

**UN**  
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Principles for  
Responsible Banking

# Reporting and Self-Assessment Template

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Principles for Responsible Banking



4<sup>th</sup> Report (2024)



# 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 Financial Group, a holding company of Shinhan Bank, provides a full range of retail and commercial banking-related financial services. The Company main businesses include:

- Retail Banking, which primarily focuses on making loans to receiving deposits from individual customers
- Corporate Banking, which primarily focuses on making loans to or receiving deposits from for-profit corporations, including small-and medium sized enterprises
- International Banking, which primarily focuses on management of overseas subsidiaries and branch operations
- Credit Card services
- Securities Services
- Insurance Services
- Asset Management Services
- Other services – saving banking services, financial system developemnt services, real estate trust services, investment advisory services and venture capital services.

As the primary subsidiary of Shinhan Financial Group, Shinhan Bank serves a central role in driving the group's growth and strategic objectives. The Bank's profitability is largely driven by interest income, which leads the Bank to focus its business model towards Retail Banking and Corporate Banking. As of December 2023, Shinhan Bank has the total asset of 626.4 Trillion KRW. The Bank's lending balance is 290 Trillion KRW while Total deposit accounts for 292.7 Trillion KRW.

### Links and references

#### SEC Filings- Form 20 Fiscal Year 2023

[shfg.co.kr/en/invest/filing/oversea\\_filing02.jsp](https://shfg.co.kr/en/invest/filing/oversea_filing02.jsp)

#### SFG's Business Results for FY2023 P21

[shfg.co.kr/en/invest/finance/performance\\_file.jsp](https://shfg.co.kr/en/invest/finance/performance_file.jsp)

<p>Shinhan Bank has networks in 20 countries including South Korea, Vietnam, Japan, U.S.and Indonesia with the greatest presence in South Korea with over 87% of Net income.</p> <p>The Financial Supervisory Service is the regulator body responsible for overseeing the financial sector in South Korea, including banks. As a commercial bank operating within South Korea, Shinhan Bank is subject to the Financial Supervisory Service’s regulations and oversight as South Korea is a heavily regulated environment.</p>	
<p><b>Strategy alignment</b></p> <p><b>Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?</b></p> <p><input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No</p> <p>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.</p> <p><b>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</b></p> <p><input checked="" type="checkbox"/> UN Guiding Principles on Business and Human Rights  <input type="checkbox"/> International Labour Organization fundamental conventions  <input checked="" type="checkbox"/> UN Global Compact  <input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples  <input type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----  <input type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----  <input type="checkbox"/> None of the above</p>	
<p><i>Response</i></p> <p>In alignment with the SDGs and other key framekworks, 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.</p> <p>Our 3 Strategic Directions with 10 KPIs are aligned UN SDGs goals.</p> <p>1. Green ▶link to SDG7, SDG13, SDG16, SDG17</p>	<p><i>Links and references</i></p> <p><b>Shinhan Financial Group ESG Report 2023 P10</b></p>

<ol style="list-style-type: none"> <li>1. Expanding green finance</li> <li>2. Reducing internal carbon emissions</li> <li>3. Reducing financed emissions</li> <li>2. Win-win ▶link to SDG8, SDG9, SDG11, SDG12</li> <li>4. Expanding innovative finance</li> <li>5. Strengthening support for startups</li> <li>6. Providing inclusive finance</li> <li>3. Trusted ▶link to SDG1, SDG4, SDG5, SDG10</li> <li>7. Fostering female leaders</li> <li>8. Increasing employee satisfaction</li> <li>9. Strengthening financial education</li> <li>10. Increasing customer satisfaction</li> </ol>	
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## 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 regularly<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

**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.

<sup>1</sup> 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.

<sup>2</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

### Response

Shinhan Financial Group, a holding company of Shinhan Bank, provides a full range of retail and commercial banking-related financial services. The Company main businesses include:

- Retail Banking, which primarily focuses on making loans to receiving deposits from individual customers
- Corporate Banking, which primarily focuses on making loans to or receiving deposits from for-profit corporations, including small-and medium sized enterprises
- International Banking, which primarily focuses on management of overseas subsidiaries and branch operations
- Credit Card services
- Securities Services
- Insurance Services
- Asset Management Services
- Other services – saving banking services, financial system developemnt services, real estate trust services, investment advisory services and venture capital services.

The Group boasts a diverse portfolio of subsidiaries though Shinhan Bank remain the cornerstone of the Financial group contributing over 65% of its net income, which has reached around 3 Trillion KRW compared to SFG Subsidiary's combined Net Income of 4.7 Trillion.

### Retail Banking

Shinhan Bank's Retail Banking services include mortgage and home equity lending and retail lending as well as demand, savings and fixed deposit-taking, checking account services, electronic banking and automatic teller machines services, bill paying services, currency exchange and wire fund transfer. We believe that providing modern and efficient retail banking services is important to maintaining our public profile and as a source of fee-based income.

Retail banking has been and will continue to remain one of Shinhan's core businesses. The strategy in retail banking is to provide prompt and comprehensive services to retail customers through increased automation and improved customer service, as well as a streamlined branch network focused on sales.

### Corporate Banking

Shinhan Bank provides corporate banking services to small- and medium-sized enterprises, including enterprises known as SOHO (standing for "small office, home office"), which are small enterprises operated by individuals or households, and large coproation. We also lend to government-controlled enterprises.

### Links and references

#### SEC Filings- Form 20 Fiscal Year 2023

[shfg.co.kr/en/invest/filing/oversea\\_filing02.jsp](http://shfg.co.kr/en/invest/filing/oversea_filing02.jsp)

#### SFG's Business Results for FY2023 P19, 38

[shfg.co.kr/en/invest/finance/performance\\_file.jsp](http://shfg.co.kr/en/invest/finance/performance_file.jsp)

Shinhan Bank aims to be a one-stop financial solution provider that also partners with its corporate clients in their corporate expansion and growth endeavors. To that end, Shinhan Bank provides a wide range of corporate banking services, including investment banking, real estate financing, overseas real estate project financing, large development project financing, infrastructure financing, structured financing, equity investments/venture investments, mergers and acquisitions consulting, securitization and derivatives services, including securities and derivative products and foreign exchange trading.

As of December 2023, the distribution of retail and corporate portfolios is as follows:

Category	Loan Amount (KRW bn)	Percentage
Retail Loans	129,652.9	44%
Corporate	160,683.4	56%

Shinhan Bank has networks in 20 countries including South Korea, Vietnam, Japan, U.S. and Indonesia with the greatest presence in South Korea with over 87% of Net income.

Reason for exclusion

As for PRB reporting, the Bank's core focus is on traditional banking activities, excluding specialized non-interest income businesses like banassurance, mutual fund and investment banking.

**b) Portfolio composition:** 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

- i) by sectors & industries<sup>3</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

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.

*Response*

Proportional composition of Shinhan's portfolio's geographical scope has been covered under Impact Analysis a) Scope.

*Links and references*

**SFG's Business Results for FY2023 P38**

<sup>3</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

As of December 2023, the distribution of retail and corporate portfolios is as follows:

Category	Loan Amount (KRW bn)	Percentage
Retail Loans	129,652.9	44%
Corporate	160,683.4	56%

Shinhan Bank's Corporate Loan Portfolio are as follows:

Corporate Loan Category	Loan Amount (KRW bn)	Percentage
SME (Including SOHO)	129,939.3	75%
Corporate	30,744.1	25%
<b>Total</b>	<b>160,683.4</b>	<b>100%</b>

As for proportional composition of the Bank's portfolio, other than Loan Portfolio such as investment banking, has been excluded to focus more on traditional banking activities that has better representation on overall Bank's portfolio to show where the bank's core business/major activities lie in terms of industries or sectors.

[shfg.co.kr/en/invest/finance/performance\\_file.jsp](http://shfg.co.kr/en/invest/finance/performance_file.jsp)

**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?<sup>4</sup> 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**

Korea has a substantial manufacturing and industrial footprint that plays a crucial role in the production of energy and materials essential for contemporary life. See Table below for the breakdown. According to the Bank's Portfolio composition, manufacturing and chemical industries of Corporate customers collectively represent more than half of the portfolio. This significant concentration in these sectors could potentially result in a considerable impact on financed emissions.

<Table>

Corporate Category	Loan Amount (KRW bn)	Percentage
Manufacturing	11444	44.5%
Oil Refinery, Chemical	2773	10.8%
Metal Production	284	1.1%
Auto	1508	5.9%
Financials and insurance	5174	20.1%
Construction	527	2.0%
Real Estate & Renting	921	3.6%
Wholesalers&Retailers	2700	10.5%

Shinhan Bank faces several challenges with manufacturing clients concerning financed emissions, including managing high carbon footprints due to energy-intensive processes, difficulties in obtaining accurate measurement data, and ensuring compliance with evolving regulations.

Lowering financed emissions while pursuing sustainable development is a complex challenge due to the nature of Financial Institution. In order to reduce finance emission in the short term is through divestment on carbon intensive sectors. Shinhan Bank believes that through client engagement, client's

**Links and references**

**SFG's Business Results for FY2023 P19, 38**

[shfg.co.kr/en/invest/finance/performance\\_file.jsp](http://shfg.co.kr/en/invest/finance/performance_file.jsp)

<sup>4</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.



decarbonization can be facilitated, which ultimately will reduce bank's overall financed emission.

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.

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.

Korea's Ministry of Economy and Finance announced 'Dynamic Economy Roadmap' in July 2024. This is a national

<p>comprehensive plan designed to revitalize economy and ensure sustainable growth. While South Korea's Dynamic Economy Roadmap primarily focuses on stimulating economic growth and innovation, it also places significant emphasis on protecting and supporting vulnerable segments of society. This aspect of the roadmap aims to ensure that economic prosperity and is shared equitably and that no one is left behind. The Task 6, Task 7 and Task 10 of Dynamic Economy roadmap is what Shinhan Financial Group is trying to achieve. It became a priority for Financial Institutions to support the Vulnerable as Korea is a heavily regulated environment. Under Yoon's administration and the recently announced Roadmap provides guidance on how the Bank should operate.</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)5? 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 East 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"> <li>• Reducing negative social and environmental impacts through strategically integrated risk management.</li> <li>• Proactively and strategically responding to the demand for integrated financial and non-financial risk management to enhance business competitiveness.</li> </ul> <p>Negative impact:</p>	<p><i>Links and references</i></p> <p><b>Shinhan Financial Group ESG Report 2023 P82</b></p>

<sup>5</sup> 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.

<ul style="list-style-type: none"> <li>• Facing issues such as lawsuits and sanctions due to inadequate emphasis on risk management or a lack of a proper system.</li> <li>• Experiencing non-financial risks resulting from failures in enterprise risk management, such as operational risk and compliance risk.</li> </ul> <p>With referenced to the analysis from our prioritization which has the most impact aligning with governmental direction and the global trend, two impact areas were chosen:</p> <ul style="list-style-type: none"> <li>- Climate Change</li> <li>- Financial Health and Inclusion</li> </ul>	
<p><b>d) For these (min. two prioritized impact areas): <u>Performance measurement.</u></b> Has your bank identified which sectors &amp; 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.</p> <p>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&amp;inclusion as your most significant impact areas, please also refer to the applicable indicators in the <a href="#">Annex</a>.</p> <p>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.</p> <p><i>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.</i></p>	
<p><b>Response</b></p> <p>Shinhan Financial Group have systematically managed all factors including measure &amp; analysis of financed emissions. 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.</p> <p>As for Second prioritized impact area, performance will be measured by the aggregated towards Win-Win Finance and Inclusive Finance defined by Shinhan Financial Group.</p>	<p><b>Links and references</b></p> <p><b>Shinhan Financial Group ESG Special Report 2023 P72-74</b></p>

### 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?<sup>6</sup>

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)

<sup>6</sup> 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 targets<sup>7</sup> 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 with<sup>8</sup> 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

Shinhan Financial Group declared a "Zero Carbon Drive" strategy to achieve carbon neutrality through finance and has obtained approval for its carbon reduction targets through SBTi. Shinhan Financial Group actively supports green business and technologies that can offset carbon emissions of the financial assets and therefore, is leading the transition to a low-carbon economy to achieve carbon neutrality by 2050.

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. This is in line with 'The Republic of Korea's Enhanced Update of its First nationally Determined Contribution'. This states that Korea's Updated target is to reduce 40% by 2030.

In 2020, Shinhan Financial Group set a reduction target for each industrial sector in accordance with the SBTi sectoral decarbonization approach (SDA), and based on those targets, it has established a reduction pathway by 2050, under which it is managing its financed emissions. The SDA is a method of setting reduction targets for each industry sector by taking into account that each sector would reach Net Zero at a different pace. Financial institutions should assess and manage their portfolios based more specifically on the sectoral distinction. Shinhan Financial Group uses the carbon intensity of its asset portfolio as a major indicator to set a target of reducing 33.7% of carbon emissions in 2030 compared to 2020 and reaching zero financed emissions by 2050. Furthermore, it has established reduction targets for each industrial sector, e.g., power generation,

### Links and references

**Shinhan Financial Group ESG Special Report 2023 P31-40**

aluminum, cement, steel, paper, transport, chemicals, real estate for commercial purposes, mortgage and car loans, etc. and corresponding pathways. However, it is facing difficulties in achieving the reduction target pathways, because many companies are expanding their scope of measuring emissions in line with regulations on disclosure of emissions, etc. and the low-carbon transition tends to occur more slowly than expected under the SBTi scenario. Shinhan Financial Group plans to keep analyzing the emissions trends to figure out the average intensity of companies in each industry and strengthen its monitoring in high-intensity companies of each industry. The decarbonizations targets are aligned with 1.5 degree pathways under SBTi scenarios and sectors have been disclosed within the Special Report.

Korea's Ministry of Economy and Finance has announced 'Dynamic Economy Roadmap' in July 2024. This is a national comprehensive plan designed to revitalize economy and ensure sustainable growth. While South Korea's Dynamic Economy Roadmap primarily focuses on stimulating economic growth and innovation, it also places significant emphasis on protecting and supporting vulnerable segments of society. This aspect of the roadmap aims to ensure that economic prosperity is shared equitably and that no one is left behind. The Task 6, Task 7 and Task 10 of Dynamic Economy roadmap is what Shinhan Financial Group is trying to achieve

**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:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Climate change mitigation</i>	...	
	...	
	...	

<sup>7</sup> 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.

<sup>8</sup> 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.

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health &amp; inclusion</i>	...	
	...	
	...	

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**

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

For Scope 1 and 2 metrics, Shinhan Financial Group has adopted the “Guidelines on Reporting and Certification under the GHG Emissions Trading System” (MOE Notification No. 2022-279) in line with the methodology used by Shinhan Bank, which is subject to the GHG target management system. These data include GHG emissions by both domestic and overseas subsidiaries under the control of the holding company. Furthermore, the disclosed emissions data have been verified by a third party at the reasonable assurance level.

Scope 3 emissions are calculated based on the GHG protocol and the financed emissions, which is the 15th category of Scope 3, are calculated by PCAF’s GHG standards. The assets included in calculation of financed emissions consist of listed/unlisted shares, corporate loans, PF, corporate bonds, real estate for commercial use and car loans.

Shinhan Financial Group discloses the 15th category of Scope 3, i.e., “investment” category, which is deemed the most important in Scope 3, as its “Financed Emission”.

Financed emission means the amount of emissions, out of the transaction partners emissions, that correspond to Shinhan Financial Group’s share in loans and investment. Due to this structure, the financed emissions increase in proportion to the increase in loans to or investment in a company. The Group is expanding the scope of financed emissions

measurements out of its total assets for the purpose of measuring climate risks. The measured assets in 2023 were KRW 251 trillion, up 20% from KRW 212 trillion of 2020, while

**Links and references**

**Shinhan Financial Group ESG Special Report 2023 P30-40**

**Shinhan Financial Group ESG Report 2023 P30**

<p>the financed emissions increased by 16% over the same period. Under these circumstances, Shinhan Financial Group has decided that instead of setting a goal of decreasing financed emissions in the absolute term, it would be more practical to reduce the emissions intensity compared to the total assets, given the Group’s asset portfolio. The financed emissions intensity in 2023 is 20.0 tCO<sub>2</sub>eq/KRW 100 million, which represents a progress of 3% for achievement of Net Zero target compared to 2020, and Shinhan Financial Company will continue to reduce the intensity. At a time when the society is undergoing a transition to a low-carbon economy, it would be a highly passive policy to reduce financed emissions simply by suspending or withdrawing loans to companies. A more important role of financial companies is to supply funds to help companies successfully achieve green transition and expand relevant investment. Shinhan Financial Group is more focused on emissions from companies (Scope 1, 2) which can be more easily managed by the Group and intends to seek more accurate measurement of financed emissions by obtaining actual data on each company’s emissions.</p> <p>Shinhan Bank participated in the banking sector’s joint financial support measures for people’s lives and announced financial support worth KRW 306.7 billion to provide practical aid to self-employed people, micro businesses, and financially vulnerable groups who are experiencing difficulties in financing due to the economic downturn. The support measures are composed of a joint program and an autonomous program, and Shinhan Bank is spending KRW 197.3 billion on the joint program and KRW 109.4 billion on the autonomous program.</p>	
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<p><b>c) SMART targets</b> (incl. key performance indicators (KPIs)<sup>9</sup>): 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.</p>	
<p><i>Response</i></p> <p>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.</p> <p>Shinhan’s Second area of most significant impact target has been disclosed under Shinhan Financial ESG Highlight Report under Win-Win Finance and Inclusive Finance. Shinhan Bank</p>	<p><i>Links and references</i></p> <p><b>Shinhan Financial Group ESG Data Pack 2023 P9</b></p>

<sup>9</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.



<p>participated in the banking sector’s joint financial support measures for people’s lives and announced financial support worth KRW 306.7 billion to provide practical aid to self-employed people, micro businesses, and financially vulnerable groups who are experiencing difficulties in financing due to the economic downturn. The support measures are composed of a joint program and an autonomous program, and Shinhan Bank is spending KRW 197.3 billion on the joint program and KRW 109.4 billion on the autonomous program.</p>	
<p><b>d) <u>Action plan:</u></b> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>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.</p>	
<p><i>Response</i></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>Under the uncertain economic conditions, Shinhan Financial Group launched financial products that reduce the burden on youth, common people and financially vulnerable groups, and supported vulnerable groups through various donation activities. Shinhan Financial Group provides various supports to reduce economic burden on micro enterprises and SMEs to revitalize the local economy and spread ESG management.</p> <p>Win-win finance is a part of a financial company’s social contribution activities and refers to financial activities that support financial consumers in various ways to alleviate their financial burden from the continued high interest rates, high inflation, and delayed economic recovery. Win-win finance includes reducing loan interest rates and fees, reducing overdue interest, and providing policy products and loan support. These efforts contribute to reducing the burden on the financially vulnerable, mitigating social inequality, and enhancing the sustainability of the financial system.</p> <p>Shinhan Financial Group has actively identified various win-win financial tasks and expanded its support activities through the comprehensive support for the expansion of win-win finance and</p>	<p><i>Links and references</i></p> <p><b>Shinhan Financial Group ESG Special Report 2023 P27</b></p> <p><b>Shinhan Financial Group ESG Report 2023 P30-33</b></p>

the financial support measures for people’s lives to ensure that it does not end up as a one-time declaration. Shinhan Financial Group will continue to fulfill its social responsibilities and obligations as a financial company by continuing its multifaceted support activities while checking the status of win-win financial support from time to time.

<b>Self-assessment summary</b>			
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 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

**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 2<sup>nd</sup> 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 2023, Shinhan was able to reduce Financed Emissions and Intensity compared to 2022. The Target has not been reduced, but Shinhan Financial Group is seeing progress through Emission Measurement System.

*Links and references*

**Shinhan Financial Group ESG Special Report 2023 P6-10, 23-25, 75-84**

## 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 customers<sup>10</sup> 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 activities<sup>11</sup>). 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, and promoted rewards for outstanding ESG companies and employees.

Bank has been engaging with client through the launching loan products to meet its target. In order for the Bank to reduce financed emission is through the client. Transition finance is crucial for clients to achieve carbon neutrality because it provides

#### Links and references

**Shinhan Financial Group ESG Report 2023 P69-74**

the necessary financial resources to support the transition from high-carbon to low-carbon economic activities. One of the product launched in 2023 was Interest Subsidization Loan product to promote green policy financing of the Ministry of Environment. This loan was launched to support companies in reducing GHG emissions in the long term.

### 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.).

In 2023, Shinhan Financial Group established a transition finance policy to achieve the Zero Carbon Drive targets and began implementing the policy in earnest. Transition finance, a type of green finance, contributes to reduction of financed emissions through providing financial support to carbon-intensive industries. Shinhan Financial Group provided corporate loans worth KRW 1.38 trillion for transition finance and invested KRW 785.5 billion in green bonds by the end of 2023. Shinhan Financial Group plans to further strengthen its support for the low-carbon transition by expanding transition finance to various portfolios in the future. In doing so, we will actively contribute to the fight against climate change Policy

Shinhan Bank operates a virtuous cycle for green finance, utilizing funds saved from issuing green bonds to expand green loan products. In addition, Shinhan Bank established the ‘Green Taxonomy Corporate Loan Application System’ based on the K-Taxonomy in 2023 and has been operating it in earnest since 2024. New loans of KRW 1 billion or more are reviewed for green loan recognition based on supporting data, and those that qualify are provided with various incentives such as preferential evaluation and preferential interest rates to encourage companies to implement green economic activities Finance.

*Links and references*  
**Shinhan Financial Group ESG Report 2023 P16-20**

<sup>10</sup> 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.

<sup>11</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

## 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 groups<sup>12</sup>) 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

Shinhan Financial Group categorizes key stakeholder groups into employees, customers, shareholders and investors, partner companies, local communities, and government. Shinhan has established stakeholders channels based on various communication channels, and their key opinions are reflected in our ESG strategy promotion activities.

Stakeholder categories, key issues of interest and communication channels are listed in ESG Report.

#### Links and references

**Shinhan Financial Group ESG Report 2023 P81**

<sup>12</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

## 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

Shinhan Financial Group operates a group-level Shinhan ESG driving system to promote the Group's strategic direction, "Asia's Leading ESG Financial Group." The holding company and major group companies have committees and organizations dedicated to the execution of ESG management under the Board of Directors that establish ESG strategies and policies. In addition, to internalize the ESG strategy at the group level, we operate the Group ESG Implementation Committee and the Group ESG Council, which are attended by the Group CEO and CEOs of group companies.

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

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

#### Links and references

*Shinhan Financial Group ESG Report 2023 P59*

*Shinhan Financial Group ESG Special Report 2023 P6*

<p>The Risk Management Committee comes up with policies for management of climate change risks by analyzing the climate-related issues it receives from the Group Risk Council.</p> <p>Shinhan Financial Group recognizes the importance of ESG strategies and reflects ESG performance on the evaluation system for the Group CEO and CEOs of group companies so that all group companies can effectively implement ESG management. To this end, we quantitatively measure the performance of ESG projects by group companies including reflecting quantitative results of carbon emissions reduction by group companies on CEO evaluation. In addition, we established a group level ESG performance management system, increasing the proportion of the ESG evaluation into 15% in the Group CEO's strategic tasks and applying differentiated evaluation proportions to CEOs of group companies in consideration of the size and business characteristics of each company.</p>	
<p><b>5.2 Promoting a culture of responsible banking:</b> 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).</p>	
<p><i>Response</i></p> <p>Shinhan Financial Group evaluates the operation and roles of the board of directors once a year in accordance with Article 8 of Shinhan Financial Group's Internal Code of Corporate Governance. The evaluation items are divided into the operational evaluation and the role evaluation. The evaluation is conducted for all directors and its results are used for the Board's operation. We outsource the evaluation to an external institution for fairness of the evaluation and anonymity of evaluators, and in 2023, the Board's operation and performance of roles were decided to be "excellent" in the Board evaluation.</p> <p>Shinhan Financial Group's remuneration system and performance evaluation system for executives including the CEO are discussed and resolved by the Remuneration Committee every year. The remuneration includes fixed remuneration and performance bonuses, the amount of which is determined based on performance evaluation. The performance bonus consists of annual (short-term) and longterm payments according to the evaluation period. The proportion of long-term bonuses increase as an employee moves up to higher positions, accounting for more than 50% in case of executives and more than 60% in case of top management.</p> <p>Shinhan Financial Group uses both the Group KPIs, financial performance indicators, and the implementation results of key strategic tasks, non-financial performance indicators, in the performance evaluation of the CEO and other executives of the holding company. Meanwhile, performance indicators</p>	<p><i>Links and references</i></p> <p><i>Shinhan Financial Group ESG Report 2023 P57</i></p>



that are not tied to financial performance are applied to executives in charge of risk management, compliance monitoring and auditing use to ensure their independence.

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?<sup>13</sup> Please describe.

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

In 2018, Shinhan Financial Group became the first Korean financial group that enacted the Best Practices for Environmental and Social Risk Management. Based on this policy, we have categorized the work areas for environmental and social risk management into the “management of areas of interest” and “environmental and social risk review”, and specified a policy for areas of interest. In addition, we manage the environmental and social impacts of the economic activities and regularly report the results of monitoring the exposure in the environmentally and socially significant areas to the Risk Policy Committee.

In 2022, we became the first Korean financial company that established the Group ESG Risk Management Rules for recognizing, measuring, and managing ESG risks. Subsequently, following the revision of the Financial Supervisory Service’s Climate Risk Management Guidelines, we revised the role of the CSO, the role of each department in the triple defense model, and the climate risk scenario analysis. Details on the climate risk analysis and materiality test can be found in the TCFD Report.

#### Links and references

*Shinhan Financial Group ESG Report 2023 P21*

### 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

<sup>13</sup> 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.

## 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*

In the recent letter from Banking Board Co-chairs, Direction on reporting and assurance has been delivered to PRB members. The latest Shinhan Financial Group's Report has been assured and the evidence has been provided within the ESG report.

#### *Links and references*

Shinhan Financial Group ESG Report 2023 P103

### 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*

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

#### *Links and references*

Shinhan Financial Group ESG Report 2023 P85-101

### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>14</sup>, target setting<sup>15</sup> and governance structure for implementing the PRB)? Please describe briefly.

*Response*

The plan for the Bank is to understand how PRB Target Implementation fits into the Bank's ESG Strategic Direction. Although the Tasks do overlap with one another, Bank's ESG strategy may prioritize on the short term, while PRB Target Implementation do tend to be on a longer term. As a commercial institution, Shinhan Bank must balance its sustainability goals with its financial objectives.

*Links and references*

<sup>14</sup> 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

<sup>15</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

## 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 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 checked="" 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.<sup>16</sup> 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 targets<sup>17</sup> (highlighted in **green**) or to client engagement<sup>18</sup> 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.<sup>19</sup> 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.

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<sup>16</sup> 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.

<sup>17</sup> 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.

<sup>18</sup> 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.

<sup>19</sup> You might not be able to report on all indicators and/or 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 <sup>20</sup> (pathway to impact)									Impact <sup>21</sup>		
	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	<b>Climate strategy:</b> Does your bank have a climate strategy in place?	Yes / In progress / No	A.2.1	<b>Client engagement process:</b> 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	<b>Financial volume of green assets/low-carbon technologies:</b> 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; <i>please specify</i> the definition of green assets and low-carbon technologies used	A.4.1	<b>Reduction of GHG emissions:</b> how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO <sub>2</sub> e (or applicable metrics) <sup>22</sup>
	A.1.2	<b>Paris alignment target:</b> 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 <b>net zero by when?</b> - <b>Emissions baseline / base year:</b> What is the emissions baseline / base	A.2.2	<b>Absolute financed emissions:</b> What are your absolute emissions (financed = scope 3, category 15) in your lending and/or	Total GHG emissions or CO <sub>2</sub> e <i>(please also disclose what is excluded for now and why)</i>	A.3.2	<b>Financial volume lent to / invested in carbon intensive sectors and activities and transition finance:</b> How much does your bank lend to / invest in carbon-	bln/mn USD or local currency, and/or % of portfolio	A.4.2	<b>Portfolio alignment:</b> 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)

<sup>20</sup> 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

<sup>21</sup> Impact: the actual impact of the bank's portfolio

<sup>22</sup> 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? - <b>Climate scenario used:</b> What climate scenario(s) aligned with the Paris climate goals has your bank used?		investment portfolio?			intensive sectors and activities <sup>23</sup> ? How much does your bank invest in transition finance <sup>24</sup> ?			
<b>A.1.3</b>	<b>Policy and process for client relationships:</b> 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	<b>A.2.3</b>	<b>Sector-specific emission intensity</b> (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 <sub>2</sub> e/ kWh, CO <sub>2</sub> e / m <sup>2</sup> ; kg of CO <sub>2</sub> e/USD invested, or kg of CO <sub>2</sub> e/revenue or profit					
<b>A.1.4</b>	<b>Portfolio analysis:</b> 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	<b>A.2.4</b>	<b>Proportion of financed emissions covered by a decarbonization target:</b> 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>					

<sup>23</sup> A list of carbon-intensive sectors can be found in the [Guidelines for Climate Target Setting](#).

<sup>24</sup> 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.



	<b>A.1.5</b>	<b>Business opportunities and financial products:</b> 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>B. Financial health</b>	<b>B.1.1</b>	# 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>B.2.1</b>	# 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>B.3.1</b>	% 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>B.4.1</b>	% 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>B.1.2</b>	% 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>B.2.2</b>	% 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>B.3.2</b>	% 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>B.4.2</b>	% 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.
<b>C. Financial Inclusion</b>	<b>C.1.1</b>	# 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	<b>C.2.1</b>	# 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	<b>C.3.1</b>	% 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>C.4.1</b>	% 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.					
	<b>C.1.2</b>	% 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	<b>C.2.2</b>	% of customers with effective access to a basic banking product	<b>C.3.2</b>	% 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)			