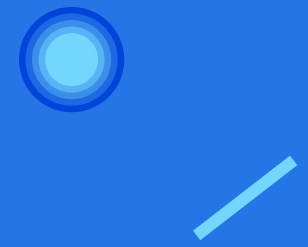


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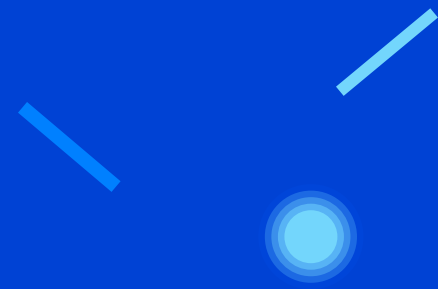
Shinhan Bank's Report on Climate Finance

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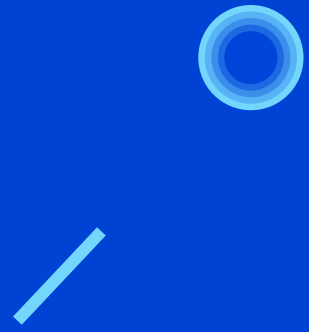
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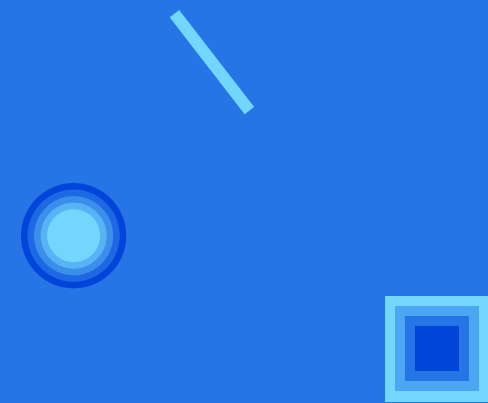
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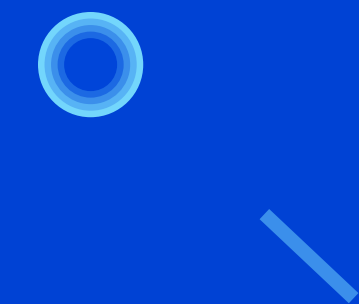
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Shinhan Bank's Efforts for Climate Action

Global initiative activities

Shinhan Bank has included adapting to climate change as one of the guiding tenets of its business strategy and has undertaken various efforts to achieve carbon neutrality at the financial institution level. A symbolic move in this regard was to become the first commercial bank in Korea to join the Equator Principles in September 2020. The Equator Principles govern transactions related to large-scale project financing (PF) as a voluntary agreement among financial institutions to agree to refuse financial support or loans for large-scale development projects that pose a risk of human rights abuses or environmental harm. Despite the one-year grace period after joining the Equator Principles, Shinhan Bank has published an annual Equator Principles report every year since 2021, transparently disclosing the implementation status on its website. Specifically, after joining the Equator Principles, we examined various factors of the projects within the scope of the Equator Principles, which include identifying environmental and social impacts at the project site and nearby areas prior to project implementation, adhering to applicable environmental and social standards, establishing management systems and plans, engaging stakeholders in the local community, and setting up a grievance resolution mechanism. Based on the assessment of the status of implementation of the Equator Principles, we provided financial support to projects that comply with the principles. Furthermore, Shinhan Bank officially announced "Coal Phase-out Finance." This demonstrates our intention not to support project financing (PF) for the construction of domestic and foreign coal-fired power plants and not to acquire bonds for the construction of such plants. In addition, we have declared ourselves a signatory to the Carbon Disclosure Project (CDP), expressed our support for the Task Force on Climate-Related Financial Disclosures (TCFD), and are faithfully implementing relevant recommendations. In 2023, we declared Global RE100, signed a REC purchase contract with Korea East-West Power Corporation, and formed a JV specializing in renewable energy trading with Hanwha Convergence to pursue a 100% transition to renewable energy.

Calculation of financed emissions and pursuit of Net-Zero

To achieve carbon neutrality, Shinhan Bank plans to reduce financed emissions and Scope 1 and 2 Emissions by adopting the SBTi (Science Based Targets initiative) methodology in compliance with the Paris Climate Agreement. Based on the SBTi methodology, Shinhan Bank has set a target to cut greenhouse gas emissions in line with the 1.5°C scenario outlined in the Paris Agreement. We measured financed emissions in 2021 across a number of categories, including investments, loans, and PF, and we also established targets for reduction. Our method for calculating financial emissions classifies measured assets according to the standards set by PCAF (Partnership for Carbon Accounting Financials) and objectively analyzes financed emissions by taking into account the contribution of financial companies to the emitter's greenhouse gas emissions. In addition, we became members of the Net-Zero Banking Alliance (NZBA) and engaged in the working group, accelerating climate risk management to achieve the goals of the Paris Climate Agreement. Through membership and activities in the NZBA, Shinhan Bank has agreed to reduce greenhouse gas emissions from its asset portfolio, such as loans and investments, to net zero and is managing emissions through intermediate goals. We built a financed emissions measuring system in 2022 in order to control greenhouse gas emissions in a methodical manner. Additionally, we are taking part in the private sector-led project to develop a system for applying the Korean green taxonomy, which started in 2023, as well as the practical agreement for the expansion of the Korean green taxonomy, which is overseen by the Ministry of Environment, in order to clearly determine and promote companies' sincere commitment to green economic activities. Amid the growing climate risk, Shinhan Bank will acknowledge the need for funding to address climate change and will spearhead the transition toward a low carbon economy by engaging in a variety of carbon-neutral initiatives.

01 | Joined the Equator Principles

- September 2020
Became the first commercial bank in Korea to join
- * First commercial bank in Korea to publish the Equator Principles annual report (2021)

02 | Joined the PCAF

- November 2020
Joined the Partnership for Carbon Accounting Financials (PCAF)

03 | Joined the SBTi

- November 2020 Joined the Science Based Targets initiative (SBTi)
- 2021 Submitted goals
- November 2022 Received approval for SBTi goals

04 | Joined the NZBA

- April 2021
Joined the Net Zero Banking Alliance

05 | Declared the global RE100

- May 2023 RE100 declaration
Established a plan to switch to 100% renewable energy by 2040

Governance for Climate Action

Board of Directors' Oversight

In March 2022, Shinhan Bank became the first commercial bank in Korea to establish the ESG Committee, which consists of the CEO and all outside directors, as a subcommittee within the board of directors. This move was made in an effort to strengthen the sustainability management monitoring and decision-making functions, which are centered around the Board of Directors, the highest internal decision-making body. The ESG Committee and the Risk Management Committee are primarily responsible for Shinhan Bank's final deliberations and resolutions on the strategies for responding to climate change and key implementation agendas. The ESG Committee monitors the status of strategic ESG tasks, including eco-friendly financial performance, financed emissions, and emissions intensity. The Risk Management Committee recognizes, measures, monitors, and controls all risks arising from various transactions in a timely manner and discusses issues in connection with major climate risk factors. In 2023, four meetings of the ESG Committee and twelve of the Risk Management Committee were held.

Roles of ESG Sub-Committee within the BOD

Risk Management Committee	ESG Committee
<ul style="list-style-type: none"> Discussing important issues related to the bank's climate risk, such as establishing a climate risk management system Outlining the roles and responsibilities of those responsible for climate risk-related tasks 	<ul style="list-style-type: none"> Addressing important matters regarding establishing an ESG management strategy and setting goals Verifying the adequacy of ESG performance and ESG disclosure, etc.

Roles of the Management

Shinhan Bank operates an ESG Management Committee and a Risk Policy Committee, both of which engage all executives for the purpose of clearly defining roles and responsibilities for promoting sustainable management and responding to climate risks. The committee regularly reviews, deliberates, and decides on developments in a number of ESG fields, including climate change. In 2023, six meetings of the ESG Management Committee and seventeen meetings of the Risk Policy Committee were held. In addition, Shinhan Bank has further clarified their roles by strengthening their leadership and expertise to combat climate change and establishing a regular reporting system. Notably, the eco-friendly financial performance, Scope 1 and 2 Emissions, and financed emissions (Scope 3) are taken into account in the management evaluation.

Training and Competency Building for Climate Action

Shinhan Bank fosters and strengthens employees' climate risk management skills through regular training programs while assisting them in obtaining the necessary expertise. As part of these efforts, professional ESG-related information as well as practical content that executives and employees may use in their daily work are produced and distributed.

2023 Training on Climate Action

- Creating "Shinhan EASY ESG" educational content to increase employees' interest in ESG and climate risk and reinforce their capabilities (10 sessions)
- Providing training to related departments and group companies on the Equator Principles, climate risk, and financed emissions (6 sessions)
- Training on understanding and responding to EU CBAM (3 sessions)
- Providing education on ESG and climate risks in Shinhan Future Academy course (2 sessions)

Governance for Climate Action

Roles of the Management Organization

Considering that responses to climate change are integrated and managed within the sustainability management (ESG) system, Shinhan Bank also operates an ESG management organization in addition to the existing risk management organization. The ESG Planning Office and Risk Management Department are dedicated departments, and they seek to increase depth of knowledge by assigning responsibilities and roles in the climate change organization and ESG management areas and enforcing specific tasks in each area. The Risk Management Department and ESG Planning Office, which are climate risk management organizations, address climate risk management standards, management systems, policies, strategies, etc., and each business division determines detailed management plans for each division in accordance with established policies and reflects them in the business plan. Furthermore, Shinhan Bank has an ESG Operation Committee, to which heads of ESG promotion departments are invited. This committee's purpose is to regularly assess the progress made in relation to climate change and to enhance the execution capabilities of ESG management. It also facilitates sharing and communication regarding the state of response to the Korean Green Classification System (K-Taxonomy) and emission reduction measures for carbon-neutral finance.

Specific Tasks for ESG and Climate Change Risk Management

Category	Climate Change Risk Management	ESG implementation
Risk Identification	<ul style="list-style-type: none"> Identifying the cause of climate-related risks 	<ul style="list-style-type: none"> Discovering opportunities
Risk Assessment	<ul style="list-style-type: none"> Constructing a financed emissions measurement system and database Analyzing climate scenarios 	<ul style="list-style-type: none"> Formulating an action plan to leverage identified opportunities
Risk Management	<ul style="list-style-type: none"> Operating the financed emissions dashboard Selecting and managing high-carbon industries Monitoring areas with environmental and social risks 	<ul style="list-style-type: none"> Setting and monitoring a reduction target for financed emissions aligned with decarbonization Establishing and managing a strategy to achieve the reduction target
Disclosure and Publication	<ul style="list-style-type: none"> Making climate-risk-related disclosures Assisting with ESG reporting 	<ul style="list-style-type: none"> Disclosing ESG performance and preparing climate finance reports

Organization for ESG and Climate Change Risk Management

Category	Climate Change Risk Management Oversight	ESG Operation Oversight
Dedicated Team	Risk Management Department	ESG Planning Office
Management Consultative Body	Risk Policy Committee	ESG Management Committee
Board Sub-Committee	Risk Management Committee	ESG Committee

Shinhan Bank's Governance for Climate Action



Impact of Climate-related Risks and Opportunities on Business and Strategy

Opportunities and Risks of Climate Change

In addressing climate change, improving energy and water resource efficiency, along with reducing greenhouse gas emissions, can lead to both lower operating costs and increased value of fixed assets, like high-efficiency buildings. Additionally, this series of changes will lead to an increase in demand for financial services, including financing for eco-friendly enterprises, and ultimately enable financial companies to create new business opportunities in various sectors, such as green finance and transition finance. Shinhan Bank recognizes the potential increase in the frequency and severity of abnormal climate events such as typhoons, floods, and forest fires as an acute physical risk. Longterm changes also require management as chronic physical risks, such as sharp variations in precipitation and weather patterns, as well as increases in average temperatures and sea levels. Shinhan Bank assesses the regional risk level regarding individual abnormal weather occurrences and incorporates the exposure level of each industry located in the region to analyze and determine the physical risk level for investment assets.

Climate-related Opportunities

Category	Climate-Related Opportunities	Potential Financial Impact
Resource Efficiency	Boosting the efficiency of energy and water resources, expanding recycling, using eco-friendly transport, and shifting to eco-friendly buildings	<ul style="list-style-type: none"> Reduced operating costs through efficiency gains and cost reductions Increased production capacity, resulting in increased revenues Increased value of fixed assets, such as high-energy-efficiency buildings Benefits to workforce management and planning, such as improved health and safety and employee satisfaction, resulting in lower costs
Energy Resource	Using energy sources with low carbon emissions, leveraging governmental support policy incentives, participating in carbon market, shifting toward decentralized energy generation, and adopting new technologies	<ul style="list-style-type: none"> Lower operational costs through reduction of greenhouse gas emissions Reduced exposure to future increases in fossil fuel price Less exposure to greenhouse gas emissions and therefore less sensitivity to changes in cost of carbon Returns on investment in low carbon technology Increased capital availability Reputational benefits resulting from increased demand for goods and services
Products and Services	Developing and/or expanding low carbon emissions goods and services, discovering climate adaptation and insurance risk solutions, offering new services through R&D and innovation, enhancing the ability to diversify business activities, and embracing the shift in consumer preferences	<ul style="list-style-type: none"> Increased revenue thanks to the demand for low carbon emissions products and services Increased revenue through new solutions, such as insurance risk transfer products and services, to fulfill the needs for adaptation Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Markets	Getting access to new markets, leveraging public-led incentives, and reaching out to new assets and locations seeking insurance coverage	<ul style="list-style-type: none"> Increased revenues through access to new and emerging markets, such as partnerships with governments or development banks Enhanced diversification of financial assets, such as green bonds and infrastructure
Resilience	Promoting the use of renewable energy and adopting measures for higher energy efficiency, diversifying resources and exploring alternatives	<ul style="list-style-type: none"> Increased market valuation through resilience planning in infrastructure, land and buildings, for example Increased reliability of supply chain and ability to operate under various conditions Increased revenue through new products and services related to ensuring resiliency

Given that we might suffer operating losses due to reputational risk when investing in companies or businesses that negatively impact climate change, we factor evaluation and management of non-financial risks, such as environmental and social impacts, into making investment decisions. We also manage the intensity of each portfolio, including industries and asset classes, and monitor the activities of major management companies.

Climate-related Risks

Category	Climate-related Risks	Potential Financial Impact
Transition Risks	Policy and Legal Risks	<p>Increased price of carbon credits, more stringent requirements for environmental disclosure, initiation of environmental-related lawsuits, etc.</p> <ul style="list-style-type: none"> Higher operational costs, such as increased compliance costs and insurance premiums Amortization due to policy changes Impairment of assets and early disposal of existing assets Increased costs or reduced demand for our products and services due to fines and judgments
	Technology Risks	<p>Transition to eco-friendly and low carbon technologies, increased investment in technologies to improve energy efficiency and reduce emissions, erroneous investment decisions in new technologies, etc.</p> <ul style="list-style-type: none"> Amortization and early disposition of existing assets; Reduced demand for products and services R&D costs for new and alternative technology Capital investment for technology development Costs required for adopting and deploying new practices and processes
	Market Risks	<p>Changes in consumer behavior, rises in raw material prices, volatile supply and demand for products and services, uncertainty in the market, etc.</p> <ul style="list-style-type: none"> A decrease in demand for goods and services due to changes in consumer preferences Increase in production costs due to rising raw material prices and changes in waste disposal costs Abrupt and unexpected changes in energy costs A decrease in sales due to volatility in sales performance A decline in value from asset revaluation, such as valuation of fossil fuel reserves, land values, and securities
	Reputational Risks	<p>Shifts in the choices of investors and customers, unfavorable feedback from stakeholders, stigma against the industry, etc.</p> <ul style="list-style-type: none"> Lower revenue due to a decline in demand for goods and services Reduced revenue due to decreased production capacity, such as delays in plan approval and disruptions in the supply chain Decreased income as a result of adverse effects on workforce management and planning, such as employee attraction and retention Reduced capital availability
Physical Risks	Acute Physical Risks	<p>An increase in the frequency and severity of extreme abnormal climate occurrences such as typhoons, floods, and forest fires</p> <ul style="list-style-type: none"> A drop in productivity and operating profit as a result of supply chain disruptions, business interruptions, deteriorating worker health, etc.
	Chronic Physical Risks	<p>Changes in precipitation patterns and extreme volatility in weather patterns, increasing average temperatures, rising sea levels, etc.</p> <ul style="list-style-type: none"> Higher operating and capital expenses due to facility damage, early disposal of existing assets, etc. The risk of increased insurance premiums and fewer coverage options • for high-risk asset classes

Impact of Climate-related Risks and Opportunities on Business and Strategy

Time Horizons

New mechanisms that can affect the profits of regulated companies, such as carbon taxes and emissions trading systems, are rapidly emerging, and the obligations of newly listed companies to disclose environmental information can pose operational or legal risks. Shinhan Bank has determined that related risks could affect Shinhan in the short term (1 to 5 years). Reputational issues associated with Shinhan Financial Group's Zero Carbon Drive implementation could materialize in the mid-term (5 to 10 years). Continued financial support for high-emission industries that fail to reduce financed emissions or are unwilling to shift to low carbon emissions can be perceived as "greenwashing," and may also affect financial products such as passive investment and ESG-related ETFs, which have a direct impact on the decline in stock prices. This arouses concerns over the extended

legal risks for shareholders and stakeholders. In addition to direct risks, we need to manage risks that may arise from physical damage or undesirable management of corporate customers that may occur during the transition to a low carbon economy. Therefore, in order to supplement the existing stress test that projects the future based on past patterns, Shinhan Bank has enhanced scenario analysis to enable a long-term approach that takes into account the impact of climate policies and regulations. This strategy is the foundation for the implementation of effective risk monitoring and analysis.

Risk Category	Definitions of Detailed Risks	The Impact on Shinhan	Term
Transition Risks	Policy/Legal	<ul style="list-style-type: none"> In the short term, companies that export to the U.S or Europe may face higher carbon taxes and stricter regulations on carbon-intensive sectors, leading to an increase in export costs, and an increased operational cost for localization may have a negative financial impact on the companies. The Glasgow Climate Pact mandates that each country shall set and achieve an NDC target aligned with limiting global warming to 1.5°C by 2030. The policies to reduce emissions may assign companies with an abrupt reduction target within the next 5 years, and deregulation in the short term may reverse rapidly in the medium term. Unprepared companies will be burdened with the increased pricing of emissions, which is directly related to the borrower's financial soundness, bringing risks to Shinhan. The implementation of our decarbonization financing strategy may impact the contracts with our borrowers, and customers or Shinhan Bank may be accused of greenwashing if Shinhan Bank fails to cut the support to carbon-intensive sectors. Such issues may lead to litigations and legal risks. 	Short/medium/long
	Technology	<ul style="list-style-type: none"> Companies will increase investment in low carbon facilities and infrastructure. This will cause soaring expenditures, but production outputs and consumption may not rise accordingly. Revenues may be impacted in the medium term. In the long term, carbon-intensive companies may face technology R&D risks depending on whether they successfully transition to low carbon technology. Companies that fail to transition may see a significant change in their profit. 	Medium/long
	Market	<ul style="list-style-type: none"> In the capital market, it may be difficult for companies that do not take active climate action to receive investment. If Shinhan Financial Group fails to manage financed emissions as per the declaration of decarbonization finance or climate issues arise due to a constant increase in exposure to carbon-intensive sectors, this could lead customers to turn away and investors to defund. This may have another financial impact, which is a decrease in the stock price. 	Medium/long
	Reputation	<ul style="list-style-type: none"> The inability to manage financed emissions may spark the issue of greenwashing in the media and customers, significantly affect our reputation as a bank that leads eco-friendly efforts or result in customer attrition. In addition to the management of Scope 1, 2, and 3 emissions, the climate risk management system and climate action of a financial company are linked to the indices of major credit rating agencies and ESG assessment agencies, which might cause the credit rating and ESG assessment results of the entire group to fall. 	Medium/long
Physical Risks	Acute Risk	<ul style="list-style-type: none"> Acute risks affect not only the corporate customers, but also the individual customers of the bank. Seasonal rain, heavy rain, typhoon, earthquakes and other acute events may pose great risks to the real estate in possession. Operational risks from decreased mortgage value of real estate, damage to facilities and decreased production output and financial risks involving life or property insurance compensation may directly impact Shinhan. Employees faced with damage may be negatively affected, which might cause an operational risk. 	Short/medium
	Chronic Risk	<ul style="list-style-type: none"> Chronic risks, such as temperature rise and sea level rise, may decrease the revenues of companies in relevant sectors. For example, the agricultural and marine industries may be impacted tremendously as temperature is a crucial aspect of biodiversity and existence. In this case, the sunk cost or operational cost of borrowers in the grain industry, food and beverage industry and fisheries industry may increase, affecting the companies financially. Chronic risks may also decrease revenues due to increased power consumption across the industry and supply/logistics chain interruptions. 	Medium/long

Impact of Climate-related Risks and Opportunities on Business and Strategy

A Policy

In order to effectively respond to climate change at the group level, Shinhan Financial Group established and declared the "Principles for the Response to Climate Change" for the first time as a domestic financial company in February 2019. We went further to implement a net-zero strategy known as Zero Carbon Drive, which entails conducting stress tests on financial assets and creating a plan to reach zero asset portfolio / Scope 1 and 2 Emissions by 2050, financial assets, and analyzing scenarios based on measured carbon prices. For Scopes 1 and 2, which account for the majority of the company's own emissions, a carbon price is applied based on renewable energy purchases, and for Scope 3, the carbon price under the NGFS scenario is used for the analysis of financial emissions, which accounts for most of the company's emissions. In addition, we define the promotion of climate finance and green finance for eco-friendly businesses. As a staged approach for a soft landing into a low carbon portfolio, we desire to set up a responsive system for the group's business sectors and a management system with specified limits.

B Products and Services

In the face of ever-increasing investments in low carbon and high-efficiency facilities and renewable energy power generation projects, Shinhan Bank is continuously expanding related loan products for which demand is expected to increase, such as green remodeling interest subsidized loans, loans for companies with excellent green environmental management, Green Energy Factoring, and loans for new green companies and renewable energy PF. As of the end of 2023, the cumulative amount of new eco-friendly financing, including loans and direct and indirect investments, is KRW 2,517.7 billion. In addition, transition risks and physical risks resulting from climate change are preemptively managed, and eco-friendly financial products and services for each industry are growing. These efforts include stress testing to identify the carbon intensity of the portfolio and detailed analysis of the potential impacts and sensitivities of each industry and asset composition depending on climate change scenarios.

C Supply Chain and Investment Chain

Given the growing consumer concern about climate change and environmental issues, any involvement with companies in the supply chain that have a negative impact on climate change or investments in companies or businesses with similar problems could tarnish our corporate image, potentially leading to operational losses. Consequently, Shinhan Bank prioritizes not only conducting economic feasibility analyses but also considers and manages non-financial risks, including socio-environmental impacts, when evaluating potential engagements in businesses and projects. Moreover, we are keeping an eye on corporate customers' climate change risk factors based on their greenhouse gas emissions and intensity. We are also striving to prevent climate risks throughout the entire value chain, such as by offering free ESG diagnoses and consulting services to 140 corporate clients in 2023 to help them make the transition to a low carbon system.

D Efforts to Adapt to Climate Change

Climate change is expected to result in higher average temperatures, which will drive up customers' energy management expenses. As a result, corporate clients that are subject to regulations will be more in need of funding for the installation of facilities that reduce greenhouse gas emissions, building energy management, building renovation, replacing aged facilities, and developing green technologies. In light of the potential for demand for the roughly 20 environmentally friendly loan products that Shinhan Bank currently offers—new loan products that could total KRW 2,230.3 billion by 2023—the bank sees a big opportunity to generate revenue through the active development of related products. In 2023, we contributed to the growth of the eco-friendly industry by supplying interest subsidized loans in the amount of KRW 1.38 trillion as part of the Ministry of Environment's green policy finance revitalization policy, which is intended to provide loans for greenhouse gas reduction purposes.

E Capital Allocation and Management

In order to meet the 2030 greenhouse gas reduction target, the government is promoting the distribution of eco-friendly automobiles, including electric and hybrid cars, and customer demand for these vehicles is constantly rising due to increased awareness of climate change. Shinhan Bank joined K-EV100 in 2021 and plans to convert all of its vehicles to 100% electric or hydrogen vehicles by 2030.

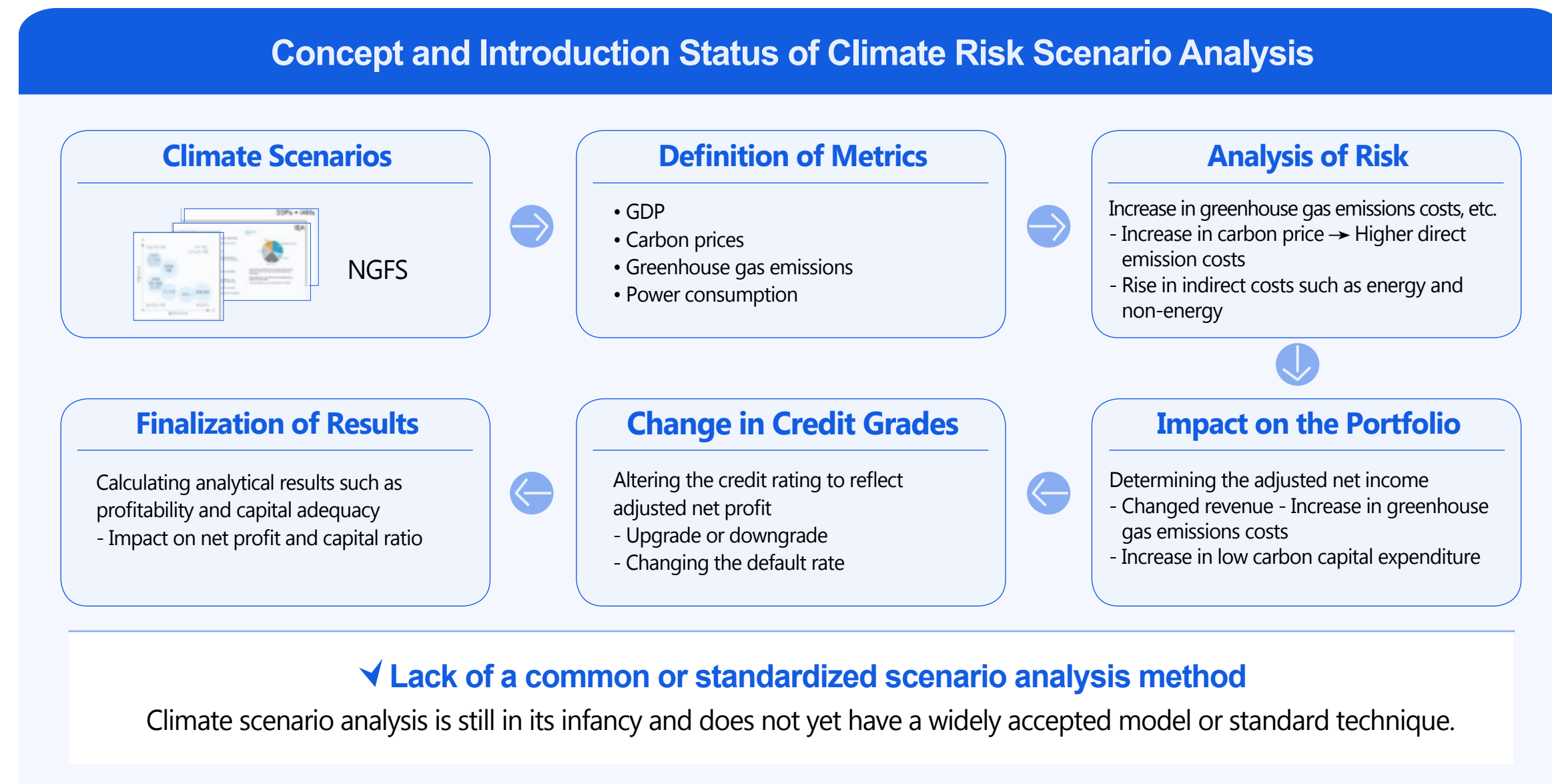
F K-Taxonomy

Commencing with its participation in the financial working group for K-Taxonomy hosted by the Ministry of Environment and the Financial Services Commission in 2021, Shinhan Bank has demonstrated a keen interest in this classification to objectively assess and support companies' green economy activities with genuine intentions. Shinhan Bank signed an implementation agreement to disseminate the Korean green taxonomy under the Ministry of Environment, and in 2022, it became the first and only Korean commercial bank to issue KRW 100 billion in green bonds with K-Taxonomy applied. In addition, we have actively contributed to eco-friendly businesses by successively issuing green bonds worth KRW 150 billion with K-Taxonomy applied in 2023. Currently, we are taking part in a system development project for the application of K-Taxonomy supervised by the Financial Supervisory Service. Furthermore, in order to satisfy the increased demand from companies for eco-friendly transition, Shinhan Bank launched the K-Taxonomy corporate loan application system in December 2023 and diversified channels to explore and expand green loan products.

Analysis of Climate Change-related Scenarios

Analysis of Climate Change Scenarios

In contrast to existing stress tests, which are intended to analyze the impact of a financial market crunch or economic downturn over a specific period of time, such as the financial crisis or the pandemic caused by COVID-19, and analyze the short-term financial impact over 1 to 2 years, scenario analysis of climate risk covers long observation periods. Due to these enduring attributes, scenario analysis is characterized by the long period of risk to be analyzed and the discrepancy between the maturity of credit products, which are typical financial institution assets, and the period for analysis. Moreover, the distinct characteristics of climate risks, such as the potential changes in historical patterns due to shifting domestic and foreign policies and corporate responses to them, and the transmission channels and impact of risks that affect a very complex scope such as industry, economy, and market, etc., require analysis of scenarios based on assumptions about future situations. Thus, Shinhan Bank is analyzing the financial impact of climate risk by establishing several metrics for climate scenario analysis and identifying the risk transmission channels.



Analysis of Transition Risk Scenarios

Shinhan Bank took into account the characteristics of climate risk and benchmarked various stress test methodologies, including the European Central Bank's (ECB) climate stress test, to develop a common scenario analysis model for the Shinhan Financial Group that integrates its portfolio characteristics. In addition, we used the GDP growth rate, market interest rate, carbon price, and power generation mix of the climate scenario developed by NGFS* as variables, and examined the different impacts of the macroeconomic scenario and the impact of the carbon policy scenario to estimate the future statement of financial position of each company. The estimated statement served as the basis for calculating the company's credit rating, from which risk-weighted assets (RWA) and expected losses were analyzed, and Shinhan Financial Group's capital ratio was estimated by 2050. Of the six scenarios offered by NGFS, we intend to disclose results for the three that we believe are the most unique and meaningful: 2050 carbon neutrality, delayed implementation, and maintaining the current policy. According to the 2050 carbon neutrality and delayed implementation scenarios, the rate of global temperature increase will gradually decline after peaking in 2060, whereas the scenario maintaining current policies expects that global temperature rise will continue.

* NGFS(Network for Greening the Financial System)

Participated by 95 institutions around the world, including the Bank of Korea, Financial Services Commission, and Financial Supervisory Service, with the aim of reviving green finance in order to facilitate the shift to a sustainable economy.

Analysis of Physical Risk Scenarios

Shinhan Financial Group created a group-wide shared physical risk analysis methodology by benchmarking¹⁾ the ECB**'s physical risk analysis methods and considering Korea's climate environment. According to this methodology, the relationship between precipitation, heavy rain, and typhoon damage events is determined, the frequency of damage occurrence and damage scale are estimated, and the daily maximum precipitation scenario based on RCP 8.5 / SSP5-8.5 and domestic total tangible asset data are used to estimate the annual physical capital damage rates per region by 2050. Based on these findings, Shinhan Bank identified the impact on its capital ratio by taking into account changes in the debt ratio due to changes in the company's tangible assets, which in turn caused modifications to credit ratings as well as reductions in the value of collateral assets.

Scenario analysis for physical risks has capitalized on the Representative Concentration Pathway (RCP) scenario used in the IPCC 5th Assessment Report and the Common Socioeconomic Pathway (SSP) scenario used in the IPCC 6th Assessment Report. Shinhan Bank disclosed a physical risk analysis using the scenario results from RCP8.5 and SSP5-8.5. The targets of the physical risk scenario analysis were limited to heavy rain and typhoon damage. Based on statistical data spanning the last ten years, damage from typhoons and heavy rains accounts for the greatest share of domestic natural disaster damage—93.2% of the overall damage. The greatest amount of damage by type occurred in heavy rain (49.1%), followed by typhoons (44.1%), heavy snow (3.6%), and earthquakes (2.2%).

** Economy-wide climate stress test conducted by the European Central Bank (ECB) (September 2021)

Analysis of Climate Change-related Scenarios

Analytic Results of Transition Risk Scenarios

The bank's capital ratios could decrease by as much as 1.56 percentage points in the delayed implementation scenario as compared to the base year of 2022, but even the biggest decline is anticipated to stay above the regulatory capital ratio level and the bank's target minimum maintenance capital ratio level. However, if the current policy is maintained, it is anticipated that global temperatures will increase by around 2°C by 2050. In this scenario, there will likely be a greater likelihood of physical risks and their impact. The scenario analysis was conducted on 14,000 companies among Shinhan Financial Group's corporate customers, which are classified as high-carbon industries, which are highly affected by a carbon policy and emit more than 5,000 tons of greenhouse gas. Since these companies' emissions make up 98% of Shinhan Financial Group's overall financed emissions, the findings are significant in that they have specified the target and scope for measuring the impact of climate risk.

01 Maintaining the Current Policy

Mid-term (5 to 10 years)

There is no transition-risk shock since the shift to a low carbon economy has not yet taken place. While certain macroeconomic factors may have an impact on corporate net profit margins as they recover from the effects of COVID-19, overall, these margins stay quite constant and do not significantly alter.

Long-term (after 10 years)

After 2030, with a stable nominal growth rate of around 3.5% (with the real growth rate settling downward from 2.71%→1.25%), the companies' financial status will remain unchanged. However, there will be a rise in potential physical risks because of natural disasters. (After 2050, the danger will rise steadily and progressively.)

Due to the impact on the macroeconomy, the BIS capital ratio will fall by 0.13%p in 2025 and then gradually increase (the credit RWA will increase by up to KRW 1.7 trillion, with an increase in expected loss of KRW 42 billion).

02 Delayed Implementation

Mid-term

As there will be no change in policy until 2030, the impact on businesses will be the same as "maintaining the current policy."

Long-term

As strict greenhouse gas reduction policies begin to be implemented after 2030, higher direct and indirect emissions costs and rising interest rates (from inflation) caused by soaring carbon prices will worsen companies' operating profits and increase financial costs. As a result, numerous high-carbon and high-leverage companies will suffer a significant deterioration in their credit risk. However, as opportunities like the adoption of low carbon energy sources and investment in carbon reduction facilities materialize, there will be a gradual transition to recovery five years after the policies go into effect.

The sharp carbon reduction after 2030 will drop the BIS capital ratio by 0.96% in 2035, but this will gradually recover thereafter (the credit RWA will increase by up to KRW 14.5 trillion with an increase in expected loss of KRW 622 billion).

03 2050 Carbon Neutrality

Mid-term

During the gradual transition to a low carbon economy, the recovery will gain momentum (3-4 years after the implementation) thanks to the gradual rise in carbon prices and the discovery of new opportunities, substantially mitigating the financial burden on companies.

Long-term

Compared to the "maintaining the current policy" scenario, the financial situation of the companies will show a swift recovery because the brisk investments in carbon reduction and the revitalization of low carbon industries will keep GDP growth at a high level for an extended period of time, ranging from +0.04% to 0.56%p and progressively.)

The enforcement of the gradual carbon policy will lead to a 0.29%p drop in the BIS capital ratio in 2025, which will then exhibit a modest upward trend (the credit RWA will increase by up to KRW 4.0 trillion with an increase in expected loss of KRW 110 billion).

Analytic Results of Transition Risks



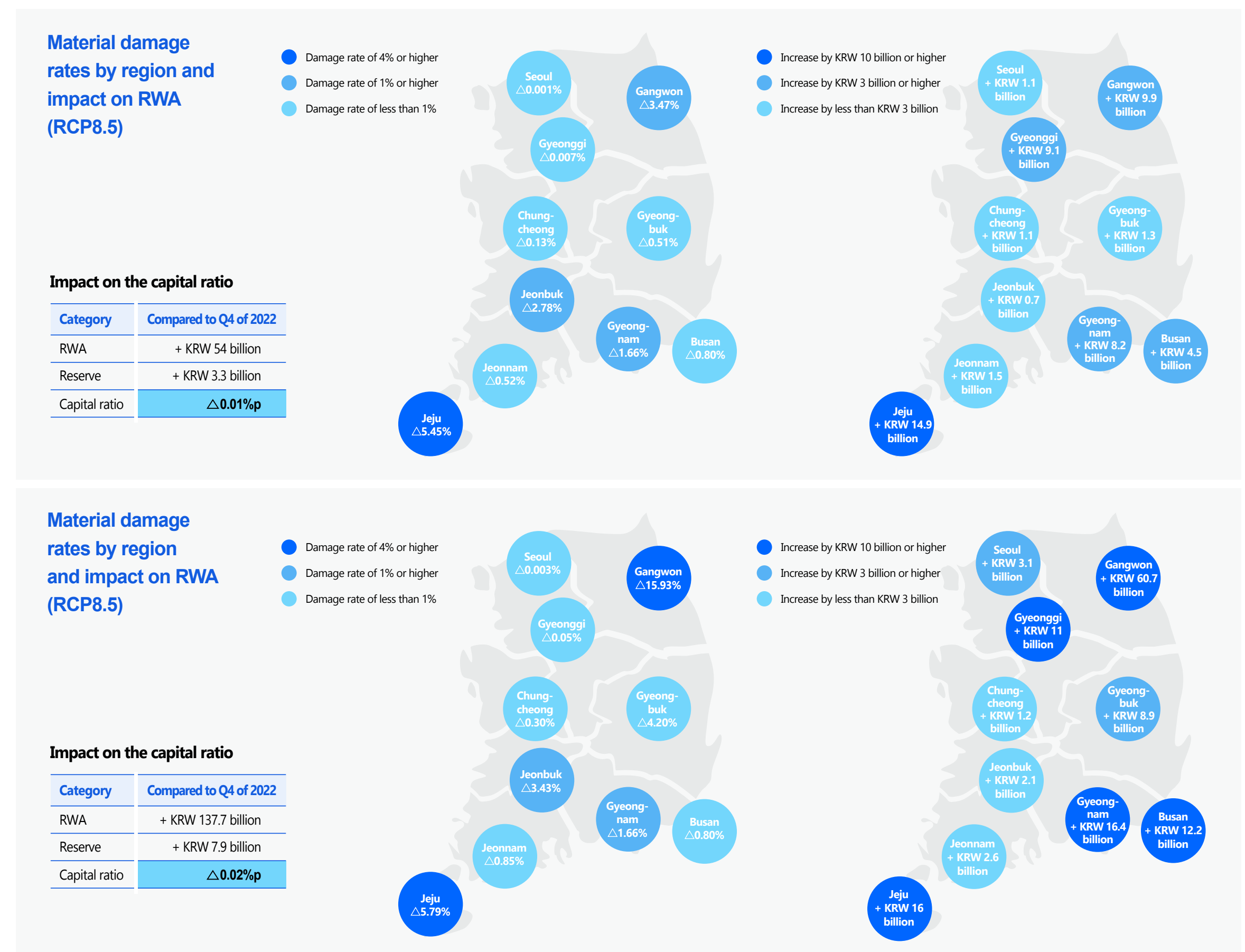
Analysis of Climate Change-related Scenarios

Analytic Results of Physical Risk Scenarios

According to the findings of the physical risk scenario analysis, the bank's capital ratio is expected to decline by 0.01%p in the RCP 8.5 scenario and 0.02%p in the SSP5-8.5 scenario compared to the baseline year of 2022. In the RCP 8.5 scenario, the group's RWA is expected to increase by KRW 54 billion and reserves by KRW 3.3 billion by 2050, while in the SSP5-8.5 scenario, the foregoing figures are expected to increase by KRW 137.7 billion and KRW 7.9 billion by 2050, respectively. The result of the physical risk analysis projects that the impact on Shinhan Financial Group's capital ratio will be minimal. The impact might be higher, though, if the physical risk analysis period is prolonged to 2100 and the types of physical risks are broadened to include other problems like heat waves, forest fires, water shortages, and coastal flooding.

As part of this expanded analysis, Shinhan adopted the physical risk analysis model of Standard & Poor's (S&P) Global, a global credit rating agency, to further analyze the physical risks of the group's portfolio. Eight major risk types of climate change were used to examine the financial effects of acute disasters like floods and typhoons, chronic disasters like long-term climate change, and supply chain damage. This approach has allowed us to identify the potential financial impact on companies from typhoons and intense rain, as well as other types of physical risks like heat and cold waves. We also examined the types of physical risks to which Shinhan's portfolio is exposed, in addition to examining sectors and specific businesses that have a significant financial influence. In the future, we plan to broaden the scope of scenario analysis based on physical risks and analyze financial impacts in more detail by collecting climate data and refining analysis methodologies.

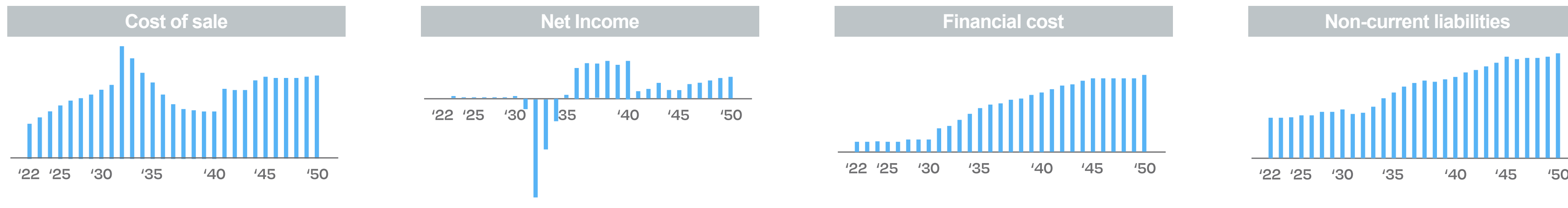
* 8 climate change risks: extreme temperatures, coastal flooding, drought, forest fires, tropical cyclones, water shortages, river flooding, and flooding from heavy rains



3. Strategy

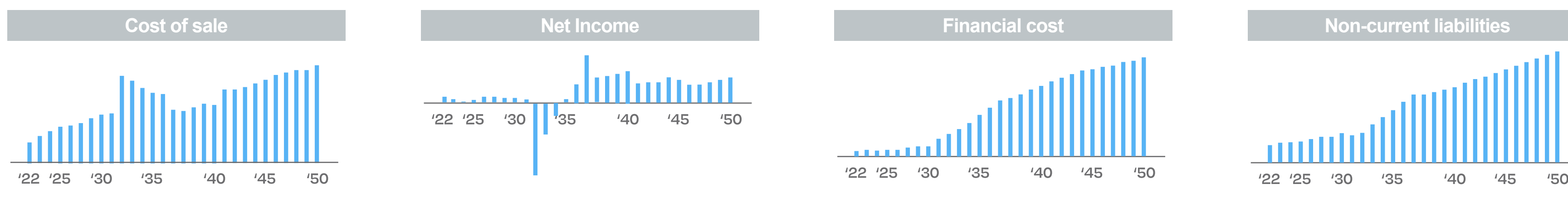
Analysis of Climate Change-related Scenarios

Changes in financial information of the high-carbon industry (power generation company A)



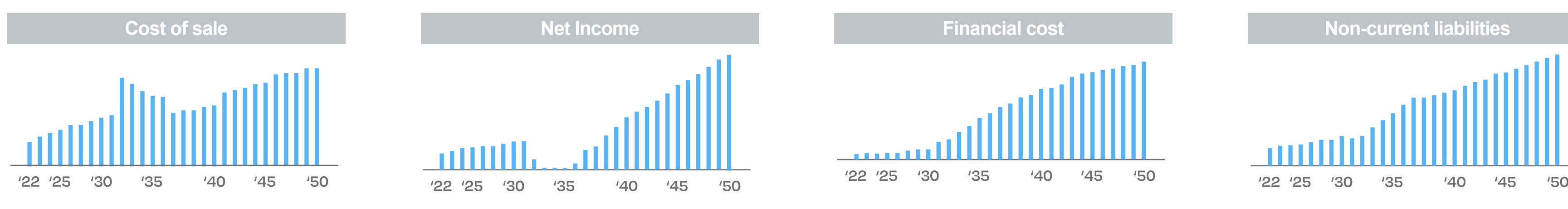
Base year	Grade
2022	A-
2025	A+
2030	BBB-
2035	B+
2040	BBB
2045	BB+
2050	BBB

Changes in financial information of the high-carbon industry (steel company B)



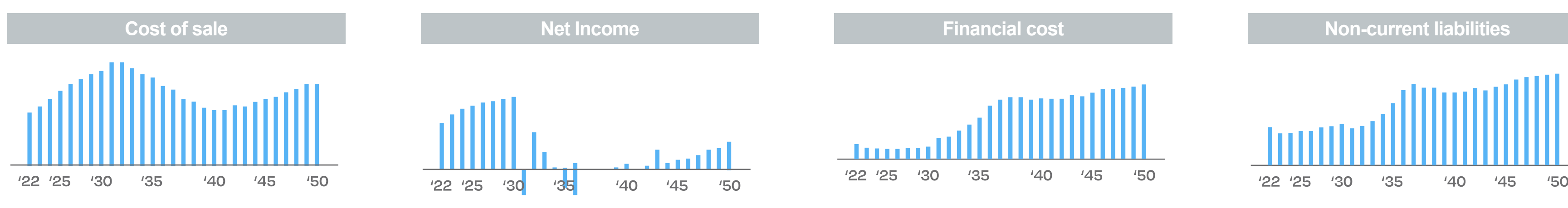
Base year	Grade
2022	AA-
2025	A+
2030	BBB+
2035	BB-
2040	BBB
2045	BBB+
2050	A-

Changes in financial information of the high-carbon industry (cement company C)



Base year	Grade
2022	A+
2025	A
2030	BBB+
2035	BB-
2040	BBB
2045	BBB
2050	BBB

Changes in financial information of the high-carbon industry (oil company D)



Base year	Grade
2022	AA-
2025	AA
2030	A+
2035	BBB-
2040	BBB+
2045	BBB+
2050	BBB+

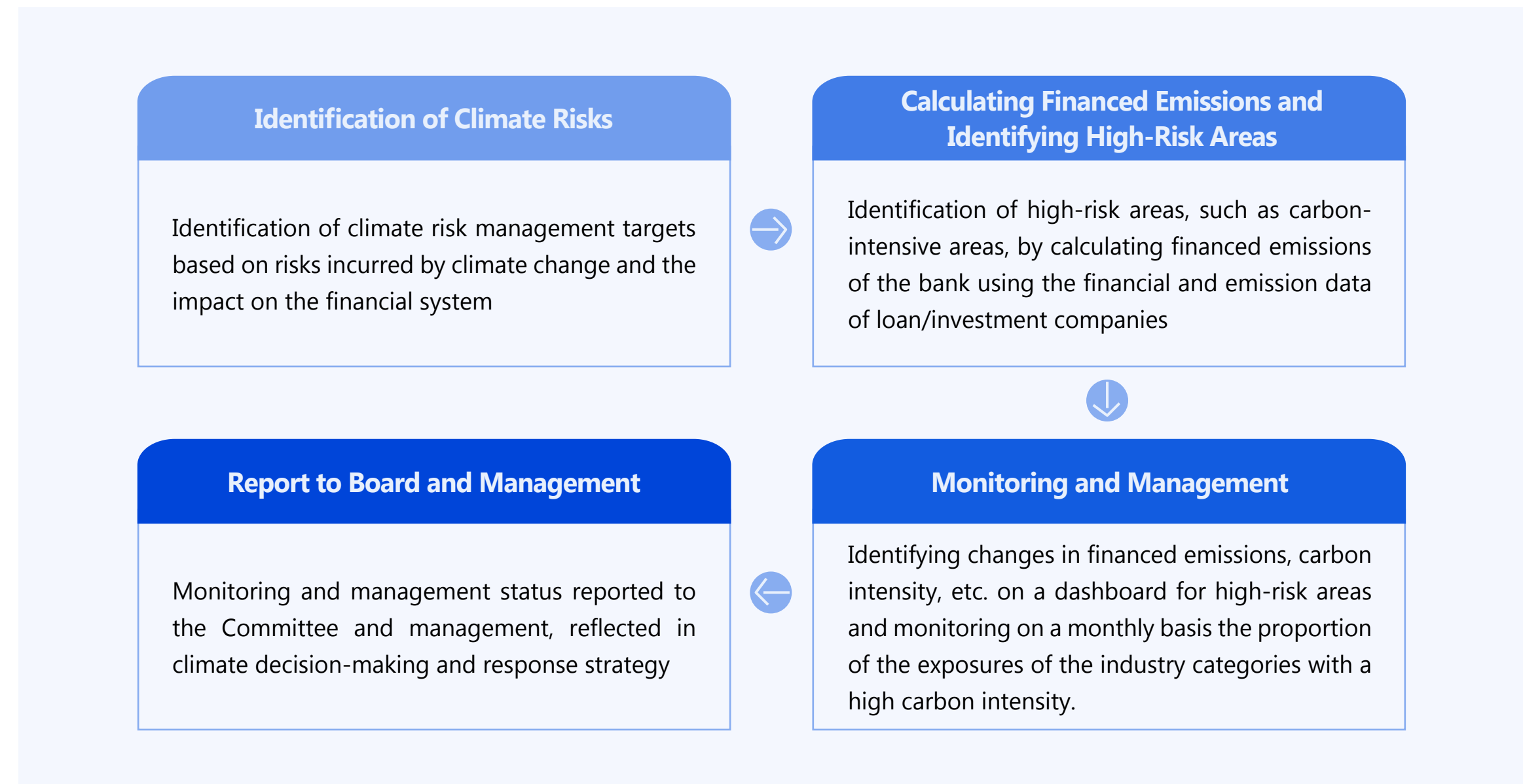
4. Risk Management

Measures to Manage risks Caused by Climate Change

Key Risk Identification and Management Process

Shinhan Bank defined environmental and social risks systematically based on the risk categorization system in the TCFD recommendation to regularly identify and monitor climate risks and vulnerable areas. Shinhan Bank established a climate risk assessment and management process based on it and strives to advance the system. The essential element of climate change risk management is to recognize, identify, and measure counterparties' ESG factors and climate change-related impacts and appropriately incorporate them into the risk management and decision-making systems.

Shinhan Bank plans to fully leverage the ESG model, which is being developed for the first time among domestic financial institutions, to select and invest in outstanding ESG companies among listed companies, large enterprises, and small and medium-sized companies, and to invest in sustainability-related themes or assets. In the end, we aim to build a distinct grade-specific decision-making and assessment system by integrating the model within our existing decision system.



In order to proactively manage transition risks and physical risks associated with climate change, Shinhan Bank performs stress tests to identify the portfolio's carbon intensity and thoroughly examines the possible effects and sensitivity of each industry in light of various climate change scenarios. To be specific, Shinhan Bank has undertaken the "Climate Change Scenario Analysis Project" to develop a scenario analysis methodology to analyze the impact of current climate change on the portfolio. Shinhan Bank has operated a system to proactively assess and inspect potential environmental and social risks when making business decisions to identify and address various risks related to climate change, including transition risks and physical risks, at the group level. We first identify and manage areas with negative or sensitive environmental and social impacts, and in cases where we need to provide large-scale financial services that fall into the areas of caution, we then evaluate the environmental and social risks associated with those services and develop risk reduction strategies. Additionally, our major policies related to environmental and social risk management are disclosed both internally and externally to facilitate communication with internal and external stakeholders.

In transition risk analysis, the impact is identified through sensitivity analysis of the portfolio for each economic variable based on climate scenarios, to draw conclusions such as changes in soundness and profitability. Through this approach, we can pinpoint areas vulnerable to climate change in the short term and use them as a reference when analyzing capital adequacy in the long term. The physical risk analysis methodology refers to analyzing the level of impact of exposure by identifying the risk level by region and industry for a specific abnormal climate. Because of the country's unique climate, Korea is predicted to experience comparatively significant damage from precipitation and flooding.

Scenario	Financial Risks			Non-financial Risks			
	Credit	Market	Credit	Regulation	Technology	Legal	Physical
Transition Risks	Policy and Legal Risks	●	●	●		●	
	Technological Risks	●			●	●	
	Market Risks	●	●			●	
Physical Risks	Reputational Risks	●		●		●	
	Acute Risks	●			●		●
Chronic Risks	●			●			●

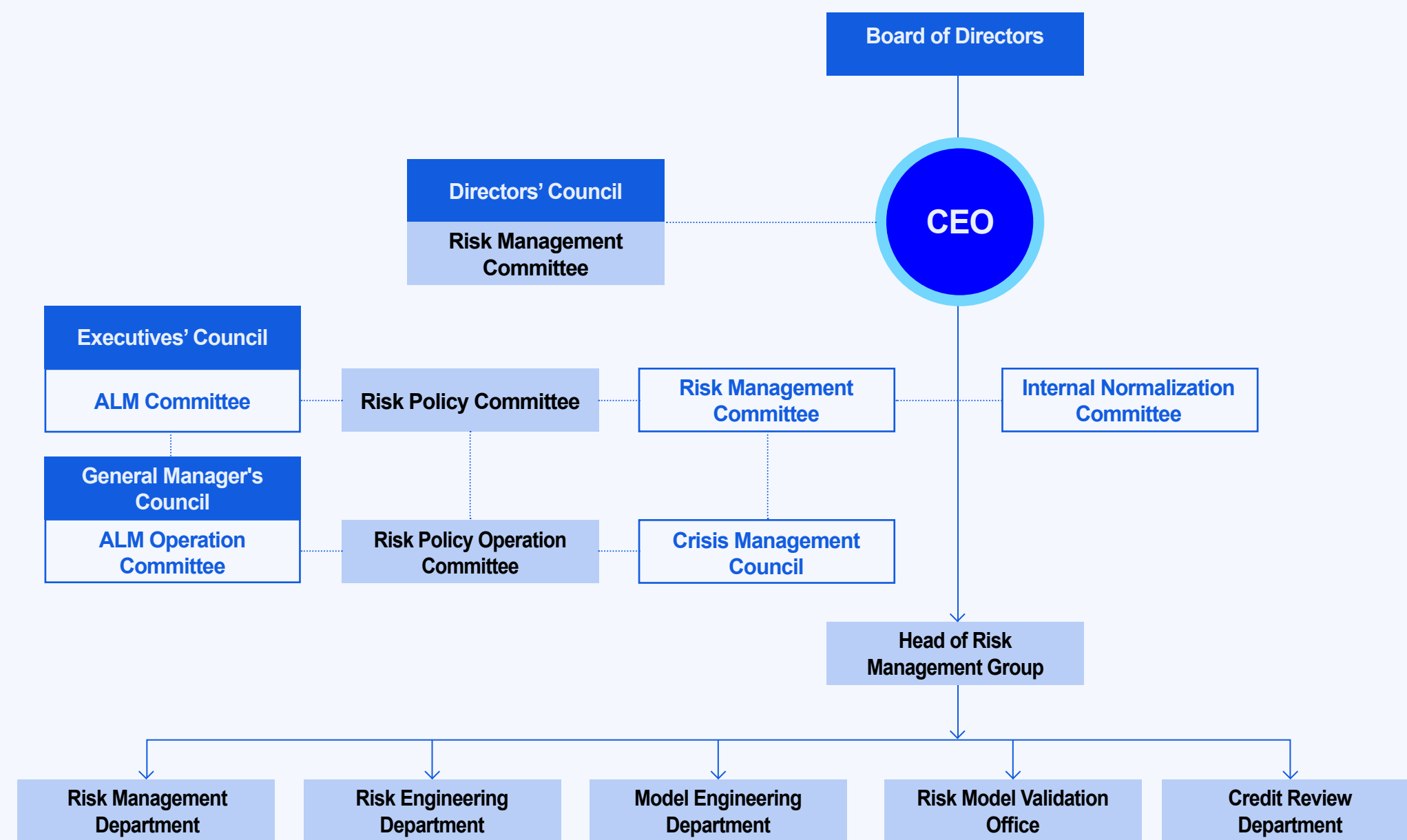
4. Risk Management

Measures to Manage risks Caused by Climate Change

Shinhan Bank has a risk management system in place to proactively address potential risks, such as climate change, across all business operations. With a clear definition of the functions of the board of directors, management, and internal control structure, we have developed independent risk management governance that facilitates mutual checks. Shinhan Bank's Risk Policy Committee plays a critical role in determining its overall credit risk management plan and its credit policy direction. It also outlines the primary difficulties facing each management system, which define the criteria for granting incentives to those in charge in an effort to achieve substantial results in risk management.

Governance for Risk Management

Climate Risk Management Organizations and Decision-Making System



Key Tasks for each ESG Risk Management System

Category	Climate-related Opportunities	Potential Financial Impact
Establishing and upgrading a climate risk management system	Measuring financed emissions in a systematic manner to control climate risk, investigating climate scenarios, and analyzing and reporting significant climate risk-related issues	Risk Management Department
Climate finance governance and disclosure	Exploring a strategic reporting approach to climate finance (in compliance with TCFD recommendations), upgrading climate change-related organizations and systems, and managing the achievements in reducing financed emissions	ESG Planning Office
Developing an internal ESG model	Developing and refining evaluation and grading models that take into account the environmental (E), social (S), and governance (G) aspects of the counterparties	Model Engineering Department
Establishing a loan/investment review process considering ESG	Constructing and advancing a review process to ensure that ESG factors are incorporated into decisions on loans and investments	Corporate Credit Analysis & Assessment Department, IB & Global Credit Analysis & Assessment Department

4. Risk Management

Measures to Manage risks Caused by Climate Change

Shinhan Bank identifies and regularly monitors areas susceptible to climate change by taking into account financed emissions analysis results and the findings of recent internal and external research. In addition, data on high-risk areas is managed by reflecting them in the portfolio management plan and linked to reduction goals, enabling an active response to climate change risks.

We plan to continue to enhance our climate risk management system, incorporate it into our credit and investment review processes, and actively adjust our strategy to achieve Zero Carbon Drive.

Physical Risk and Opportunity Management Process

Abnormal weather phenomena caused by climate change can cause direct damage to the Shinhan Bank's assets. In particular, bank branches located in mountainous areas have a relatively high risk of physical damage from heavy rain, and they also have the risk of suffering severe damage from a temporary suspension of business. Additionally, rising average temperatures during the summer not only increase the use of tap water and power but also lower labor productivity. Shinhan Bank aims to minimize damage by predicting weather changes and identifying buildings and branches that might be affected.

Transition Risk and Opportunity Management Process

With increased consumer interest in climate change and the environment, investing in companies or businesses that negatively affect climate change may tarnish the corporate image and result in operating losses. Therefore, in addition to conducting an economic feasibility study, it is essential to assess and manage non-financial risks like the effects on the environment and society when making investment decisions for businesses and projects.

To address transition risks, Shinhan Bank has also performed an environmental risk stress test study. We used the NGFS* temperature rise control policy to account for the greenhouse gas emissions price increase scenario while analyzing the default rate, credit cost, and BIS ratio for each industry based on the analysis results for each scenario.

* NGFS (Network for Greening Financial System): A global consultative body comprised of central banks and supervisors for green finance



4. Risk Management

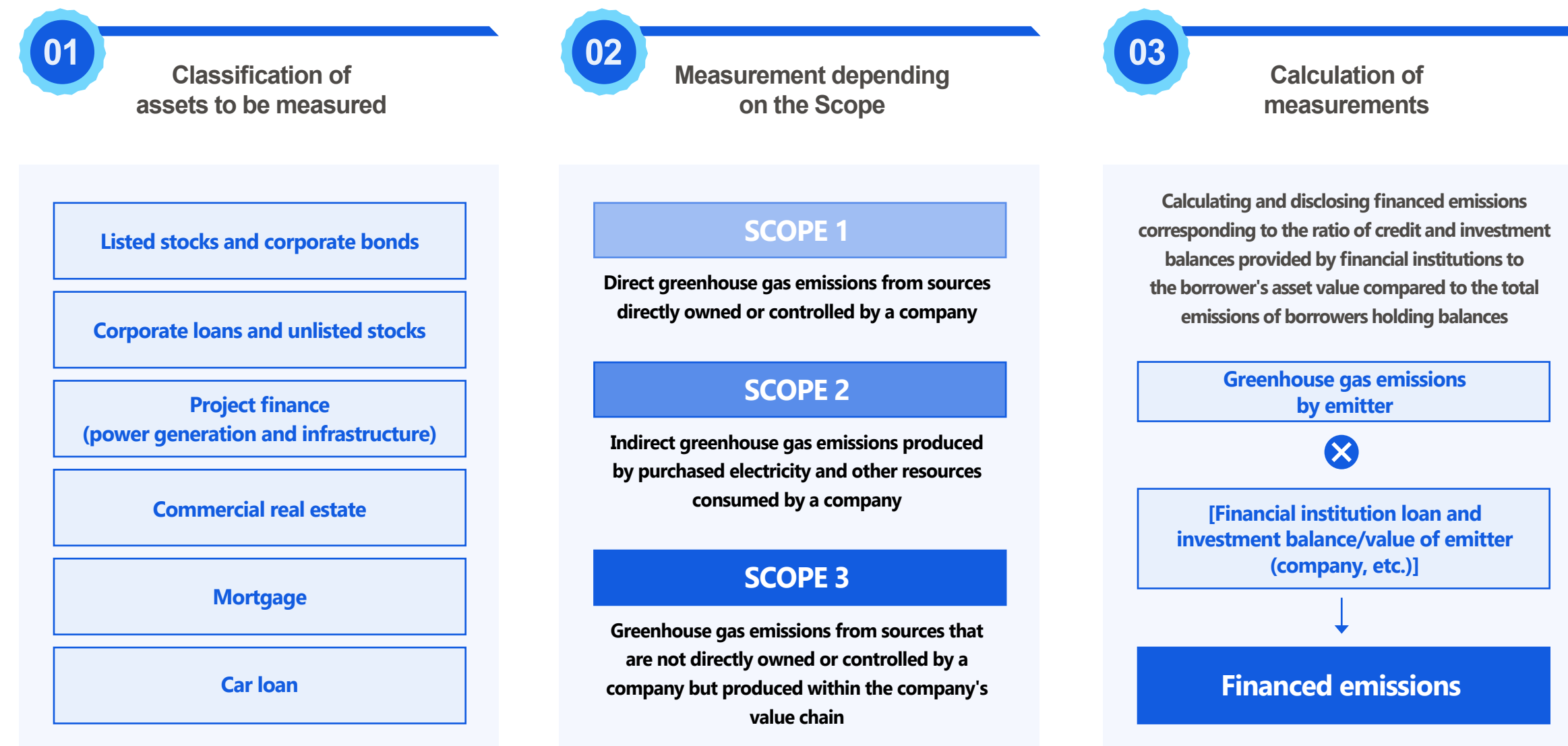
Measures to Manage risks Caused by Climate Change

Shinhan Bank determines the significance (priorities) of the risks and opportunities of a climate-related issue by assessing the impact of the issue on loan or investment activities. To be specific, Shinhan Bank conducts a comprehensive assessment of the investment target in terms of its relevance to the areas of concern (industries that are sensitive to climate change, such as power generation, chemical product manufacturing, and mining), the likelihood of risks and opportunities arising from climate change, and the financial impact of climate change on the investment target, thereby setting priorities among climate change risks and opportunities.

Development of a Financed Emissions Measurement and Management System

Shinhan Bank became the first financial institution to develop a financed emissions monitoring and management system in order to reach the target of net zero by 2050. The system automatically calculates changes in financed emissions resulting from changes in asset portfolios and informs us of our carbon reductions in real time.

Emission Calculation Process



Integrated Company-Wide Issue Management

Shinhan Bank has established a system to proactively assess and inspect potential environmental and social risks when making business decisions to identify and address various risks related to climate change, including transition risks and physical risks. We first identify and manage areas with negative or sensitive environmental and social impacts, and in cases where we need to provide large-scale financial services that fall into the areas of caution, we then evaluate the environmental and social risks associated with those services and develop risk reduction strategies.

Additionally, our major policies related to environmental and social risk management are disclosed both internally and externally to facilitate communication with internal and external stakeholders. To mitigate the risks associated with climate change, Shinhan Bank plans to create a system for measuring and managing financed emissions in compliance with the standards released by the Partnership for Carbon Accounting Financials (PCAF), create an ESG model to serve as the foundation for ESG risk management, and integrate climate change and ESG risks into the current risk management framework to inform decision-making. Employees in relevant departments at the headquarters, such as the assessment departments, as well as those working at domestic and international branches, can participate in training programs offered by Shinhan Bank on the concept of climate risk and the usage of internal systems.

Enactment of Climate Risk Management Guidelines and Job Descriptions

Shinhan Bank has formulated climate risk management guidelines that specify specific management standards we need to keep in mind in order to recognize, measure, and manage climate risks. These guidelines also address standards, procedures, and methods for calculating financed emissions, climate risks to be managed, and the importance of strengthening climate risk management capabilities. In addition, we have prepared job descriptions for climate risk management to carry out effective climate risk management. The purpose of these descriptions and guidelines is to build our organization's resilience to climate risk by raising awareness of climate risk and sharing standards for managing it. These guidelines underscore that the transition to an eco-friendly economy in response to climate change is a task that must be accomplished for the sustainable growth of our society and an opportunity to discover a new future growth momentum and to improve resilience to the effects of climate change. They also explain the significance of risk identification, assessment, and management to mitigate them.

Metrics for Assessing Climate Risks and Opportunities

(Unit: tCO2eq)

Shinhan Bank determines the priority of risks and opportunities of a climate-related issue by assessing the impact of the issue on loan or investment activities. Shinhan Bank identifies carbon-intensive areas* in investment, and if the carbon intensity of an investee is high compared to industry peers, Shinhan Bank determines as a high risk and reflects in the assessment of climate risks and opportunities. Shinhan Bank also assesses potential risks and opportunities due to climate change and the financial impact of climate change on investees to rank the risks and opportunities.

* Carbon-intensive areas: Sectors that have significant impact on climate change, such as power generation, chemical products and mining

Scopes 1, 2 and Scope 3 Emission Status	Category	2021	2022	2023	Remark
	Scope 1	10,413	10,027	To be disclosed*	Internal emissions**
	Scope 2	63,776	63,999	To be disclosed*	Internal emissions**
	Scope 3	39,932,789	44,690,107	To be disclosed*	Financed emissions

* Currently, the calculation of emissions has not been completed as of the end of December 2023, and these figures will be disclosed separately on the website.
 ** The total Scope 1 and 2 Emissions and the sum of the emissions of each Scopes 1 and 2 greenhouse gas may differ. (Total Scope 1 and 2 Emissions: the total of a company's rounded-down emissions from each business site)

Greenhouse Gas Emissions and Related Risks

Current Regulations

One of the well-known regulations related to greenhouse gas emissions in Korea is the Emission Trading System (ETS). The government implements the National Emission Allocation Plan for each phase, in which the government determines the total amount of emissions and allocates it to companies. If a company emits more than allocated, the company needs to purchase carbon credits. Such costs may have a detrimental influence on the company's financial structure, which may grow depending on the price of carbon credits.

New Regulations

Shinhan Bank determines how to respond to climate-related regulations through an analysis on financial impact including direct and indirect impact. As Shinhan Bank is subject to the greenhouse gas and energy target management regulation, Shinhan Bank may need to adopt the ETS if the regulation is strengthened, which is expected to raise general operational costs due to greenhouse gas and energy reduction activities and purchase authorization. In addition, the need for standardized disclosure of financial data is heightening following the increase in financial risk due to climate change, and it is likely that Shinhan Bank will be subject to data disclosure following the establishment of the IFRS S1 and S2 sustainability disclosure standard guideline and disclosure becoming gradually mandatory. Thus, regulatory and reputational risks may occur if the company's analysis capability is inadequate for disclosing ESG issues, including climate-related issues. Furthermore, it is anticipated that the EU's Carbon Border Adjustment Mechanism (EU CBAM), which was introduced in October 2023 as one of the major policies for responding to climate change, would have a negative effect, perhaps raising the export expenses of the businesses in our portfolio in the future.

Lawfulness

Shinhan Bank determines whether to make investment based on the financial impact on the investee or project through the environmental and social risk management system. Shinhan Bank responds preemptively to such risks with conditional financial support that makes it mandatory to take impact reduction measures if necessary. It is unlikely that greenhouse gas emissions would lead to a lawsuit because of the nature of the financial service industry, but if the business owner is punished from a climate-related litigation involving the investee or project, it may weaken the company's financial soundness as the image and reputation of the investee or project would be lost.

Measurement of Financed Emissions

Many businesses are assessing and estimating not only Scopes 1 and 2 emissions but also Scope 3 emissions and providing extra information, following the recent trend of broadening the scope of environmental information disclosure. In this regard, it is assumed that the impact of financial companies' engagement or eco-friendly products on climate change mitigation will be challenging to materialize in the near future due to the nature of Scope 3, which occurs in facilities that are not owned or controlled by a company throughout the value chain. In the meantime, even though a lot of businesses are increasing the scope of their emission calculations for Scope 3 upstream operations, this trend might lead to higher financed emissions for businesses that report emissions without making a distinction between exposure and industry characteristics. Shinhan seeks to advance its internal goal management and operation for climate risk management by taking into account the potential direct influence of the inherent uncertainty in Scope 3 emissions on climate risk analysis.

5. Metrics & Targets

Climate Change-related Objectives and Achievements

Scope 1 and 2 Emissions

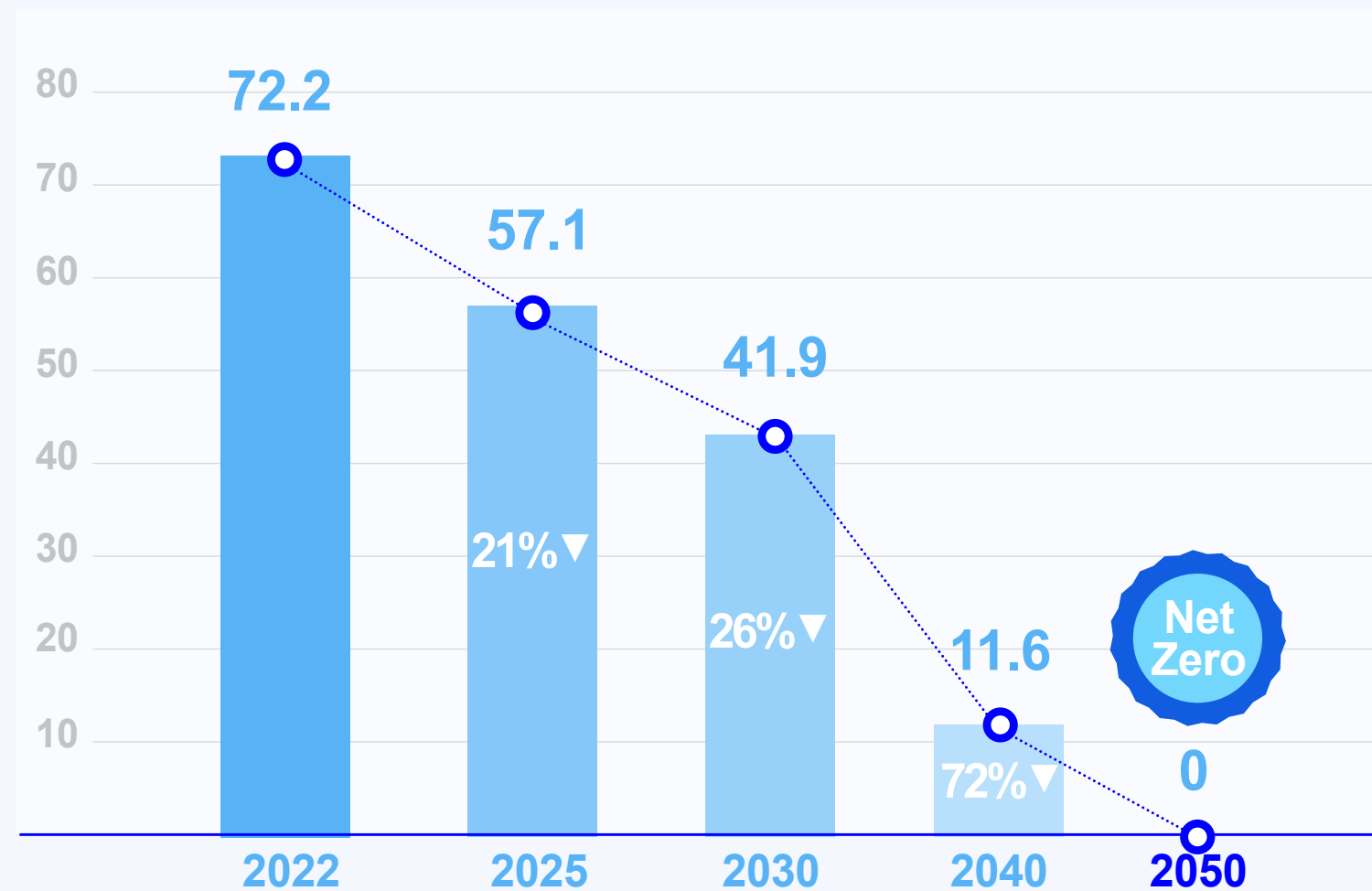
Shinhan Bank is devoted to employing scientific tools based on the Paris Agreement (1.5°C scenario) specified in the Science Based Targets initiative (SBTi) to reduce its Scope 1 and 2 Emissions by 4.2% per year, with the ultimate goal of reaching net zero by 2050. As part of our measures to cut our Scope 1 and 2 Emissions, we are improving the efficiency of our heating, cooling, and air conditioning facilities to save energy, with an emphasis on larger buildings, and broadening the switch from gasoline-powered vehicles to zero-emission vehicles. In particular, since the announcement of the global RE100 declaration at the group level in 2023, we have accelerated multifaceted efforts to transition to renewable energy, such as purchasing green premiums and signing REC purchase contracts.

Financed Emissions: Scope 3

Shinhan Bank has adopted the PCAF methodology to measure financed emissions and set a reduction goal in line with the SBTi methodology to ensure the objectivity of the reduction goals. Notably, in order to meet those goals, strategies are being developed to finance the transition from high-carbon industries and foster low-carbon-focused assets. Furthermore, we plan to employ a variety of strategies to reduce financed emissions. These strategies include actively supporting organizations in cutting emissions, enhancing the oversight of industries with high emissions, emphasizing phased reductions, developing a framework to manage climate change risks, and expanding our portfolio of low-carbon products. Specifically, to effectively reduce and manage greenhouse gas emissions, we will provide financial support to companies transitioning to renewable energy and green infrastructure. Additionally, we will bolster monitoring and response mechanisms to support reduction plans targeting major companies with high emissions.

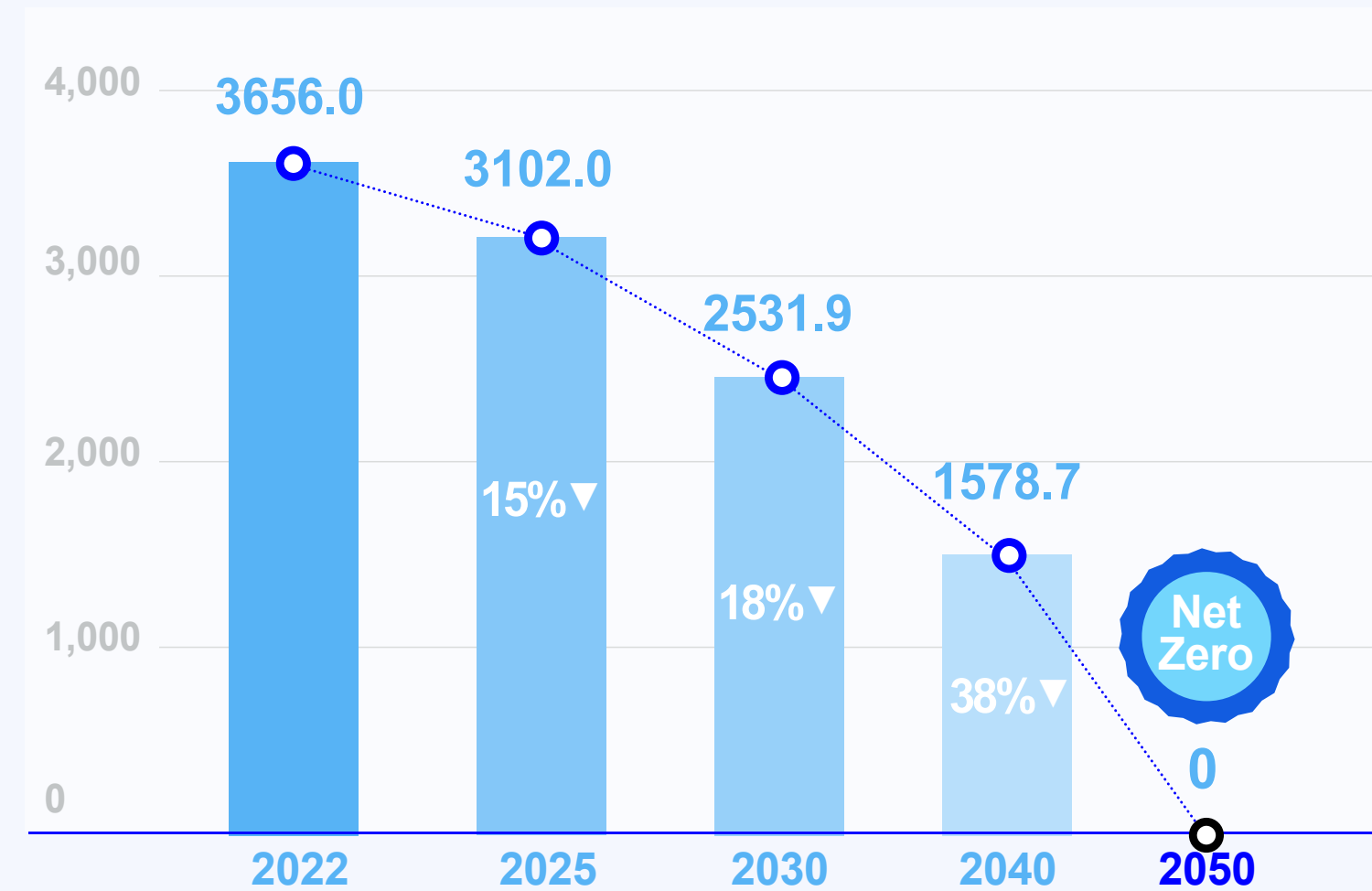
Goal to reduce Scope 1 and 2 Emissions by 2050

(unit: 1,000 tCO₂e)



Goal to reduce financed emissions by 2050

(unit: 1,000 tCO₂e)

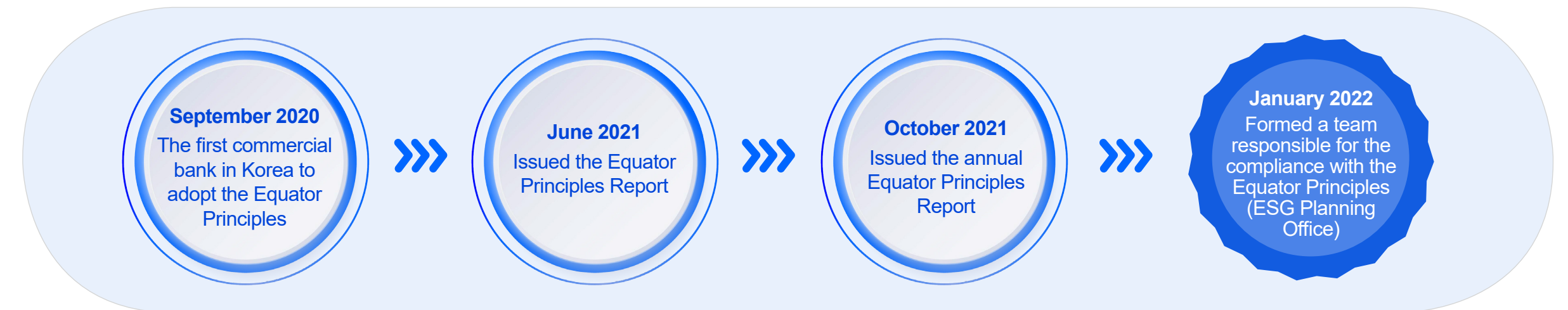


6. Equator Principles Implementation Report

Equator Principles Report

To identify and manage environmental and social risks of large-scale projects, Shinhan Bank adopted the Equator Principles. The Equator Principles as principles for project financing are a set of voluntary guidelines adopted by financial institutions to avoid funding large-scale development projects if they cause environmental damage or violate the human rights of local residents or the vulnerable. Since Shinhan Bank joined the Equator Principles as the first commercial bank in Korea in September 2020, it has requested further steps based on the extent of environmental and social impact caused by the project, called for supplementation or improvement through third-party independent monitoring, and verified that all projects subject to review were in compliance with the Equator Principles. Shinhan Bank discloses the progresses and outcomes of implementing the Equator Principles on its website.

The implementation of the Equator Principles is reported as per the guidance provided by the Equator Principles Association.



Scope of the Equator Principles

Category	Application Scope
Project Finance Advisory Services	Where the total Project capital costs are US\$10 million or more
Project Finance (PF)	With total Project capital costs of US\$10 million or more
Project-Related Corporate Loans (PRCL)	Where all of the following three criteria are met: <ul style="list-style-type: none"> • The majority of the loan is related to a Project over which the client has Effective Operational Control (either direct or indirect) • The total aggregate loan amount and the EPFI's individual commitment (before syndication or sell down) are each at least US\$50 million • The loan tenure is at least two years
Bridge Loans	Where the total Project capital costs are US\$10 million or more
Project-Related Refinance and Project-Related Acquisition Finance	Where all of the following three criteria are met: <ul style="list-style-type: none"> • The underlying Project was financed in accordance with the Equator Principles framework • There has been no material change in the scale or scope of the Project • Project Completion has not yet occurred at the time of the signing of the facility or loan agreement

Roles and Responsibilities Regarding Equator Principles

Category	Roles and Responsibilities
Organization responsible for the Equator Principles	Review on the application of and compliance with the Equator Principles in the bank <ul style="list-style-type: none"> • Calling for and suggesting necessary corrective measures after identifying the root cause and details of project-related environmental and social risks • Disclosing and writing reports on information related to the Equator Principles • Updating guidelines of the bank to follow revisions of the Equator Principles and relevant standards
Front-end teams and branches	<ul style="list-style-type: none"> • Customer communication • Receiving and submitting project-related assessment documents (e.g., Environment & Social Impact Assessment, etc.) • Requiring the Equator Principles
Department that reviews the Equator Principles	<ul style="list-style-type: none"> • Identifying the Equator Principles applies to project-related deals in review • Checking the final review statement of the organization responsible for the Equator Principles and applying it to the review
Management	<ul style="list-style-type: none"> • Reviewing and approving deals subject to the Equator Principles separately if high environmental and social risks are identified

6. Equator Principles Implementation Report

Equator Principles Report

Equator Principles Reporting

– Project Finance (PF) & Project-related Corporate Loan (PRCL)

In 2023, a total of 14 projects were subject to the application of the Equator Principles. Shinhan Bank confirmed that all of them met the Equator Principles requirements. Out of 14 projects, 10 were project financing (PF) cases, and the rest 4 were project-related corporate loan cases. The details (e.g., sector, region, designation and independent review) of the transactions are shown below. In 2023, there were no applicable cases in project finance advisory services (FA), bridge loans, refinance and acquisition finance. Shinhan Bank reviewed 10 project finances in 2023, out of which two received grade A, one received grade B, and seven received grade C. There were four project-related corporate loans examined in 2023, all of which were classified as grade B. The status of implementation of the Equator Principles described below encompasses both project finance and project-related corporate loans. The number of Equator Principles reviews was calculated based on the number of cases that were reviewed and handled as of the end of 2023, and the total number of Equator Principles reviews will be disclosed on the Equator Principles Association's website in accordance with the association's standards.

Training

Shinhan Bank provides continuous training on the Equator Principles to relevant teams. In 2023, a dedicated department for the Equator Principles offered training to all employees, and external experts were employed to provide intensive training targeting the front offices and review department. The intensive training course focused on the 10 principles of the Equator Principles and also covered the purpose of the Equator Principles, the screening process, and departmentspecific responsibilities and roles. We also produced and disseminated Q&A materials that were specifically tailored for every business department. The department that handles the Equator Principles attends networking events with other institutions to advance the system for applying the Equator Principles. In addition, it discusses the current system and challenges of the Principles with financial institutions that have adopted the Principles in Korea and entities in the Asia-Pacific region and covers case studies via meetings and conference calls. The responsible department for Equator Principles intends to work in constant coordination with relevant departments to enhance the program.

Equator Principles Implementation Status

	2021			2022			2023		
	A	B	C	A	B	C	A	B	C
Sector									
Mining									
Infrastructure	1				1				
Oil and gas				1	1	1	2	3	
Power generation		4			1				
Others					2	3	2	7	
Region									
The Americas				1	1	2	2	1	3
Europe/Middle East/Africa		1				2			2
Asia-Pacific	1	3			4		4	2	
Designated Country									
Designated Country	1	4		1	5	4	2	5	7
Non-designated Country									
Independent Review									
Yes	1			1	1		2	2	
No		4			4	4	3	7	
Subtotal									
	1	4	0	1	5	4	2	5	7
Total Reviews									
		5			10			14	

7. TCFD & ISSB Index

TCFD Index

TCFD Recommended Disclosures	Page
Governance	
a) Describe the board’s oversight of climate-related risks and opportunities	4,5
b) Describe management’s role in assessing and managing climate-related risks and opportunities	4,5
Strategy	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	6,7
b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning	8
c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	9-12
Risk Management	
a) Describe the organization’s processes for identifying and assessing climate-related risks	13
b) Describe the organization’s processes for managing climate-related risks	14,15
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management	16
Metrics and Targets	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	17
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	17
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	18

ISSB Index

ISSB	Page
Governance	
a) Disclose information about the governance body or bodies with oversight o	4,5
Strategy	
a) Strategy for addressing significant climate-related risks and opportunities	8
b) Climate-related risks and opportunities	6,7
c) Effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans	5,8
d) Information that enables users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity’s financial planning	8
e) Information that enables users of general purpose financial reporting to understand the resilience of the entity’s strategy (including its business model) to climate-related changes, developments or uncertainties—taking into consideration an entity’s identified significant climate-related risks and opportunities and related uncertainties	9-12
Risk Management	
a) Process, or processes, by which climate-related risks and opportunities are identified, assessed and managed	13-16
Metrics and Targets	
a) How an entity measures, monitors and manages its significant climate-related risks and opportunities	17,18
b) Information relevant to the cross-industry metric categories (greenhouse gas emissions, Scopes 1, 2, 3 emissions, physical risks, transition risks, remuneration)	17
c) Climate-related targets	18

