



Reporting and Self-Assessment Template

Principles for Responsible Banking



Reviewed version (V2) from September 2022



Reporting and Self-Assessment Template

The following template sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking (PRB). Your bank discloses which actions it has undertaken to implement the PRB by self-assessing its progress on each of the 6 Principles. This template is therefore structured in accordance with the 6 Principles that signatories have committed to.

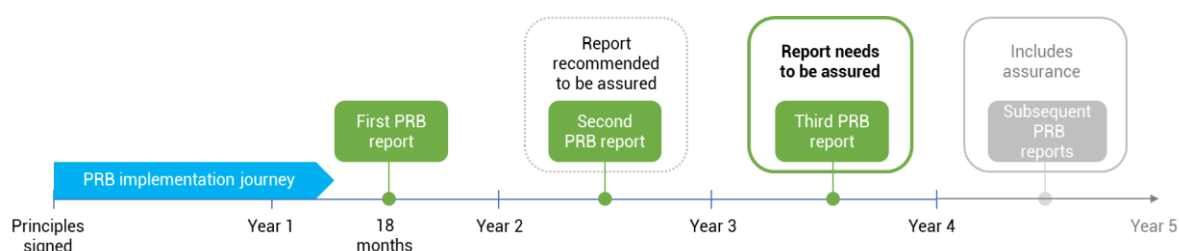
Three [Key Steps](#) are critical to showing that your bank is fulfilling its commitments as a signatory of the PRB, i.e. Impact Analysis, Target Setting & Implementation and Assured Reporting/Accountability. The sections in the Reporting and Self-Assessment Template that relate to the 3 Key Steps also require a self-assessment summary to demonstrate the extent to which the bank has fulfilled the respective requirements of the Key Steps.

Accommodating different starting points

Your bank has an initial four-year period from signing to implement the 6 Principles including to bring its reporting fully in line with the requirements. Your bank may not be able to provide all information required in this template in the first report. You should build on your implementation progress annually. Feedback, support, capacity building, training and peer learning are available to all signatory banks to help them progress with both implementation and reporting.

Timeline for reporting and assurance

Signatory banks need to report on their implementation of the Principles on an annual basis. The first PRB report has to be published within 18 months of signing the Principles, to give the bank some flexibility to align the PRB reporting with its reporting cycle. Publishing the first PRB report at any point earlier than 18 months after signing the Principles is therefore an option. After the first PRB reporting has been published, subsequent reports have to be published annually thereafter, i.e. within 12 months at the latest after the prior report¹.



Assurance

The last report within the initial 4 year implementation period (and subsequent reports thereafter) needs to be assured, which means that at least the third PRB report needs to be assured. Banks are encouraged to put the assurance process in place well before that and have earlier PRB reports already assured.

¹ Early reporting is permitted, although sufficient time to show progress from one year to the other should be taken into account.

All items that relate to the three [Key Steps](#) (highlighted in yellow) require limited assurance by year four of signing the PRB, undertaken by an independent third party with relevant expertise in the field. These are:

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and Monitoring
- 5.1 Governance Structure for Implementation of the Principles

An assurer provides limited assurance of your self-assessment in these listed areas. You can do this by including it in your existing assured reporting. Where third-party assurance is not feasible, an independent review may be conducted. Assurance requirements are described in more detail in the [Guidance for Assurance providers: Providing limited assurance for reporting](#).

Purpose of the template

The purpose of this template is to assist signatories in disclosing their progress on implementing the PRB. The disclosed information is used by the UNEP FI Secretariat as the basis for the individual review of each bank's progress, as well as for reporting the collective progress made by the PRB Signatory Group. To measure collective progress in a consistent manner, some standardized questions to be completed by the banks are integrated into the template. The open questions give banks the flexibility to disclose the progress they make, considering the diverse business models and various contextual differences in which banks operate.

How to use this template

This template gives banks the chance to provide summaries of the annual progress made in implementing each Principle. It is designed for your bank to provide references/links to where in your existing reporting/public domains (websites) the required information can be found to support your answers. The aim is to keep any additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6. When referring to other documents, please specify the pages where the exact information appears.

The Reporting and Self-Assessment Template shall not be amended structurally and content-wise. The content and text of the template can be applied to corporate layout and designed accordingly, without omitting parts of the texts. The Reporting and Self-Assessment Template can be integrated into your bank's reports (annual report, sustainability report or relevant reporting formats) or can be published as a stand-alone document. It needs to be publicly available and will be listed on the UNEP FI Signatories page.

The reporting needs to be published in English. Information that is referenced to within the Reporting and Self-Assessment Template should also be available in English. Where that is not possible, it is recommended to include the summary of relevant information as text in the Template, so that all necessary information can be taken into account when the UNEP FI Secretariat reviews the bank's performance.

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.

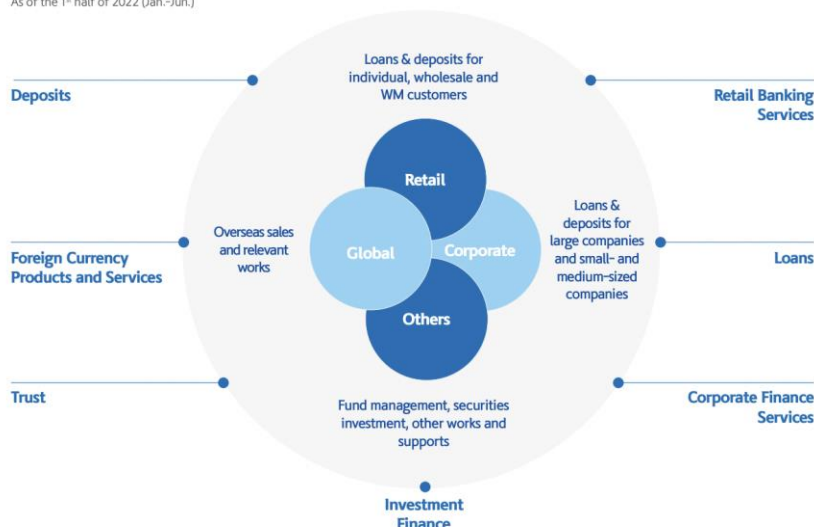
Business model

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 across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

Shinhan Bank contributes to the national economy and the stability of financial market by operating soundly, enhancing the efficiency of fund brokerage, protecting customers and maintaining the order or credit. Furthermore, we are fostering our global businesses in key overseas regions and creating a synergy effect in the Group by becoming the market leader in key areas despite rapid changes in the financial environment. We also promote innovation to digitalize the company and provide differentiated solutions to various groups of customers by strengthening our expertise to meet their needs.

Business Areas of Shinhan Bank
As of the 1st half of 2022 (Jan.-Jun.)



Links and references

Shinhan Bank 2021-2022 ESG Report

Shinhan Bank 2022 Annual Report

SFG 2022 Annual Report p5

Networks

Shinhan bank operates 721 domestic networks and 171 networks in 20 countries including Japan, U.S, Vietnam and Indonesia.

Retail Banking

Shinhan Bank focuses on optimal product development, efficient operations and distinctive marketing in order to provide its retail customers with a total financial solution. This resulted in an increase of 100,000 underage customers, 253,000 millennial and Generation Z customers, and 62,000 customers who receive pensions. This was a major contribution towards the building of Shinhan's strong customer base, with 11.17 million active customers.

Corporate Banking

Despite a slowdown in economic growth caused by the continuing impact of COVID-19, Shinhan Bank achieved both quantitative and qualitative growth as a result of a growth strategy centered around ultra-high-quality assets. We achieved a strong net increase in SME loans, and doubled the proportion of our assets attributable to robust audited SMEs compared to the previous year. Staying true to our reputation as the leading bank for SMEs, we also increased the level of consulting supports. Thanks to these efforts, the number of SME clients with more than KRW 100 million in loans as of 2022 year-end stood at 52,961, making us the leader in this sector in Korean commercial banking.

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☒ UN Guiding Principles on Business and Human Rights

☐ International Labour Organization fundamental conventions

☒ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☐ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----

☐ None of the above

Response

Shinhan Financial Group is seeking to make positive changes not only for Shinhan but for everyone. Our ESG principle is defined as “Finance for IMPACT,” and, in support of this, we have established an ESG strategy framework which consists of five impact tasks and 10 strategic KPIs, in pursuit of the three strategic directions – Green, Win-win, and Trusted.

Our 3 Strategic Directions with 10 KPIs are aligned UN SDGs goals

1. Green ▶link to SDG7, SDG13, SDG16, SDG17

1. Expanding green finance
2. Reducing internal carbon emissions
3. Reducing financed emissions

2. Win-win ▶link to SDG8, SDG9, SDG11, SDG12

4. Expanding innovative finance
5. Strengthening support for startups
6. Providing inclusive finance

3. Trusted ▶link to SDG1, SDG4, SDG5, SDG10

7. Fostering female leaders
8. Increasing employee satisfaction
9. Strengthening financial education
10. Increasing customer satisfaction

Links and references

SFG 2022 Annual
Report p17

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 (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly² and fulfil the following requirements/elements (a-d)³:

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

² That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

³ Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

<p><i>Response</i></p> <p>Shinhan Financial Group conducts a materiality assessment every year for systematic, timely identification and management of environmental, social, and governance (ESG) issues and for transparent stakeholder communication regarding these issues. The Group applied the “Materiality” principle of the Global Reporting Initiative (GRI) Standards, which are global sustainability management reporting guidelines, and the concept of double materiality to conduct a materiality assessment.</p> <p>Moreover, the conducted additional impact analysis using Shinhan ESG Value Index. The evaluation involved analyzing various dimensions of its core business operations that have implication for environmental and social impacts. To ensure comprehensive measurement, the analysis encompassed the following nine areas:</p> <ol style="list-style-type: none"> 1. Green growth 2. Innovative growth 3. Inclusive growth 4. Pursuing social diversity 5. Financial education 6. Protecting financial consumers 7. Assistance for the socially disadvantaged 8. Growth of local communities 9. Social contribution and donation 	<p><i>Links and references</i></p> <p>SFG 2021 ESG Report p19</p>
<p>b) <u>Portfolio composition:</u> Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <p>i) by sectors & industries⁴ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</p> <p>ii) by products & services and by types of customers for consumer and retail banking portfolios.</p> <p>If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.</p>	
<p><i>Response</i></p> <p>Shinhan Financial Group has been measuring and disclosing effects of its ESG activities in monetary value since November 2019, for the first time in the Korean financial industry, using Shinhan ESG Value Index. In 2021, we measured KRW 2,013.2 billion in social value from 244 programs in nine areas that reflected the Group’s ESG strategy framework.</p>	<p><i>Links and references</i></p> <p>SFG 2022 ESG Report p19</p>

⁴ ‘Key sectors’ relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

The group employed three distinct approaches to measure the outcome of their impact.

1. Cost-based approach
 - Measured using the cost of resources invested (Material and personnel resources' corresponding monetary value)
2. Market-based approach
 - The provided program's similar market price is used as a proxy for measurement
 - Benefits that the beneficiary will receive from the provided program are measured by making a comparison to market price
3. Income-based approach
 - The corresponding monetary value of changes brought about by beneficiary activities

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁵ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

The role of finance has been brought to the forefront under the leadership of President Yoon's administration through Civic Agenda, with the Financial Supervisor Service of Korea emphasizing the paramount importance of "Win-Win" Finance for local financial institutions.

Under the Civic Agenda and Yoon's pledge, government's dedicated focus on addressing the challenges faced by socially disadvantaged groups, particularly Young Koreans, is of utmost concern. In light of the prevailing economic slowdown, the youth in South Korea confront an array of hardships, ranging from household loan burdens to uncertainties in securing employment, all of which could have profound implications on the society in the short, medium, and long term.

Disturbingly, a recent report from Organization for Economic Co-operation and Development (OECD) has brought to light a grave concern, indicating that Korea's outstanding household debt has surged to a critical level of 200.7 percent of the net household disposable income as of 2020, since the occurrence of the last financial crisis. The government, acknowledging the gravity of this matter, has vigilantly monitored and identified the high household debt as a significant risk factor to our nation's economy. Moreover, based on data presented by the Korean Institute for Health and Social Affairs, it has been revealed that the rate of debt-ridden young Koreans has escalated by a 2.6 times over the past decade, with the overall debt amount surging nearly 2.5 times during the same period.

In accordance with the Korean government's unwavering commitment to job creation, private entities play a pivotal role. The government's emphasis on fostering business-friendly environments and providing unwavering support to create quality jobs for our youth stands as a testament to its dedication in addressing the pressing challenges posed by the current economic landscape.

Aligned with the strategic vision of President Yoon's administration, Shinhan remains resolute in our mission to support Young Koreans in attaining financial security. With a firm resolve to make a positive social impact, Shinhan is working to create specialized Financial Products, such as Savings Accounts, tailored to cater to the unique needs of Young Koreans. This initiative aims to empower them as they transition into society, affording them a reliable financial safety net.

Links and references
www.mofa.go.kr/cn-wuhan-ko/brd/m_22785/view.do?seq=1347150

⁵ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

<p>Under President Yoon's pledge, Shinhan is committed to investing in propelling job creation for South Korea's young citizens. Shinhan believes that job creation not only holds the key to economic growth but also serves as an indispensable means to address the challenges faced by our youth, both in the present and the future.</p>	
<p>Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁶? Please disclose.</p>	
<p><i>Response</i></p> <p>As a result of the 2023 double materiality assessment, three key issues were identified, which have significant impacts on both society and the environment, as well as on financial matters. These issues are "Responding to Climate Change," "Building an Ecosystem for Sustainable Growth," and "Strengthening Risk Management."</p> <p>Shinhan, being committed to addressing its carbon emissions as a representative negative impact, declared itself as the first in Asia to adopt a zero-carbon drive. In this recent assessment, the company reaffirmed its focus on climate change response as an important impact area, and it will continue its efforts to tackle carbon emissions as an ongoing target.</p> <p>Considering the emphasis on financial inclusion in the South Korean financial environment, the group selected "Building an ecosystem for sustainable growth" as the second impact area, which aligns with the concept of Financial Health under the Principles for Responsible Banking (PRB). The influence of this impact area, as analysed, encompasses the following:</p> <p>Positive impact:</p> <ul style="list-style-type: none"> • Reducing negative social and environmental impacts through strategically integrated risk management. • Proactively and strategically responding to the demand for integrated financial and non-financial risk management to enhance business competitiveness. <p>Negative impact:</p> <ul style="list-style-type: none"> • Facing issues such as lawsuits and sanctions due to inadequate emphasis on risk management or a lack of a proper system. • Experiencing non-financial risks resulting from failures in enterprise risk management, such as operational risk and compliance risk. 	<p><i>Links and references</i></p> <p>SFG 2022 ESG Special Report p102</p>

⁶ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

d) For these (min. two prioritized impact areas): Performance measurement. Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

Several industries and sectors significantly contribute to climate change and Shinhan has identified the following 'Carbon Intensive sectors' causing the strongest impact. Shinhan measures performance on the Carbon Intensive Sectors by calculating and monitoring the Carbon Intensity as well as Financed Emission by Sectors.

As for Second prioritized impact area, performance will be measured by the aggregated support amount towards RE:Start-up category under Donghaeng Project. Young Koreans are the segmented group that will have the strongest impact on Shinhan's impact area.

Links and references

SFG 2022 ESG
Special Report p25

SFG 2022 ESG
Highlight Report p16

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁷

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

How recent is the data used for and disclosed in the impact analysis?

- ☐ Up to 6 months prior to publication
- ☐ Up to 12 months prior to publication
- ☒ Up to 18 months prior to publication
- ☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:
(optional)

⁷ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁸ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁹ have you identified as relevant? Show that the selected indicators and 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.

You can build upon the context items under 2.1.

Response

Under the impact area of "Responding to climate change," Shinhan has set a target called the 'Zero Carbon Drive' using the SBTi methodology, which is in line with the Paris Agreement. Our plan is to reduce our own emissions by 46.2% by 2030, 88.2% by 2040, and ultimately achieve carbon neutrality by 2043. Additionally, we aim to decrease the aggregate carbon emissions in our asset portfolio by 38.6% by 2030, 69.6% by 2040, and reach zero emissions by 2050.

In line with the theme of "Building an Ecosystem for Sustainable Growth" and to enhance Financial Health, Shinhan Financial Group has initiated the "Shinhan Donghaeng Project." This project is dedicated to providing practical assistance to financially underprivileged individuals, including small business owners, youth, and low-income groups. The "Shinhan Donghaeng Project" includes complex financial support for Young Koreans, represented by "RE:Start-Up":

- "Re:Start-Up" provides support for start-ups, job searches, and helps youths progress in their endeavors.

To accomplish the key tasks under the "Re:Start-Up," Shinhan plans to offer financial support totaling KRW 4.7 trillion over the next five years. Furthermore, we aim to enhance the stability of Korea's financial system by preventing reduced vitality of the national economy resulting from financial difficulties faced by the underprivileged, thus contributing to the nation's sustainable development.

Links and references

SFG 2022 ESG
Highlight p16

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response

In its efforts to achieve carbon neutrality, Shinhan Financial Group developed a system that enables it to systematically manage financed emissions in all areas, ranging from strategy establishment to execution, in addition to the measurement and analysis of financed emissions.

We became the first financial company in Korea in 2022 to develop the financed emissions measurement system, which categorizes the Group's financial assets into six asset groups in accordance with greenhouse gas (GHG) accounting standards set by Partnership for Carbon Accounting Financials (PCAF), and elaboratively determines and regularly monitors financed emissions.

We measured emissions for financial assets totaling KRW 248.6 trillion as of November 30, 2022 and plan to expand the scope of measured assets. We believe that such efforts will lead to strengthening of Shinhan's ESG capabilities and enhancement of execution capabilities.

Shinhan Financial Group launched the "Shinhan Donghaeng Project", aimed at providing practical help to the financially underprivileged, including small business owners, youths, and the low-income class.

This project consists of four major areas "R4": "1. Recovery"

Links and references

SFG 2022 ESG
Highlight Report
p11, 16

⁸ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁹ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

which helps small businesses and SMEs recover; “2. Residence” which helps with residential and daily life stability of the low-income class; “3. Re:Start-Up” which provides support for start-up and job search and helps youths advance forward; and “4. Responsibility” which means social responsibility. Within four major areas, the second most emphasized impact area is represented by “Re:Start-Up”. With a specific focus on enhancing the financial well-being of young Koreans, this endeavor aims to accomplish the following:

- Support for Start-ups and Job Search: Providing guidance and support for kickstarting startups, as well as offering assistance in navigating job searches, all aimed at propelling the progress of young individuals.
- Enhancement of Youth Assets: Facilitating pathways for young individuals to bolster their financial resources and assets.
- Job Creation: A budget of KRW 167.5billion has been earmarked to nurture job creation, contributing economic growth and opportunities.

In year 2022, “Re:Start-Up” project allocated 0.21 trillion KRW in support.

c) SMART targets (incl. key performance indicators (KPIs)¹⁰): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response

As for Shinhan’s Climate Change Target, Shinhan has set Targets utilizing scientific way, SBTi methodology, in compliance with the Paris Agreement. Shinhan’s plan is to reduce its own emissions by 46.2% by 2030, 88.2% by 2040, and to zero by 2043 while also seeking to reduce asset portfolio’s aggregate carbon emissions by 38.6% by 2030, 69.6% by 2040, and to zero by 2050.

Shinhan’s Second area of most significant impact target has been disclosed under Shinhan Financial ESG Highlight Report under Shinhan Donghaeng Project. There are four sections within the project and ‘RE:Startup’ pertains to Shinhan providing support for job search and helping youths advance forward.

Links and references

SFG 2022 ESG
Highlight Report p16

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

¹⁰ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

<p>Response</p> <p>For Climate, Shinhan has set various Action Plans to meet the defined target. As per Zero Carbon Drive, annual Green Finance Goal was set to monitor and expedite Client's transition. Shinhan implemented Environment and Social Risk Review within its Credit operation to mitigate ESG risk and to curb loans that may have adverse effect on Climate Change. Shinhan was the first domestic financial company to develop a financed emission calculation system, that enables the measurement and analysis of financed emission and systematic management.</p> <p>For Second most significant impact target, Shinhan has developed internal guidelines which was described in Page 16 of SFG 2022 ESG Highlight report.</p>	<p>Links and references</p> <p>SFG 2022 ESG Highlight Report p16</p>
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Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it)	... second area of most significant impact: ... (please name it)	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

Shinhan is actively expanding its green finance initiatives based on the Zero Carbon Drive strategy. Following the implementation of the Zero Carbon Drive, the company is conducting target management according to different scenarios and simultaneously monitoring the performance of green finance.

As part of these efforts, Shinhan has set a target of providing KRW 30 trillion in green financial support (offsets) by 2030 under the framework of the Zero Carbon Drive. To effectively manage asset carbon emissions, the company has enhanced its carbon emission management system by implementing specific reduction targets using the SBTi methodology.

Furthermore, Shinhan is proactively establishing climate funds and making investments in funds and companies that are involved in green energy and C-tech (clean technology). These investments aim to further support sustainable and eco-friendly initiatives.

As of 2022, Shinhan has achieved a remarkable milestone, recording a cumulative performance of KRW 8.19 trillion in eco-friendly finance, reflecting the company's commitment to making a positive impact on the environment while advancing its green finance objectives.

Under the theme of "Building an Ecosystem for Sustainable Growth," Shinhan Bank initiated the Shinhan Donghaeng Project to pursue financial health. The implementation has been successful, and we have set ambitious targets to manage until 2027:

- Re:Start-Up: We aim to offer KRW 4.7 trillion in support by 2027, building upon the KRW 0.21 trillion provided in 2022, promoting start-ups, advancing youth careers, and creating job opportunities.

With an unwavering vision for the future, Shinhan Bank is determined to drive positive change and foster sustainable growth, ensuring a brighter and better tomorrow for all.

Links and references

SFG2022 ESG Report
p22

SFG 2022 ESG
Highlight Report p16

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 Client engagement

Does your bank have a policy or engagement process with clients and customers¹¹ in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

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 activities¹²). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

Propose ESG participation for small and medium-sized enterprises and support the establishment and implementation of mid- to long-term carbon emission reduction targets (first for a commercial bank in Korea)

- ESG engagement helps companies compete, go green, and achieve Net Zero by 2050.

Total care service support for adoption of ESG management

- Basic consulting (diagnosis/assessment) and in-depth consulting(strategy/implementation)
- Implementation status of ESG consulting, guided implementation on ESG consulting services for employees and conducted ESG training, conducted ESG proposal consulting using the 'DIGILOG Expert Consulting Zone', and promoted rewards for outstanding ESG companies and employees.

Links and references

SFG 2022 ESG
Report p38

¹¹ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹² Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

Expanding Green finance based on Zero Carbon Drive strategy
The Bank has been actively establishing climate funds and investing in funds related to Green Energy and Climate Technology.

Green Project Financing(PF)

- Contributed to the expansion of various renewable energy generation facilities through project financing(PF) based on a global-level environmental and social risk management system.
- Recently expanded investments in renewable energy and non-solar fields such as wind, fuel cell, and waste.

Development of the first ESG evaluation model for a domestic financial group and implementation of corporate loans

- In May 2022, we developed the 'Shinhan ESG Evaluation Model' as a first financial group in Korea to evaluate the ESG level of companies, and utilized the calculated ratings as the criteria for the 'Shinhan ESG Excellent Win-Win Support Loan'
- Launched in March 2021, the 'Shinhan ESG Excellent Win-Win Support Loan' provides preferential interest rates (0.2~0.3% annually) to companies and partner companies with excellent ESG management

Development of green credit products

- Shinhan Bank offers various green credit products such as green corporate loans and eco-friendly facility conversion loan products to achieve zero financed emissions through green financial support, and promotes the continuous development of new products for environmental improvement, fostering green industries, or resources for operating companies.
- Promoting the development of policy financial products in cooperation with public institutions to support financing for the purpose of reducing greenhouse gas emissions through the transformation of corporate green management systems and the conversion of processes and industries at business sites.

Green Bond Management System

- Shinhan Bank has established a green bond management

Links and references

SFG 2022 ESG
Report p26, 29

<p>system to manage financial resources, and has designated the business areas for support as ① new and renewable energy, ② carbon reduction, ③ clean transportation, ④ environmentally friendly projects, and ⑤ standard-certified green buildings.</p> <ul style="list-style-type: none"> • When handling loans for planned projects, we conduct a review of environmental and social impacts in accordance with the green classification system conformity determination procedure to finally select and support projects eligible for green bonds. • Continuously track the information on the supported funds and provide transparent information on green bond performance to stakeholders by publishing an annual report to investors. 	
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Principle 4: Stakeholders



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

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹³) you have identified as relevant in relation to the impact analysis and target setting process?

☐ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

Stakeholder Analysis and Engagement

Links and references

SFG 2022 ESG
Special Report p98

¹³ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Stakeholder engagement in managing material issues is an effective way to increase transparency and credibility, while managing the risks to which the company is exposed or likely to be exposed.

Furthermore, it is essential to quickly understand each stakeholder group's area of interest and expectation originating from risk exposure and to develop a proactive response strategy.

Shinhan Financial Group categorizes key stakeholder groups into employees, customers, shareholders and investors, partner companies, local communities, and government that directly or indirectly interact with its operations, identifying and managing issues of interest through active stakeholder communication and reflecting them in its ESG activities.

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☐ Yes ☐ In progress ☐ No

Please 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 the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response

- The CSR Committee (now the ESG Strategy Committee), for the first time in Korean financial companies, oversees all major decisions related to the Group's ESG and climate change strategies.
 - The ESG Strategy Committee and the Risk Management Committee of the BOD set strategic directions for promoting ESG management, including climate change response, and make final reviews and resolutions on major issues
 - The ESG Strategy Committee resolves and reviews core business and policies related to ESG management, and the Risk Management Committee recognizes, measures, monitors, and controls all risks arising from various transactions in a timely manner and manages them comprehensively.
- Shinhan Financial Group operates the ESG Implementation Committee, which is attended by all the CEOs of group companies, Group ESG CSSO Council and Group Risk Council to establish a driving system for united group-wide ESG and climate change strategy
- The GCSO and GCRO are responsible for the ESG Driving System and climate risk management, respectively, and report to the ESG Strategy Committee and Risk Management Committee on major issues

Links and references

SFG 2022 ESG
Report p50

- As of 2022, the ESG Strategy Committee held 4 meetings, the Group ESG Implementation Committee held 12 meetings, the Group ESG CSSO Council held 3 meetings, and the Group ESG Working Council held 7 meetings

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response

Shinhan Financial Group regards ethical management as an important principle to enhance transparency and fairness in management, and has established effective procedures for its implementation

- The Shinhan Financial Group Code of Ethics, which contains the main principles of our ethical management philosophy and policies, and the standards for employee behavior, set forth desirable decision-making and behavioral standards, and each group company operates its own code of ethics that reflects its different business characteristics and individual circumstances
- In August 2022, through a resolution of the Board of Directors, the "Shinhan Financial Group Code of Ethics" was completely revised to reflect changes in the financial market system and business methods, strengthening the system for driving ethical management.
 - Customer-centered and business expertise, given the high level of societal demand for financial consumer protection.
 - Diversity, human rights, and the group's ESG policies
 - New ways of working in a digital world, including protecting customer information.
 - Changes in organizational culture, such as banning workplace bullying and sexual harassment.
- Conducted various efforts to internalize ethical management in all Group companies by publishing ethical standards manuals and revising related internal regulations.

Links and references

SFG 2022 ESG Report p107

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹⁴ Please describe.

¹⁴ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response

Group ESG Risk Management Best Practice Rules

Selected 12 critical areas that may have harmful or sensitive environmental and social impacts to manage loans 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.

Group ESG risk management rules

Following the establishment of the Environmental and Social Risk Management Policy Framework

in 2018 for the first time in Korean financial industry, the Group ESG Risk Management Rules were enacted in 2022 to recognize, measure, and manage ESG risks

- Defined the operational process for the financed emission measurement system and ESG evaluation system (target, criteria, data management, monitoring of operation results, report, etc.) to manage climate risk.

Links and references

SFG 2022 ESG Report p51

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes

☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes

☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes

☐ In progress

☐ No

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 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes ☐ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

Response

Links and references

Independent Assurance Statement

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☒ GRI
- ☒ SASB
- ☒ CDP
- ☐ IFRS Sustainability Disclosure Standards (to be published)
- ☒ TCFD
- ☐ Other:

Response

Links and references

Please find the following pages on SFG ESG Report for the Standards and Frameworks Mapping

SFG 2022 ESG report Page149~164

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁵, target setting¹⁶ and governance structure for implementing the PRB)? Please describe briefly.

Response

Links and references

¹⁵ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁶ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

<p>Shinhan will focus mainly on implementation of impacting Targeted Areas.</p> <p>Climate – Shinhan’s focus is to monitor and reduce the Financed Emission Intensity by establishing Financed Emission KPIs for Business divisions. To track progress on Transition Finance, the Bank has set goals on practice targets to demonstrate interim progress and effort for Climate change.</p> <p>As for Financial Health, the Bank will create specific action plans to deliver target. Within the Action Plan, the Bank will incorporate pre-set guidelines and practice targets – if possible. Once Action plan is finalized, the Bank will focus on implementation.</p>	
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6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input checked="" type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

Annex

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below.¹⁷ The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact. The Theory of Change for climate mitigation can be found [here](#), the Theory of Change for financial health & inclusion can be found [here](#).

How to use: Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets¹⁸ (highlighted in **green**) or to client engagement¹⁹ targets (highlighted in **blue**), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline.²⁰ Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

¹⁷ It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.

¹⁸ Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.

¹⁹ Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

²⁰ You might not be able to report on all indicators and/or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

- **For Signatories of the Net-Zero Banking Alliance:** please report on the climate targets set as required in the [Guidelines for Climate Target Setting](#). As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.
- **For Signatories of the Collective Commitment to Financial Health & Inclusion:** please report on financial health and/or financial inclusion targets set as required in the [Financial Health and Inclusion Commitment Statement](#). As a signatory to the Commitment, you have agreed to set a SMART ambitious target within 18 months after signing. To facilitate your process, please refer to the [Guidance on Target Setting for Financial Health and Inclusion](#) and the [Core Indicators](#) to measure financial health and inclusion. Keep in mind that signatories of the Commitment are encouraged to measure as many indicators as possible from the Core Set or their equivalent to be able to set a SMART impact driven target.

Impact area	Practice ²¹ (pathway to impact)									Impact ²²		
	1. Action indicators			2. Output indicators			3. Outcome indicators			4. Impact indicators		
	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics	Code	Indicator	Response options & metrics
A. Climate change mitigation	A.1.1	Climate strategy: Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	Client engagement process: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?	Yes / Setting it up / No; If yes: Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	Financial volume of green assets/low-carbon technologies: How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; please specify the definition of green assets and low-carbon technologies used	A.4.1	Reduction of GHG emissions: how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO ₂ e (or applicable metrics) ²³
	A.1.2	Paris alignment target: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes / In progress / No; If yes: - please specify: to become net zero by when? - Emissions baseline / base year: What is the emissions baseline / base	A.2.2	Absolute financed emissions: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or	Total GHG emissions or CO ₂ e (please also disclose what is excluded for now and why)	A.3.2	Financial volume lent to / invested in carbon intensive sectors and activities and transition finance: How much does your bank lend to / invest in carbon-	bln/mn USD or local currency, and/or % of portfolio	A.4.2	Portfolio alignment: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio (please specify which portfolio; for corporate and business clients: % of sectors financed)

²¹ Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices

²² Impact: the actual impact of the bank's portfolio

²³ If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.

			year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			intensive sectors and activities ²⁴ ? How much does your bank invest in transition finance ²⁵ ?				
	A.1.3	Policy and process for client relationships: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?	Yes / In progress / No	A.2.3	Sector-specific emission intensity (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (<i>depending on the sector and/or chosen metric</i>): kg of CO ₂ e/ kWh, CO ₂ e / m ² ; kg of CO ₂ e/USD invested, or kg of CO ₂ e/revenue or profit						
	A.1.4	Portfolio analysis: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes / In progress / No; <i>If yes:</i> please specify which parts of the lending and investment portfolio you have analyzed	A.2.4	Proportion of financed emissions covered by a decarbonization target: What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with	% (<i>denominator: financed emissions in scope of the target set</i>)						

²⁴ A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

²⁵ Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

	A.1.5	Business opportunities and financial products: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes / In progress / No; Please specify which ones, and what financial volume and/or % of the portfolio they account for		a transition plan in place?							
B. Financial health	B.1.1	# of products and services in the portfolio with a focus on financial health	Internal data based. Measures how many of the products and services in the portfolio have a financial health focus. We deem a product or service to have this focus when it facilitates decision making and supports financial health increase based on our definition of financial health. This covers products and services embedded with nudges to simplify decision making, round-up, high yield savings accounts, easy investment tools, etc.	B.2.1	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective	B.3.1	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	B.4.1	% of customers with a high level of financial health	Survey and/or transactional data based. Measures the percentage of customers with a high level of financial health according to the score chosen by the financial institution.

						means that the bank has measured if the initiative is successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.						
	B.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of	B.2.2	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including	B.3.2	% of customers who use the bank's services to create a financial action plan with the bank	Transactional and/or survey data based. Measures the percentage of customers who create a financial action plan with the bank using the bank's services. A financial action plan is anything that helps the customer build financial resilience. It is done "with the bank" if the bank can visualize,	B.4.2	% of customers for which spending exceeded 90% of inflows for more than 6 months last year	Survey and/or transactional data based. Measures the percentage of customers with a transaction account and/or savings/investment accounts for which spending exceeded 90% of inflows for more than 6 months in the year within the reporting period compared to the total of customers within PRB scope. Focus on main

			stronger skills, and thus, any individual that is supported with the initiative will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			financial health tools)			through the transactions of the customer, the results of the plan.			financial institution customers.
	B.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.				B.3.3	% of customers using overdraft regularly	Transactional data based. Measures the percentage of customers using the overdraft option in their accounts or credit cards, regularly. Overdraft can be used to handle unexpected emergencies but more than 1/3 of the year (banks may deviate if proper reasons are provided) denotes regularity and a precursor to lower financial health	B.4.3	% of customers that feel confident about their financial situation in the next 12 months	Survey based data. Measures the percentage of customers that answered positively to feeling confident about their financial situation in the next 12 months compared to the total number of customers surveyed. By confident we mean not feeling worried about their financial situation.
							B.3.4	% of customers with a non-performing loan	Transactional data based. Measures the percentage of customers with past-due loans ("past due"	B.4.4	% of customers with products connected to long-term saving and investment plans	Transactional and/or survey data based. Measures the percentage of customers with products

								defined by policies at each bank) compared to the total amount of customers with loans in the bank's lending portfolio.			connected to long-term saving and investment plans. "Long-term" will depend on each bank's definition.	
							B.3.5	% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter.	Transactional data based. Measures the percentage of customers showing an increase or stable amounts in savings and/or deposit AND/OR investment accounts balances, quarter on quarter.	B.4.5	% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense	Survey based data. Measures the percentage of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense. We consider a major unexpected expense, one that the customer hadn't planned for and would require them to spend more than what they have available for secondary expenses in their monthly budget or 1/20th of the country's Gross National Income (banks may deviate if proper reasons are provided). A good example is: unforeseen medical bills, large appliance malfunctioning, car repair, etc. Survey based

												using the question: "If a major unexpected expense arises, how can you cover it right now?" and give the multiple choice options of insurance, emergency funds, loan, credit card, family/friends, etc.
C. Financial Inclusion	C.1.1 *	# of products and services in the portfolio with a focus on financial inclusion	Internal data based. Measures how many of the products and services in the portfolio have a financial inclusion focus. We deem a product or service to have this focus when its design facilitates the access and usage by the prioritized customer. For example, no-fee savings account, low interest microloan, offline access or sim-based banking apps, etc	C.2.1	# of individuals supported with dedicated and effective financial and/or digital education initiatives	Based on internal data. Measures the number of users (customers and non customers) of financial and/or digital skills-building initiatives offered by the bank. An initiative encompasses courses, programs, training videos, articles, SMS education campaigns, etc. Dedicated means that the initiative was specially created for a defined group of individuals (in many cases a prioritized group). Effective means that the bank has measured if the initiative is	C.3.1 *	% of individuals with a good and/or very good level of financial skills	Assessment based. Measures the percentage of individuals with a good and/or very good level of financial skills according to the assessment chosen by the financial institution. Should be measured on individuals benefitting from the bank's financial education initiatives.	C.4.1	% of customers with 2 or more active financial products, from different categories, with the bank	Transactional data based. Measures the percentage of customers with 2 or more active financial products, from different categories, with the bank. By active we mean there's at least one usage per month. By category we mean credit/debt, savings/deposit/payment, insurance, investment, etc. Once a target has been set for this indicator, we encourage banks to ensure responsible selling policies or other initiatives so that the target doesn't become a toxic incentive.

					successful in generating the desired results of stronger financial skills, and thus, any individual that is supported with the initiative will achieve the desired results. A bank can't count a click as an individual so we encourage that the data is presented as # of individuals for deanonymized users and # of interactions for anonymized users.						
	C.1.2	% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health	Based on internal data. Measures the percentage of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health. Including training to attend the needs of prioritized groups. Effective means that the bank has measured if the initiative is successful in generating the desired results of stronger skills, and thus, any individual that is supported with the initiative	C.2.2	% of customers with effective access to a basic banking product	C.3.2	% of customers supported with dedicated customer journey/advisory services	"Transactional data based. Where dedicated customer journey/advisory services are in place for prioritized groups, this indicator measures the percentage of customers using such services. Depending on size of bank, either number or percentage can be the unit of measure.			

			will achieve the desired results. Relevant employees are those the bank prioritizes in the training program due to their direct impact on the customers' financial health			money accounts, etc.						
	C.1.3	# of partnerships active to achieve financial health and inclusion targets	Based on internal data. Measures the number of partnerships currently active to achieve financial health and inclusion targets. By active we mean that are currently undergoing actions and generating results. We suggest disclosing the results of the partnerships in the commentary of the reports.	C.2.3	# of new customers per month	Transactional data based. Measures the number of new customers per month. Once the bank sets a target, this indicator can become a KPI to measure the percentage of new customers from the prioritized groups, per month.	C.3.3	% of customers actively using the online/mobile banking platform/tools	Transactional data based. Measures the percentage of customers logging in, at least once a month, to one of the following digital platforms (measure those applicable for your bank): Online internet banking and/or mobile phone banking and/or digital tools (including financial health tools, if applicable)			

Independent Assurance Statement

To the Stakeholders of Shinhan Bank:

The Korea Productivity Center (hereinafter the "Assurer") was appointed by Shinhan Bank (hereinafter the "Company") to provide independent assurance of its "Self-Assessment reporting on its implementation of UNEP Financial Initiative's Principles for Responsible Banking" (hereinafter the "Report"), and hereby presents the following assurance statement.

Background and scope of this independent review

The Company has engaged the Assurer to provide an independent review of the bank's self-assessment reporting relating to the UNEP Financial Initiative's Principle for Responsible Banking ("UN PRB"). The reporting covers the bank's implementation of the principles (the "Principles") in addition to the setting and implementing of targets in two areas.

This independent review is based on The Company's disclosures in accordance with the UN PRB's Reporting and Self-Assessment Template:

- 2.1 Impact Analysis

- 2.2 Target Setting

- 2.3 Target Implementation and Monitoring

- 5.1 Governance Structure for Implementation of the Principles

The Company is fully responsible for the reliability and accuracy of all the information and opinions presented in the Report. The Assurer is responsible solely for the third-party assurance of the content in the Report. As an independent assurance agency, the Assurer was neither involved in the process of preparing the Report, nor in any conflicts of interest that may undermine our independence.

Limitations

We have specifically considered materials that the Company has shared with us, and information provided to us by the Company's staff in interviews. We have not been engaged to make statements on the coverage, completeness, accuracy, or correctness of the information the Company has

reported in the form of an assurance report. The procedures that we have performed do not constitute an audit or a review made in accordance with any generally accepted standards on auditing or any generally accepted standards on review engagements and, consequently, no assurance will be expressed.

Methodology

The Assurer's responsibility was to assess whether the Company's reporting presented in the UN PRB's Reporting and Self-Assessment Template, published by UNEP FI September 2022, follows the guidance provided by the UNEP FI in the "Guidance for Assurance providers" dated 2021 and that the information provided aligns with the Assurer's findings from our analysis procedure as described below.

The procedures applied by the Assurer included the following:

- Interviews with representatives of the Company at corporate and the bank division levels. The aim of the interviews was to gain insight into management's commitment to sustainability in general and the Principles of Responsible Banking in particular,
- Interviews with representatives of the various divisions of the bank including the heads of public sector and retail markets and the head of risk and compliance, to better understand how the principles are adopted in the organization.
- Conducted an analysis of the Company's gaps against the UN PRB's requirements. The gap analysis included an assessment of existing policies and practices, a media search, and a benchmark analysis of selected peers.
- Assessment of the processes and working methods used to gather the information relating to points 2.1- 2.3 and 5.1 in the UN PRB's Reporting and Self-Assessment Template. The assessment also involved consideration of the Company's relevant internal documentation, including the impact assessment and related working documents.
- Comparison of disclosures relating to the above-mentioned points in the UN PRB's Reporting and Self-Assessment Template and in the Company's annual report with information obtained in interviews and internal documentation.

Findings and Conclusion

Our assessment indicates that the Company's disclosures relating to points 2.1- 2.3 and 5.1, is reported in accordance with the UN PRB's Reporting and Self-Assessment Template, published by UNEP FI September 2022. The sample-based analysis and interviews indicate correctness of the

disclosures. The Assurer recommends that the Company implements the actions and milestones in the bank's operations to meet the targets that are disclosed. These actions include:

- Increase awareness and competence of the sustainability and UN PRB amongst employees, management and board members;
- Continue the cooperation with other Korean Banks who are also UN PRB signatories;
- Strengthen target setting to be further aligned with the UN SDGs and underlying targets;
- Conduct the stakeholder analysis involving municipalities, labor, and trade organizations.

Moreover, that progress on implementing targets is reported upon in next year's Reporting and Self-Assessment

August 2023



CEO Wan-Gi Ahn

A handwritten signature in black ink, appearing to read '안완기' (Ahn Wan-gi), written in a cursive style.

Sang-II Kim, Director

A handwritten signature in black ink, appearing to read '김상이' (Kim Sang-i), written in a cursive style.

The Sustainability Management Initiative of the Korea Productivity Center is a fully qualified independent assurance agency. It is officially certified by AccountAbility that established AA1000, the international standard for stakeholder engagement and assurance. It has the Assurance Committee with of experienced experts who are qualified for the consultation and assurance of sustainability practice.