providing financial services, and make utmost efforts in the event of a human rights violation to ensure quick, efficient corrective action. The promise of respecting human rights applies to our affiliates and subsidiaries as well as partner companies and subcontractors. We disclose our human rights principles for protection of the rights and interests of major stakeholders on the Shinhan Financial Group website.

[Declaration of Human Rights](#)[Human Rights Policy by Stakeholder](#)

Establishment of Policy on Modern Slavery

Shinhan Bank

Shinhan Bank has been making company-wide efforts to prevent incidents that go against worker's human rights at business sites, supply chain, and others. In accordance with the "Modern Slavery Act" of Australia that was officially announced in 2018, the Australian branch of Shinhan Bank established a policy on modern slavery that includes social responsibility towards human rights such as anti-slavery policy; submits a statement to a government organization to comply with the Modern Slavery Act; and strives to establish an effective system and control to prevent modern slavery and human trafficking within the organization and supply chain. Through a monitoring program, Shinhan Guardians program, and training program, efforts are made to identify and address potential risk areas at the supply chain level.

[Statement](#)

Significant Areas Relating to Human Rights Issues

Protection of Labor Rights	<ul style="list-style-type: none"> · Provide employees with safe and pleasant work environments and prevent unfair labor practices such as forced labor or child labor · In accordance with standards set by the labor relations laws and regulations at which a business site is located, specify regular and overtime work hours and provide employees who have worked extra hours with overtime allowance according to the aforementioned rules · Pay employees' salaries and benefits above the level of the minimum wage set forth in the pertinent labor relations laws and regulations at which a business site is located · Do not discriminate against employees without grounds in human resources management, including recruitment, the maintenance of employment, performance evaluation, promotion, and salary payment, because of their educational or regional background, age, gender, ethnicity or religious beliefs 	Employees Suppliers Local communities
Screenings for Investments	<ul style="list-style-type: none"> · Restrict loans, deposits, and other sales activities as well as investments in specific regions, industries, companies or individuals suspected to be engaged in forced labor or child labor · Restrict sales and investments in industries, companies or individuals that may be inclined to infringe upon the human rights of indigenous people due to significant environmental and social impact 	Employees Suppliers Local communities
Improved Accessibility to Financial Services	<ul style="list-style-type: none"> · Do not offer discriminatory financial services to customers based on gender, ethnicity, religious beliefs, or political inclination · To prevent any human rights infringement arising from the leakage of customer information, take necessary technological actions and collect the minimum information necessary for sales activities · Provide additional information and guidance for users such as the elderly, the disabled, and the less fortunate whose access to financial services is limited 	Customers Local communities

Enhancing Awareness of Human Rights

Shinhan Financial Group complies with employment and labor-related regulations of regions where all of its business sites are located, and strives to protect human rights. Human rights-related content is reflected in the Group Code of Ethics, Code of Conduct for Employees, and Code of Conduct for Partner Companies. The Group subsidiaries reflect such content in internal rules in detail through their respective regulations and abide by it. All employees of Shinhan Financial Group make a pledge to practice ethics every year that includes human rights content, thus making a resolution to faithfully execute and comply with it. Partner companies are also required to observe the Code of Conduct for Partner Companies. We also operate guidelines on preventing sexual harassment and bullying in the workplace as well as guidelines on preventing unreasonable discriminatory behavior. We provide human rights education to all employees every year to internalize awareness of respecting human rights.

Human Rights Risk Management

Shinhan Financial Group identifies human rights risks in advance by collecting opinions of major stakeholders and strives to protect the human rights of stakeholders. Through each Group subsidiary’s internal ethical compliance self-inspection program, we conduct an inspection and diagnosis in relation to human rights, and also conduct a “code of conduct self-diagnosis survey” of partner companies. In 2020, we assessed each Group subsidiary’s status of keeping the promise of respecting human rights by interviewing relevant departments of 14 Group subsidiaries – Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, OrangeLife, Shinhan Capital, Shinhan Asset Management, Jeju Bank, Shinhan DS, Shinhan Alternative Investment Management, Shinhan REITs Management, Shinhan Credit Information, Shinhan AI, and Shinhan AITAS.

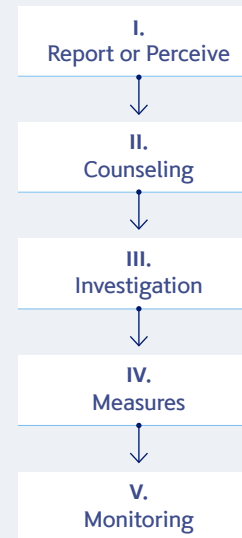
Shinhan Bank, in particular, joined the Equator Principles in September 2020 that restricts financial support in case a large development project can cause environmental and social issues, such as destroy the environment or violate human rights. Accordingly, we screen new projects by adding environmental and social risk management criteria as a new screening item, adopted by global financial institutions, for all transactions that are subject to the review in accordance with the Equator Principles.

Handling of Human Rights-related Grievances

Shinhan Financial Group operates various human rights-related communication channels, and identifies human rights violation factors beforehand and makes improvements. We operate a sexual harassment counseling center and a grievance counseling center at each Group subsidiary to enable counseling and reporting on human rights-related issues, such as sexual harassment and bullying at the workplace. In the event of a human rights violation, we immediately and quickly investigate the matter according to a report-handling process. Through the “Partner Company VOC Channel” on our website, we collect information on human rights-related grievances, in addition to unethical conduct, and handle them properly.

 [Partner Company VOC Channel](#)

Reporting Process for Workplace Harassment



- If someone is harassed in the workplace or witnesses it, reports to the HR Department of a Group subsidiary
- Assign a staff in charge
- Identify demands through victim counseling
- Determine solutions to conduct an investigation and take measures
- Develop and report a counseling report
- Share victim’s demands and reach an agreement
- Take necessary measures to prevent recurrence and protect the victim
- Conduct monitoring to figure out whether measures were taken and whether additional damages were caused to the victim



Managing Human Rights Impacts

Since 2016, Shinhan Financial Group has been conducting a human rights risk assessment on stakeholders who are impacted by its management activities, thus implementing the “due diligence” of the United Nations Guiding Principles on Business and Human Rights. We assess human rights risks every year according to a process of managing human rights impacts for prior identification and prevention of human rights risks, including potential human rights impacts.

In 2020, we conducted a human rights assessment through an internal analysis and interviews of major stakeholders. Results indicate that seven out of 16 issues may occur as human rights issues in the value chain of Shinhan Financial Group. Regarding the identified human rights issues, the respective Group subsidiary, relevant departments, and partner companies have established preventive measures and mitigation plans.

Human Rights Impact Management Process		Action	Assessment Results			
			Employee	Customer	Partner company	Local community
Risk identification & Due diligence	<ul style="list-style-type: none"> Identify potential human rights issues and risks Identify potential issues in management activities and the supply chain Check the area of occurrence Conduct human rights impact assessments Identify material issues 	<ul style="list-style-type: none"> Identify the latest human rights risks and impacts Review the financial process (deposit, loan, insurance, and investment) Review the priority of human rights impacts and identify vulnerable groups through stakeholder participation 	<ul style="list-style-type: none"> Shinhan WAY survey (All employees who are general managers or in lower positions, participated by 19,316 persons) * Major items: Family-friendly culture, work-life balance, etc. Shinhan Guardian 	<ul style="list-style-type: none"> Shinhan Guardian VOC on the website 	<ul style="list-style-type: none"> Socially responsible management diagnosis survey on Shinhan Financial Group's partner companies (conducted on 124 partner companies of the Bank in 2020) Evaluating ESG performance when signing an ICT purchase contract with the Group 	<ul style="list-style-type: none"> ESG survey (conducted on 300 stakeholders in 2020)
			Human rights issues derived through assessment			
Action	<ul style="list-style-type: none"> Establish plans for resolution and mitigation 	<ul style="list-style-type: none"> Review and share assessment results Establish and review mitigation plans for core human rights issues 	<ul style="list-style-type: none"> Operate of the whistleblower system on a regular basis - Shinhan Guardian (No. of reports related to employees) Mental health checkup for employees (Bank: Open Counseling Center, Card: Visiting Employee Assistance Program) Shinhan Financial Group's Quarantine Guidelines (response to COVID-19) 	<ul style="list-style-type: none"> Inspect the information protection status of the Group subsidiaries and partner companies Assign dedicated staff for vulnerable groups (Maum Matchoom Counter, meaning "matching hearts") 	<ul style="list-style-type: none"> Operate the emotional worker protection system - Grievance Handling Committee and anonymous grievance box - Counseling treatment system - Distribution of a manual on protecting emotional workers, health management education 	<ul style="list-style-type: none"> Review environmental and social risks of large development projects Provide financial and economic education
			<ul style="list-style-type: none"> 2 (Human rights management in the workplace, Industrial safety & health) 	<ul style="list-style-type: none"> 2 (Customer information protection, Access to financial services for vulnerable people) 	<ul style="list-style-type: none"> 1 (Stress management of customer-facing employees) 	<ul style="list-style-type: none"> 2 (Protection of indigenous people in local communities, Financial literacy)
Monitoring	<ul style="list-style-type: none"> Implement mitigation plans Review potential issues 	<ul style="list-style-type: none"> Protect customer-facing employees Monitor human rights issues Provide training on human rights protection 	<ul style="list-style-type: none"> All 21 cases of human rights issues received through the Shinhan Guardian were resolved 	<ul style="list-style-type: none"> Inspected all 725 outsourced companies of the Bank in 2020 Operated 619 Maum Matchoom Counters 	<ul style="list-style-type: none"> Operated 100% at 7 Group subsidiaries 	<ul style="list-style-type: none"> Reviewed 16 projects Provided education to 71,461 persons
Reporting	<ul style="list-style-type: none"> Report results and review the assessment process 	<ul style="list-style-type: none"> Report to the ESG Strategy Committee Disclose performance through the ESG Report 	<p>Resolution of Shinhan Guardian's report cases</p> <p>100%</p>	<p>Security inspection monitoring of Group subsidiaries and partner companies</p> <p>100%</p>	<p>Operation of the protection system for customer-facing employees</p> <p>100%</p>	<p>No. of risk reviews carried out for large-scale development projects</p> <p>16 projects</p>

INITIATIVE REPORT



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- 76 UNEP Finance Initiative
 - 77 PRB Report
 - 78 Climate Change Initiative
 - 79 TCFD Report
 - 80 Social Value Initiative
 - 81 Diversity Report
 - 83 COVID-19 Response

UNEP Finance Initiative

UNEP FI

The United Nations Environment Programme Finance Initiative (UNEP FI) was formed based on partnership between the UNEP and global financial sector. Shinhan Financial Group joined the UNEP FI in January 2008 and has been active in supporting and executing relevant activities. As a result of these efforts, we were chosen as UNEP FI Global Steering Committee Asia Pacific Banking Sector Representative in 2020. Going forward, we will make continuous efforts to contribute to the facilitation of sustainable finance of financial institutions in the market.



PRB (Principles for Responsible Banking)

The UN PRB refers to principles that the banking sector should pursue to implement the Paris Agreement and UN SDGs. Shinhan Financial Group became the first in Korea to join the UN PRB in September 2019, and is serving as a Core Group. In the first half of 2021, we completed the Self-Assessment Template and is striving to fulfill the PRB Principles.

6 PRB Principles

Alignment	Align strategy with initiatives
Impact & Target Setting	Assess social/environmental impact and set targets
Clients & Customers	Encourage sustainable trade practices
Stakeholders	Maintain partnerships to fulfill social responsibilities
Governance & Culture	Build an effective governance and a culture of responsible banking
Transparency & Accountability	Disclose whether the principles are implemented and the status

PSI (Principles for Sustainable Insurance)

The PSI is a global initiative that has combined business activities' sustainability-related factors, including operation strategy, risk management, and product and service development. Shinhan Financial Group became the first in the Korean life insurance industry to join PSI in February 2020.

4 PSI Principles

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.	Apply to business, such as company strategy, risk management, product and service development, claims management, marketing, and investment management
We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.	Manage ESG risks through collaboration with customers and suppliers as well as the insured and insurance policy holders
We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.	Manage risks through collaboration with key stakeholders, including government, regulatory bodies, and legislative bodies
We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.	Make regular public announcements on the assessment, measurement, and monitoring process of a company that manages ESG issues

NZBA (Net Zero Banking Alliance)

The NZBA is aimed at achieving the goals of the Paris Agreement and is participated by 43 global banks. It provides a framework and guidelines to participating financial institutions to accelerate the shift to net zero. Shinhan Financial Group joined the NZBA on April 21, 2021 as a founding signatory, and will execute related activities.

Guidelines for Climate Target Setting

Guideline 1	Banks shall set and publicly disclose long-term and intermediate targets to support meeting the temperature goals of the Paris Agreement
Guideline 2	Banks shall establish an emissions baseline and annually measure and report the emissions profile of their lending portfolios and investment activities.
Guideline 3	Banks shall use widely accepted science-based decarbonisation scenarios to set both long-term and intermediate targets that are aligned with the temperature goals of the Paris Agreement.
Guideline 4	Banks shall regularly review targets to ensure consistency with current climate science.

PRB Report



Principles for Responsible Banking


Shinhan Financial Group has been participating as a founding institution of the Principles for Responsible Banking (PRB), together with 28 global financial companies, since March 2018, and we became the first financial company in Korea to join the PRB and have been conducting relevant activities since 2019. We disclosed the PRB Report in the first half of 2021 to execute the principles, while also making active efforts to identify improvement matters by year. In addition, we are striving to implement the PRB principles, such as completing a self-assessment template that is provided by the PRB in the first half of 2021.

<p>PRINCIPLE 1</p> <p>Alignment</p>	<p>PRINCIPLE 2</p> <p>Impact & Target Setting</p>	<p>PRINCIPLE 3</p> <p>Clients & Customers</p>	<p>PRINCIPLE 4</p> <p>Stakeholders</p>	<p>PRINCIPLE 5</p> <p>Governance & Culture</p>	<p>PRINCIPLE 6</p> <p>Transparency & Accountability</p>
<p>Align our business strategy with the UN SDGs or the Paris Climate Agreement</p>	<p>Identify risks that have positive/negative impact on society and set targets to manage relevant risks</p>	<p>Work responsibly with our clients and customers to encourage sustainable practices</p>	<p>Disclose issues that stakeholders are interested in and matters discussed with stakeholders</p>	<p>Describe corporate governance or corporate culture to implement the PRB principle</p>	<p>Disclose (or make public announcement) whether and how the principles are implemented</p>
<p>Green strategy</p> <ul style="list-style-type: none"> Zero carbon emissions of the Group's asset portfolio 	<p>Identify climate-related social impact</p> <ul style="list-style-type: none"> Recognize top ten industries in terms of scale of risk exposure Recognize economies that are impacted by climate change 	<p>Responsible customer management</p> <ul style="list-style-type: none"> Manage social impact related to COVID-19 in 2020 Establish a customer center for reporting financial difficulties due to COVID-19 Offer convenient loan services through online channel 	<p>Materiality assessment</p> <ul style="list-style-type: none"> Conduct survey on internal/external stakeholders to identify issues that they are interested in and describe management measures through reports 	<p>ESG Strategy Committee</p> <ul style="list-style-type: none"> Discuss ESG-related risk management strategies and decide on key programs, policies, and regulations 	<p>Disclosure</p> <ul style="list-style-type: none"> Transparently disclose business activities through the ESG report, business report, etc.
<p>Win-win strategy</p> <ul style="list-style-type: none"> Aim to foster ten unicorn companies by discovering and nurturing innovative companies 	<p>Set a goal for impact management</p> <ul style="list-style-type: none"> Set the goal for "Zero Carbon Drive 2050" and work on reducing and offsetting carbon emissions 	<p>Digitalize the secondary preservation loan process for small business owners</p>	<p>Stakeholder description</p> <ul style="list-style-type: none"> Describe matters discussed with each stakeholder, by categorizing stakeholders into customers, shareholders/investors, employees, partner companies, local community, and government, as well as communication channels and responses by the Group on the website 	<p>Chief Strategy and Sustainability Officer (CSSO)</p> <ul style="list-style-type: none"> Appoint a CSSO to manage and respond to ESG issues at the Group level 	<p>Whether the principles are executed</p> <ul style="list-style-type: none"> Describe efforts made to implement the PRB principles through this report
<p>Trust strategy</p> <ul style="list-style-type: none"> 100% satisfaction of all stakeholders of the Group 		<p>Support customers' responsible activities</p> <ul style="list-style-type: none"> Financial education, Hope School Software Class, Shinhan Music Awards, scholarship programs, etc. 		<p>Establish a culture</p> <ul style="list-style-type: none"> Induce employee participation through the employee code of ethics and guidelines 	

Climate Change Initiative

Status of Climate Change Initiatives

Beginning with its joining of CDP in March 2007, Shinhan Financial Group has been active in joining climate change initiatives, such as PCAF, SBTi, TCFD, and Equator Principles, to better respond to climate change management, public disclosure, target setting, and emissions measurement.

Methodology	Measurement of carbon emissions of asset portfolio	Target setting	Public disclosure	Risk management	Evaluation of activities in response to climate change
Initiative	 <p>Partnership for Carbon Accounting Financials (PCAF)</p>	 <p>Science Based Targets initiative (SBTi)</p>	 <p>Task Force on Climate-related Financial Disclosures (TCFD)</p>	 <p>Equator Principles</p>	 <p>Carbon Disclosure Project (CDP)</p>
Outline	Methodology for measuring carbon emissions of financial assets developed by PCAF	Methodology on setting a reduction goal based on the 2°C scenario for financial assets	Methodology on public announcements on corporate impact in relation to climate change	Framework for identifying environment/ society-related risks Set minimum obligation standard for due diligence	Evaluate corporate activities in environment-related actions, including climate change
Status	Joined November 2020 Measure carbon emissions of financial assets of the Group and the Group subsidiaries	Joined November 2020 Set the reduction targets of financial assets carbon emissions	Announced the support for the recommendations of TCFD in 2018 Disclosed information in the CSR Report in 2019	Established the process in 2019 Joined in 2020 and applied the Principles to the projects subject to screening	Evaluated since 2010 Became the first Korean financial institution to earn Leadership A for 7 consecutive years

TCFD Report Task Force on Climate-Related Financial Disclosures



TCFD Implementation Status

Shinhan Financial Group has been expanding its activities to respond to climate change according to TCFD recommendations. We became the first in Korea to publicly declare support for the TCFD and its recommendations, which was followed by the first disclosure of the TCFD report in Korea in 2019. In 2020, we declared the Zero Carbon Drive, for the first time among financial groups in East Asia, aimed at achieving carbon neutrality of the asset portfolio based on TCFD recommendations.

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, NZBA

3 RISK MANAGEMENT

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

Operate an environmental and social risk management system

- Selecte12 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 2019)

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)

Social Value Initiative

Status of Social Value Initiatives

Shinhan Financial Group joined the UN Global Compact (UNGC), which encourages corporate sustainability and social responsibility as corporate policies, and the Value Balancing Alliance (VBA), which develops a currency-based social value measurement standard. We also strive to become a financial group that creates social value through indicators of Sustainability Accounting Standards Board (SASB), which refers to sustainability accounting principles.



UN Global Compact

The UNGC is an initiative that mainstreams the Ten Principles in the areas of human rights, labour, environment and anti-corruption in business activities and that supports the achievement of comprehensive goals set by the UN, such as the UN Sustainable Development Goals (SDGs). Shinhan Financial Group joined the UNGC in May 2008, and has been disclosing relevant activities by issuing its CSR Report every year since 2014.



Value Balancing Alliance

The goal of the VBA is to develop a method that measures and compares value that a company contributed to society, economy, and the environment and that is not reflected in financial statements. The VBA seeks to convert environmental and social impact into comparable financial data. Shinhan Financial Group became the first in the Asian financial industry to join the VBA in March 2021 and plans to participate in the development of a global standard model on ESG measurement.



Sustainability Accounting Standards Board

The SASB provides a sustainability material map by industry to enable comparisons of financial impact on ESG issues among companies, and establishes and develops standard public notice criteria. Shinhan Financial Group first disclosed SASB matters through the 2019 CSR Report.

Ten Principles

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4: the elimination of all forms of forced and compulsory labour;
	Principle 5: the effective abolition of child labour; and
	Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;
	Principle 8: undertake initiatives to promote greater environmental responsibility; and
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Scope of Indicators for Impact Statement Method

Economic	• Gross Value Added (GDP contribution): taxes, wages, profits, etc.
Human and Social	• Occupational health and safety
	• Training
Environmental	• GHG/climate change
	• Air emissions
	• Water consumption
	• Water pollution
	• Land use (biodiversity)
	• Waste

Materiality Map

Environment	GHG emissions, air quality, energy management, water & wastewater management, waste & hazardous materials management, ecological impacts, etc.
Social Capital	Human rights, data security, product quality & safety, customer welfare, selling practices & product labeling, etc.
Human Capital	Labor practices, employee health & safety, employee engagement, diversity & inclusion, etc.
Business Model & Innovation	Product lifecycle management, business model resilience, supply chain management, materials sourcing, physical impacts of climate change, etc.
Leadership & Governance	Business ethics, management of the legal & regulatory environment, systemic risk management, etc.

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

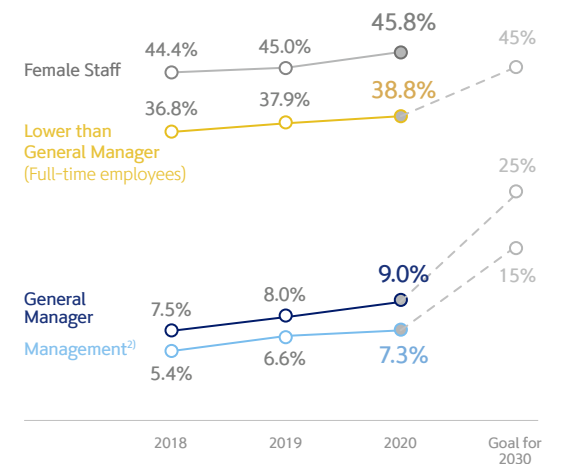
Diversity in BOD Expertise

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

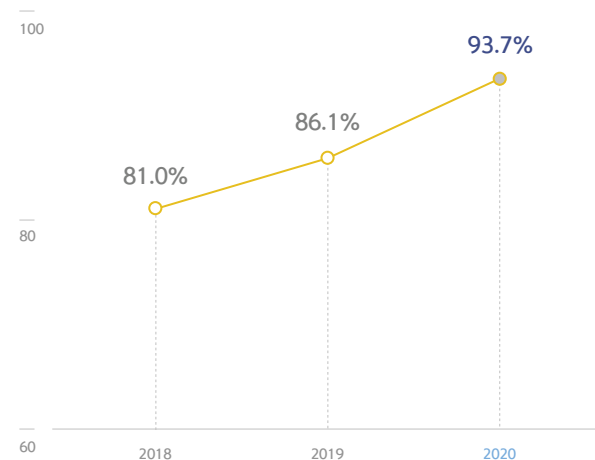
The Group distributes female talent training principles (R.O.S.E) and training guidelines, supports the operation of customized programs for each Group subsidiary, and examines training efforts and outcomes every year. In 2020, it established a mid-term roadmap to foster female talent from a long-term 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 Zoon 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 strengthened the process for entering headquarters, built a smart office infrastructure to disperse work and to ensure a rapid transition to a telecommuting environment, and established smart meeting rooms and a video telephone system for non-face-to-face communication between headquarters and regions. It is minimizing the risk of the spread of the infectious disease based on non-face-to-face measures, such as training/special lecture education and operation of small gatherings for knowledge-sharing through online communication, such as Webex and Zoom.

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

APPENDIX



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Stakeholder Participation

Shinhan Financial Group defines customers, shareholders and investors, employees, partner companies, local communities, and government as major stakeholders, and realizes compassionate finance that aligns with various entities. We collect stakeholder opinions through diverse communication channels, and reflect major opinions in our activities to promote the ESG strategy.

Stakeholders' interest in ESG has recently been rising. In response, we have identified opinions and interests of stakeholders through a wide range of communication channels, and then reported them through the "2020 ESG Highlight" in storytelling format, while describing overall ESG activities of Shinhan Financial Group through this "ESG Report".

 [2020 ESG Highlight](#)

Stakeholder	Customers	Shareholders and Investors	Employees	Partner Companies ¹⁾	Local Community	Government
Subjects of Interest	<ul style="list-style-type: none"> • Customer experience innovation • Enhancement of service convenience • Protection of underprivileged customers 	<ul style="list-style-type: none"> • Strengthening trustee's obligation • Considering long-term shareholder values • Improving corporate governance 	<ul style="list-style-type: none"> • Work-life balance • Employee competency building • Cultivation of female talent 	<ul style="list-style-type: none"> • Communication with partner companies • Welfare support for partner companies 	<ul style="list-style-type: none"> • Social contribution activities for local communities • Global social contribution activities 	<ul style="list-style-type: none"> • Expanding inclusive finance • Responding to environmental policies • Job creation • Innovative growth finance
Communication Channels	<ul style="list-style-type: none"> • Customer reviewers • Website VOC • Shinhan POLL 	<ul style="list-style-type: none"> • General shareholders' meeting • IR investor information, mobile IR, governance and annual report • Investor counseling • Investor engagement 	<ul style="list-style-type: none"> • Internal suggestions • Labor-management council • Intranet • Shinhan Guardian 	<ul style="list-style-type: none"> • Meeting for shared growth • Trading satisfaction survey 	<ul style="list-style-type: none"> • Local community and NGO meetings • Website VOC 	<ul style="list-style-type: none"> • Consultation body on the financial authority's policies

¹⁾ Partner companies: Customer centers, security company, etc.

Major Stakeholder Opinions and Response in 2020

STAKEHOLDER OPINIONS

Inquiries about Shinhan Financial Group's eco-friendly strategies to address environmental issues – especially carbon neutrality of the asset portfolio – and the status of implementation

Shinhan Financial Group's efforts in relation to the product management system and cyber security from the perspective of customer protection with the accelerated shift to a non-face-to-face digital economy triggered by COVID-19

OUR RESPONSE

Shinhan Financial Group launched the "ESG Implementation Committee", which consists of all Group subsidiary CEOs, to regularly review climate-related matters implemented by the Group and to conduct detailed monitoring. We reported the implementation status on page 6 and page 41 of the 2020 ESG Highlight.

Shinhan Financial Group established customer-centric product governance, ranging from product development to launch, sales, and follow-up monitoring. Details are reported on page 26 of the 2020 ESG Highlight.

Materiality Assessment

Advancement of Materiality Assessment in Alignment with ESG Strategy

The concept of socially responsible management expanded from social contribution to Creating Shared Value (CSV), and has recently been expanding to sustainability management, which maximizes social value based on the essence of business. Shinhan Financial Group advanced its sustainability management system to go beyond the step of examining ESG as a risk factor and move onto the step of recognizing and using ESG as an area of new opportunity creation. We redefined sustainability management as “sustainable finance¹⁾”, changing the future for the world through the positive impact of finance, the essence of our business, and derived three major strategic directions – green, win-win, and trust – based on issues presented by global evaluation organizations and standards, benchmarking, media analysis, and in alignment with the UN SDGs.

Materiality Assessment Process

Shinhan Financial Group conducts materiality assessments in accordance with the “Materiality” principle of the Global Reporting Initiative (GRI) Standards – global sustainability management report guidelines. In particular, we identify industry-specific ESG issues by reflecting important topics in the industry recommended by SASB. We disclose activities regarding key topics and performance in our ESG Report every year for transparent communication with stakeholders.

Features of the 2020 Materiality Assessment

Expanding the scope of an issue pool

- Expanded the reflection of issues recommended by global evaluation organizations and standards
- Included important issues in the industry by benchmarking the same industry in Korea and abroad and analyzing media
- Collected various stakeholder opinions through interviews with stakeholders, including investors/evaluation agencies, government agencies, academia, partner companies, local communities, and NGOs

Aligning with the ESG strategic directions

- Derived three major strategic directions that induce stakeholder change and were discovered based on “social value” and “essence of business”
- Reported key topics that were derived through the materiality assessment in alignment with the three major strategic directions of “green, win-win, and trust”, aimed at differentiating Shinhan Financial Group’s sustainable finance

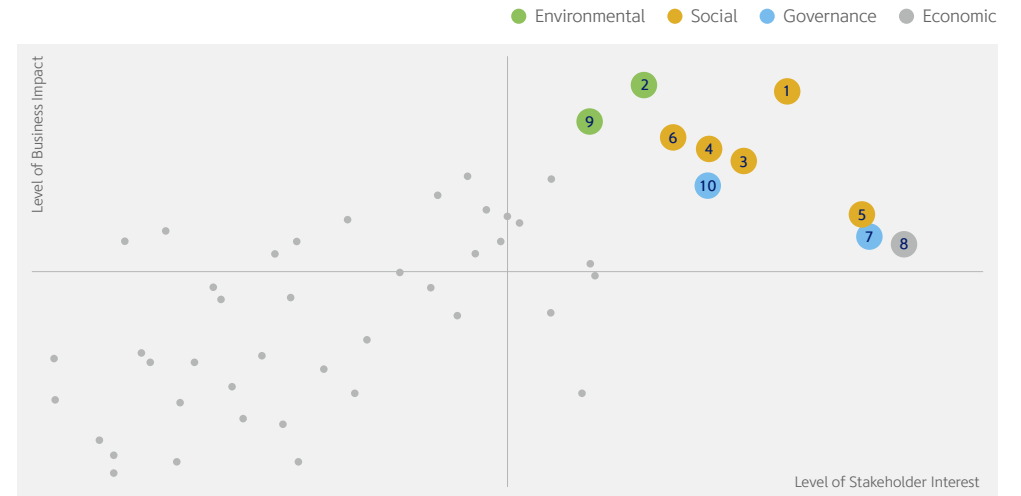
Materiality Assessment Process

Issue Pool Formation	Prioritization		Selection and Reporting of Issues
	Level of Business Impact	Level of Stakeholder Interest	
Formation of a pool consisting of 46 issues <ul style="list-style-type: none"> · Formed an issue pool by analyzing international standards and industry issues, benchmarking, and analyzing the media · Formed a pool of 46 issues by analyzing the previous year’s issues and interviewing with customer service departments of the holding company and the Group subsidiaries 	Benchmarking leading companies <ul style="list-style-type: none"> · Benchmarked and analyzed a total 12 companies – 11 leading companies and one company in Korea in the same industry 	Conducting stakeholder survey <ul style="list-style-type: none"> · Employees (250 persons) 	Conducting stakeholder survey <ul style="list-style-type: none"> · Customers and clients, partner companies, sustainability management experts, etc. (300 persons)
		Analyzing the media <ul style="list-style-type: none"> · Total 2,319 cases from January 1 to December 31, 2020 	Analyzing international standards <ul style="list-style-type: none"> · Analyzed global guidelines, including GRI and ISO 26000 · Analyzed indicators of global evaluation agencies, including DJSI, MSCI, and Sustainalytics · Analyzed industry issues, such as SASB and FTSE
			Conducting internal review and selecting key topics <ul style="list-style-type: none"> · Selected ten key topics through a comprehensive evaluation based on level of business impact and level of stakeholder interest · Reported response strategies per key topic in alignment with ESG strategy

¹⁾ Refers to all forms of financial services aimed at securing environmental and social sustainability by integrating ESG factors into business

Materiality Assessment Results

Shinhan Financial Group has been reporting the implementation status of key topics in alignment with its mid- to long-term sustainability management strategy. In 2020, we established a new ESG strategy and reported activities and outcomes by aligning key topics that were chosen through the materiality assessment with the three major strategic directions of green, win-win, and trust management for “Finance for IMPACT” – positive impact of finance changing the future for the world. As a result of the materiality assessment, ten issues were chosen as key topics, including establishing a customer protection-centered product/service management system and building a system for responding to climate change. We report these issues with greater importance throughout our ESG reports, including the 2020 ESG Highlight. We plan to continually report the implementation status of performance indicators based on the mid- to long-term goal of each key topic in alignment with our new strategic directions.



Strategic Direction	Key Topic	Management Measure	Reporting Locations	GRI Index
Green	② Build a system for responding to climate change	We declared carbon neutrality, and will achieve zero carbon emissions by reducing and offsetting carbon emissions.	Zero Carbon Drive, TCFD Report	305-1
	⑨ Expand eco-friendly investments	We will provide KRW 30 trillion for green financing by 2030 to fulfill roles as a financial institution for future generations.	Environmental Green Finance	201-2, FS8
Win-win	① Establish a customer protection-centered product/service management system	We reorganized our product governance based on checks and balances, and are overhauling product development, launch, sales, and follow-up monitoring in a customer-centered way.	Financial Consumer Protection, Governance Customer Protection	418-1
	⑥ Strengthen customer services			N/A
	③ Expand inclusive finance	We chose “Start up, Financial literacy, and Group of community” as key areas for SFG’s inclusive finance, with an aim to help companies grow into sustainable consumers, enable the underprivileged to be financially stable, and solve social problems that local community faces.	Hope Together SFG, Social Inclusive Finance	203-1, FS14
	④ Establish a corporate culture of a great workplace	We respect diversity, and thus strive to foster female leaders and expand programs for the disabled and multi-cultural families. We are also improving work environment as a way to improve employee engagement and work efficiently.	Respect for Diversity, Diversity Report, Social Human Resources Development	401-3
	⑤ Strengthen joint growth with partner companies	We are implementing the “Triple-K Project” through which we aim to take the lead in establishing an innovative growth ecosystem in Korea in partnership with various stakeholders and to foster ten unicorn companies by discovering and nurturing innovative companies.	Triple-K, Social Innovative Finance	203-1
Trust	⑩ Establish fair and ethical governance	We provide cyber training on ethics and compliance to all employees of the Group subsidiaries. Also, all employees make a pledge to practice ethics every year, thus solidifying their commitment to business ethics.	Governance Ethics & Compliance	102-26
	⑦ Establish an integrated management system for financial and non-financial risks	We established the ESG Implementation Committee, run by the Group CEO and participated by all Group subsidiary CEOs, to upgrade our ESG driving system.	ESG Governance	102-30
	⑧ Discover future new growth drivers	We set four major strategies – optimal growth, global consolidation and expansion, digital transformation, sustainability management – and are systematically implementing them.	Business Results, Mid-to Long-term Plan, Governance Digital Finance	206-1

Global Initiatives

GRI Standards Index

	Classification	Disclosure	Indicators	Page	Note
Universal Standards (GRI 100)					
GRI 102: General Disclosures 2016					
Organizational Profile	102-1	Name of the organization		4	
	102-2	Activities, brands, products, and services		4	
	102-3	Location of headquarters		100	
	102-4	Location of operations		5	
	102-5	Ownership and legal form		4	
	102-6	Markets served		5	
	102-7	Scale of the organization		4	
	102-8	Information on employees and other workers		42	
	102-9	Supply chain		4	
	102-10	Significant changes to the organization and its supply chain		4	
	102-11	Precautionary Principle or approach		61-62	
	102-12	External initiatives		9, 76-80, 91-96	
	102-13	Membership of associations		60	
Strategy	102-14	Statement from senior decision-maker		14-15	
	102-15	Key impacts, risks, and opportunities		14-19	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior		58	
	102-17	Mechanisms for advice and concerns about ethics		59-60	
Governance	102-18	Governance structure		50-56	
	102-20	Executive-level responsibility for economic, environmental, and social topics		18-19, 57	
	102-22	Composition of the highest governance body and its committees		50-53	
	102-23	Chair of the highest governance body		50, 53	
	102-24	Nominating and selecting the highest governance body		50-51	
	102-25	Conflicts of interest		50-51	
	102-26	Role of highest governance body in setting purpose, values, and strategy		16-17, 57	
	102-28	Evaluating the highest governance body's performance		54-55	
	102-29	Identifying and managing economic, environmental, and social impacts		16-17, 57	
	102-30	Effectiveness of risk management processes		61-62	
	102-31	Review of economic, environmental, and social topics		16-17, 57	
102-32	Highest governance body's role in sustainability reporting		16-17, 57		
102-33	Communicating critical concerns		57, 85-87		
102-34	Nature and total number of critical concerns		86-87		
102-35	Remuneration policies		55		
102-36	Process for determining remuneration		55		
102-38	Annual total compensation ratio		55		
102-39	Percentage increase in annual total compensation ratio		55		

	Classification	Disclosure	Indicators	Page	Note
GRI 102: General Disclosures 2016	Stakeholder Engagement	102-40	List of stakeholder groups	85	
		102-41	Collective bargaining agreements	48	
		102-42	Identifying and selecting stakeholders	85-86	
		102-43	Approach to stakeholder engagement	85-86	
		102-44	Key topics and concerns raised	86-87	
	Reporting Practice	102-45	Entities included in the consolidated financial statements	4	
		102-46	Defining report content and topic Boundaries	86-87, 100	
		102-47	List of material topics	86-87	
		102-48	Restatements of information	About This Report	
		102-49	Changes in reporting	About This Report	
		102-50	Reporting period	About This Report	
		102-51	Date of most recent report	About This Report	
		102-52	Reporting cycle	About This Report	
		102-53	Contact point for questions regarding the report	About This Report	
		102-54	Claims of reporting in accordance with the GRI Standards	About This Report	
		102-55	GRI content index	88-90	
102-56	External assurance	98-99			
GRI 103: Management Approach 2016	Management Approach	103-1	Explanation of the material topic and its Boundary	86-87	
		103-2	The management approach and its components	86-87	
		103-3	Evaluation of the management approach	86-87	
Economic Performance (GRI 200)					
GRI 201: Economic Performance 2016	Economic Performance	201-1	Direct economic value generated and distributed	7	
		201-2	Financial implications and other risks and opportunities due to climate change	33, 78-79, 92	
		201-3	Defined benefit plan obligations and other retirement plans	43	
GRI 202: Market Presence 2016	Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	43	
GRI 203: Indirect Economic Impacts 2016	Indirect Economic Impacts	203-1	Infrastructure investments and services supported	36-40	
		203-2	Significant indirect economic impacts	36-40	
GRI 205: Anti-corruption 2016	Anti-corruption	205-1	Operations assessed for risks related to corruption	58-60	
		205-2	Communication and training about anti-corruption policies and procedures	58-60	
		205-3	Confirmed incidents of corruption and actions taken	59	
GRI 206: Anti-competitive Behavior 2016	Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	59-60	Zero
GRI 207: TAX 2019	Tax	207-1	Approach to tax	63	
Environmental Performance (GRI 300)					
GRI 302: Energy 2016	Energy	302-1	Energy consumption within the organization	29-30	
GRI 303: Water and Effluents 2018	Water	303-5	Water consumption	31	

	Classification	Disclosure	Indicators	Page	Note
GRI 305: Emissions 2016	Emissions	305-1	Direct (Scope 1) GHG emissions	29-30	
		305-2	Energy indirect (Scope 2) GHG emissions	29-30	
		305-3	Other indirect (Scope 3) GHG emissions	29-30	
		305-4	GHG emissions intensity	29	
GRI 306: Effluents and Waste 2016	Effluents and Waste	306-3	Significant spills	31-32	
		306-4	Transport of hazardous waste	31-32	
Social Performance (GRI 400)					
GRI 401: Employment 2016	Employment	401-1	New employee hires and employee turnover	42	
		401-3	Parental leave	43, 82	
GRI 403: Occupational Health and Safety 2018	Occupational Health and Safety	403-6	Promotion of worker health	48, 83	
		403-9	Work-related injuries	48	
GRI 404: Training and Education 2016	Training and Education	404-1	Average hours of training per year per employee	44-45	
		404-2	Programs for upgrading employee skills and transition assistance programs	44-46	
GRI 405: Diversity and Equal Opportunity 2016		405-1	Diversity of governance bodies and employees	41, 51-52, 81-82	There is no difference based on gender, while there is a difference in the paid amount based on length of service * Ratio of salary of female employees against male employees at the Bank (based on basic salary): 0.97 for executives, 0.96 for management positions, and 0.92 for non-management positions
	Diversity and Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	41, 43	
GRI 412: Human Rights Assessment 2016		412-2	Employee training on human rights policies or procedures	58, 73	
GRI 413: Local Communities	Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	38-40	
GRI 415: Public Policy 2016	Public Policy	415-1	Political contributions	60	
GRI 418: Customer Privacy 2016	Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	70-71	No. of reports received from external stakeholders regarding privacy protection: 25
GRI 419: Socioeconomic Compliance 2016	Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	67	
Financial Services Sector Supplement	Product Portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	36-38	
		FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	21-27	
	Community	FS14	Initiatives to improve access to financial services for disadvantaged people	36-38	

TCFD Index

TCFD actively supports organizations that have declared support for the TCFD and its recommendations, so that they can disclose climate-related financial information. It also shares the TCFD Best Practice, enabling supporting organizations to more easily comply with the content demanded in the recommendations. Shinhan Financial Group disclosed the TCFD Report through its 2020 ESG Highlight, and promises to make continued efforts to comply with the recommendations.

 [TCFD Report](#)

Classification	Framework	Reference Page
Governance	a Describe the board's oversight of climate-related risks and opportunities.	2020 ESG Highlight (P. 43)
	b Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy	a Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	2020 ESG Highlight (P. 44-46)
	b Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	
	c Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Risk Management	a Describe the organization's processes for identifying and assessing climate-related risks.	2020 ESG Highlight (P. 47-49), P. 78-79
	b Describe the organization's processes for managing climate-related risks.	
	c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	
Metrics and Targets	a Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	2020 ESG Highlight (P. 50-51)
	b Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	
	c Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	

SASB Index

No	Topic	Code	Category	Unit of Measure	Page
Commercial Banks					
1	Data Security	FN-CB-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Number, Percentage (%)	71
		FN-CB-230a.2	Description of approach to identifying and addressing data security risks	n/a	68-71
2	Financial Inclusion & Capacity Building	FN-CB-240a.3	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Number	32-33
		FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	Number	39
3	Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	FN-CB-410a.1	Commercial and industrial credit exposure, by industry	Reporting currency	59
		FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	n/a	27
4	Business Ethics	FN-CB-510a.2	Description of whistleblower policies and procedures	n/a	59
5	Systemic Risk Management	FN-CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	Basis points (bps)	62
Asset Management & Custody Activities					
1	Transparent Information & Fair Advice for Customers	FN-AC-270a.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Number, Percentage (%)	67
		FN-AC-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers	Reporting currency	66
		FN-AC-270a.3	Description of approach to informing customers about products and services	n/a	64
2	Employee Diversity & Inclusion	FN-AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Percentage (%)	41-42
3	Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	FN-AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	Reporting currency	21-24
		FN-AC-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	n/a	24, 27, 72
		FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	n/a	85
4	Business Ethics	FN-AC-510a.2	Description of whistleblower policies and procedures	n/a	59
5	Systemic Risk Management	FN-AC-550a.3	Total exposure to securities financing transactions	Reporting currency	2020 Shinhan Financial Group Profile (P. 130)
		FN-AC-550a.4	Net exposure to written credit derivatives	Reporting currency	2020 Shinhan Financial Group Profile (P. 130)
Consumer Finance					
1	Customer Privacy	FN-CF-220a.1	Number of account holders whose information is used for secondary purposes	Number	71
		FN-CF-220a.2	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	Reporting currency	71
2	Data Security	FN-CF-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Number, Percentage (%)	IT infrastructure incidents at the holding company: zero Information leakage: zero
		FN-CF-230a.3	Description of approach to identifying and addressing data security risks	n/a	68-71

No	Topic	Code	Category	Unit of Measure	Page
Consumer Finance					
3	Selling Practices	FN-CF-270a.4	(1) Number of complaints filed with the Consumer Financial Protection Bureau (CFPB), (2) percentage with monetary or nonmonetary relief, (3) percentage disputed by consumer, (4) percentage that resulted in investigation by the CFPB	Number, Percentage (%)	66
		FN-CF-270a.5	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	Reporting currency	66
Insurance					
1	Transparent Information & Fair Advice for Customers	FN-IN-270a.1	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	Reporting currency	71
		FN-IN-270a.4	Description of approach to informing customers about products	n/a	64
2	Incorporation of Environmental, Social, and Governance Factors in Investment Management	FN-IN-410a.1	Total invested assets, by industry and asset class	Reporting currency	21
		FN-IN-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies	n/a	21-24, 33
3	Policies Designed to Incentivize Responsible Behavior	FN-IN-410b.2	Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors	n/a	24, 32, 65
4	Systemic Risk Management	FN-IN-550a.1	Exposure to derivative instruments by category: (1) total potential exposure to noncentrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	Reporting currency	2020 Shinhan Financial Group Profile (P. 177)
		FN-IN-550a.2	Total fair value of securities lending collateral assets	Reporting currency	2020 Shinhan Financial Group Profile (P. 90-94)
Investment Banking & Brokerage					
1	Employee Diversity & Inclusion	FN-IB-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Percentage (%)	41-42
2	Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	FN-IB-410a.2	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry	Number, Reporting currency	23
3	Business Ethics	FN-IB-510a.2	Description of whistleblower policies and procedures	n/a	55
4	Professional Integrity	FN-IB-510b.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Number, Percentage (%)	63
		FN-IB-510b.2	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Number	63
		FN-IB-510b.3	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care	Reporting currency	63
5	Systemic Risk Management	FN-IB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	Basis points (bps)	58

PRB Index

The UN PRB offers the Self-Assessment Template, enabling companies to directly execute PRB principles, and recommends the implementation of the principles by providing a tool in relation to impact evaluation. Shinhan Financial Group is disclosing relevant information by filling out the Self-Assessment Template.

 [PRB Self Assessment Template](#)

	Reporting and Self-Assessment Requirements	Response	Reference Document
Principle 1: Alignment	We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		
	1.1	Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	2020 ESG Highlight (P. 11) 2020 Business Report (P. 23-26)
	1.2	Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	2020 ESG Highlight (P. 37)
Principle 2: Impact and Target Setting	We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.		
	2.1	Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements: a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.	2020 ESG Highlight (P. 45)
	2.2	Target Setting: Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.	2020 ESG Highlight (P. 6-7, 37)
	2.3	Plans for Target Implementation and Monitoring: Show that your bank has defined actions and milestones to meet the set targets.	2020 ESG Highlight (P. 38, 44)
	2.4	Progress on Implementing Targets: Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in.	2020 ESG Highlight (P. 6-7, 28, 38, 50-51)

	Reporting and Self-Assessment Requirements	Response	Reference Document
Principle 3: Clients and Customers	We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		
	3.1	Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers.	2020 ESG Highlight (P. 55)
	3.2	Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities.	2020 ESG Highlight (P. 56)
Principle 4: Stakeholders	We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.		
	4.1	Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts.	Website_Stakeholder Communication
Principle 5: Governance & Culture	We will implement our commitment to these Principles through effective governance and a culture of responsible banking		
	5.1	Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	2020 ESG Highlight (P. 43) Website_Socially Responsible Management Policy
	5.2	Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees.	2020 ESG Highlight (P. 40) Website_Global Initiative Website_Code of Ethics for Finance Officers and Employee
	5.3	Governance Structure for Implementation of the Principles a) target-setting and actions to achieve targets set. b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	2020 ESG Highlight (P. 43)
Principle 6: Transparency & Accountability	We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.		
	6.1	Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory)	2020 ESG Highlight (P. 32, 40) Shinhan declares 'zero carbon' drive

UNGP Index

Reporting Framework			Reporting Area
Part A: Governance of Respect for Human Rights			
Policy Commitment	A1	What does the company say publicly about its commitment to respect human rights?	Human Rights Policy, Establishment of Policy on Modern Slavery
	A1.1	How has the public commitment been developed?	
	A1.2	Whose human rights does the public commitment address?	
	A1.3	How is the public commitment disseminated?	
Embedding Respect for Human Rights	A2	How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	ESG Governance
	A2.1	How is day-to-day responsibility for human rights performance organized within the company, and why?	
	A2.2	What kinds of human rights issues are discussed by senior management and by the Board, and why?	
	A2.3	How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?	Human Rights Policy, Enhancing Awareness of Human Rights
	A2.4	How does the company make clear in its business relationships the importance it places on respect for human rights?	Managing Human Rights Impacts
	A2.5	What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?	
Part B: Defining a Focus of Reporting			
Statement of Salient Issues	B1	State the salient human rights issues associated with the company's activities and business relationships during the reporting period.	Managing Human Rights Impacts
Determination of Salient Issues	B2	Describe how the salient human rights issues were determined, including any input from stakeholders.	Establishment of Policy on Modern Slavery
Choice of Focal Geographies	B3	If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.	
Additional Severe Impacts	B4	Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.	Managing Human Rights Impacts
Part C: Management of Salient Human Rights Issues			
Specific Policies	C1	Does the company have any specific policies that address its salient human rights issues and, if so, what are they?	Significant Areas Relating to Human Rights Issues
	C1.1	How does the company make clear the relevance and significance of such policies to those who need to implement them?	ESG Governance
Stakeholder Engagement	C2	What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?	Managing Human Rights Impacts
	C2.1	How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?	
	C2.2	During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	
	C2.3	During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?	
Assessing Impacts	C3	How does the company identify any changes in the nature of each salient human rights issue over time?	Managing Human Rights Impacts
Integrating Findings and Taking Action	C4	How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	ESG Governance
	C4.1	How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?	
	C4.3	During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?	Managing Human Rights Impacts
Tracking Performance	C5	How does the company know if its efforts to address each salient human rights issue are effective in practice?	Managing Human Rights Impacts
	C5.1	What specific examples from the reporting period illustrate if each salient issue is being managed effectively?	
Remediation	C6	How does the company enable effective remedy if people are harmed by its actions or decisions in relation to the salient human rights issues?	

KRX ESG Disclosure Guidance

KRX Recommendation for ESG Information Disclosure

Item	Index	Content	Page
PART A: ORGANIZATION			
ESG Response	Roles of the management	Roles of the management in relation to the identification and management of ESG issues	57
ESG Evaluation	ESG risk and opportunity	Assessment of ESG-related risks and opportunities	60
Stakeholder	Stakeholder participation	Method of stakeholder participation in the ESG process	85
PART B: ENVIRONMENT			
GHG Emissions	Direct GHG emissions (Scope 1)	Amount of GHG emitted into the air by physical devices or factories that are owned and managed by the company	29
	Indirect GHG emissions (Scope 2)	Amount of GHG emissions caused by electricity, cooling and heating, and steam emissions that were purchased or obtained for company use	
	GHG emissions intensity	Amount of GHG emitted per unit of activity, production, and other organizational-level metric system	
Energy Consumption	Direct energy consumption	Amount of energy consumption of subjects owned or managed by an organization	30
	Indirect energy consumption	Amount of energy consumed outside the organization, such as use and disposal and treatment of sold products	
	Energy consumption intensity	Amount of energy consumption needed per unit of activity, production, and other organizational-level metric system	
Water Consumption	Total volume of water used	Total volume of water used by the organization	31
Waste Discharge	Total volume of waste discharged	Total weight of wastes by treatment method, such as reclamation and recycling	31
Violation of Law and Incident	Violation of environmental law and incident	No. of violations of environmental law, environment-related incidents, and measures taken	No violation
PART C: SOCIETY			
Employee	Equality and diversity	Status of employees by gender and employment type, and no. of discrimination-related sanctions and measures taken	41
	New employee hires and employee turnover	Status of new employee hires and employee turnover	42
	Hiring of young interns	Status of hiring young interns and ratio of change to permanent positions	No such case
	Parental leave	Status of employees who use parental leave	43
Health & Safety	Industrial incidents	No. of work-related deaths, injuries, and diseases, and measures	48
	Product safety	No. of product recalls (pickup, destruction, collection, corrective measure, etc.) and measures taken	61, 66
	Labeling and advertising	No. of violations labeling and advertising regulations, and measures taken	67
Information Security	Personal information protection	No. of personal information protection violations and measures taken	71
Fair Competition	Fair competition and abuse of dominance	No. of violations of law related to internal trading, subcontracting, franchise business, and agency trading, and measures taken	59

Independent Assurance Statement



Relating to Shinhan Financial Group's ESG Report for the 2020 calendar year

This Assurance Statement has been prepared for Shinhan Financial Group in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

Lloyd's Register Quality Assurance Limited (LR) was commissioned by Shinhan Financial Group to provide independent assurance on its '2020 Shinhan Financial Group ESG Report' ("the report") against the assurance criteria below to a "moderate level of materiality" using "accountability's AA1000AS v3" where the scope was a Type 2 engagement.

Our assurance engagement covered Shinhan Financial Group's operations and activities in Korea and specifically the following requirements:

- Evaluating adherence to the AA1000 AccountAbility Principles² of Inclusivity, Materiality, Responsiveness and Impact
- Confirming that the report is in accordance with GRI Standards³ and core option
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
 - GRI 200 (Economic): GRI 201-1, GRI 201-2, GRI 203-1, GRI 203-2, GRI 206-1
 - GRI 300 (Environmental): GRI 302-1, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4
 - GRI 400 (Social): GRI 401-1, GRI 401-3, GRI 404-1, GRI 404-2, GRI 405-1, GRI 405-2, GRI 412-2, GRI 418-1, GRI 419-1

Our assurance engagement excluded the data and information of Shinhan Financial Group's suppliers, contractors and any third-parties mentioned in the report.

LR's responsibility is only to Shinhan Financial Group. LR disclaims any liability or responsibility to others as explained in the end footnote. Shinhan Financial Group's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of Shinhan Financial Group.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that Shinhan Financial Group has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable performance data and information as all errors or omissions identified during the assurance engagement were corrected
- Covered all the issues that are important to the stakeholders and readers of this report.

The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a moderate assurance engagement is less than for a high assurance engagement. Moderate assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a moderate assurance engagement is substantially lower than the assurance that would have been obtained had a high assurance engagement been performed.

LR's approach

LR's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing Shinhan Financial Group's approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.
- Reviewing Shinhan Financial Group's process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by benchmarking reports written by Shinhan Financial Group and its peers to ensure that sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether Shinhan Financial Group makes informed business decisions that may create opportunities that contribute towards sustainable development.
- Auditing Shinhan Financial Group's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the report.
- Reviewing supporting evidence made available by meeting with their key people of Shinhan Financial Group.
- Checking that the GRI Content Index allows stakeholders to access sustainability indicators.

¹ Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Orange Life, Shinhan Asset Management, Shinhan Capital, Jeju Bank

² <https://www.accountability.org>

³ <https://www.globalreporting.org>

Observations

Further observations and findings, made during the assurance engagement, are:

· **Stakeholder inclusivity**

We are not aware of any key stakeholder groups that have been excluded from Shinhan Financial Group's stakeholder engagement process.

· **Materiality**

We are not aware of any material issues concerning Shinhan Financial Group's sustainability performance that have been excluded from the report. It should be noted that Shinhan Financial Group has established extensive criteria for determining which issue/aspect is material and that these criteria are not biased to the company's management

· **Responsiveness**

Shinhan Financial Group reported not only the interested issues from its stakeholders including ESG and Carbon Net Zero but also the related UN Sustainable Development Goals. The responsiveness has been enhanced by reporting through various criteria of UN PRB, TCFD, SASB, UN GP, KRX.

· **Impact**

In consideration of business field, Shinhan Financial Group established social contribution strategies which focus on tackling social challenges and implemented various and innovative social contribution programs. In addition, Shinhan Financial Group is striving to assess the impact of social contribution programs on the society by measuring the outcomes of programs.

· **Reliability**

Shinhan Financial Group has reliable data management systems for the indicators related to this assurance scope in the Report.

LR's standards, competence and independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021 *Conformity assessment – Requirements for bodies providing audit and certification of management systems* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This verification engagement is the only work undertaken by LR for Shinhan Financial Group and as such does not compromise our independence or impartiality.

Dated: 22nd June 2021

Hee-Jeong Yim
LR Lead Verifier

On behalf of Lloyd's Register Quality Assurance Limited

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About This Report

Shinhan Financial Group set “FINANCE for IMPACT”, positive impact of finance, as Shinhan ESG’s principle and chose the three major strategic directions of green, win-win, and trust, to change for the better, together with all, while implementing ESG management. In March 2021, we published the “2020 ESG Highlight” so that stakeholders can easily understand the outline and activities of Shinhan Financial Group’s ESG Way towards a sustainable future. We also published an additional “2020 ESG Report”, with a particular focus on strengthen reporting on global initiatives, and thus created the “Initiative Report” section. Moreover, we disclosed information on detailed qualitative and quantitative activities regarding environmental, social, and governance (ESG) in the “Business Report” section, with the goal of sharing Shinhan ESG Way with stakeholders.

Report Information

This report contains Shinhan Financial Group’s 2020 ESG strategic directions and performance, and includes some content of the 2020 ESG Highlight. We have changed the name of the report from “CSR Report” to “ESG Report”, starting from this report published in Korean, English, and Japanese every year.

Reporting Principles

This report was created in accordance with the Core Options of the Global Reporting Initiative (GRI) Standards – international sustainability management reporting standards. The financial information included in this report is based on the Korean International Financial Reporting Standards (K-IFRS) and uses the unit of the Korean won (KRW).

Report Standards

This report reflects the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for disclosure of climate change-related information and the reporting principles of the Principles for Responsible Banking (PRB). It also considers Sustainability Accounting Standards Board (SASB) industry standards to reflect important industry issues.

Reporting Period

This report mainly contains information on activities and performance from January 1 through December 31, 2020. Some information includes content up to March 2021. To enable the identification of trends, data for the previous three to four years were reported in case of quantitative performance.

Reporting Scope

The scope of this report includes nine Group subsidiaries – Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, OrangeLife, Shinhan Asset Management, Shinhan Capital, and Jeju Bank – which amount to 98.96% of all Group subsidiaries in terms of operating revenue. Separate explanations are given for issues requiring attention to the scope of reporting.

Report Verification

To improve the reliability of the Report, a verification was performed in accordance with the AA1000AS v3 assurance standard by Lloyd’s Register, a global verification institute. A Type II verification was conducted on issues that were defined as key topics.

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