

FY2022

Shinhan Financial Group

Proxy Supplements for the 22nd AGM

Table of Contents

1. Notice of Meeting	03
2. FY2022 Financial Highlights	05
3. Revision to Articles of Incorporation	09
4. Election of Directors	13
5. Audit Matters	20
6. Director Remuneration	23
7. BOD Activities in FY2022	25
8. FAQs	31

This presentation is to provide information on Shinhan Financial Group's agenda, proposed at the upcoming FY2022 Annual General Meeting.



I Notice of Meeting

Notice of the 22nd AGM

Notice is hereby given that the 22nd Annual General Meeting of Shareholders of Shinhan Financial Group will be held as described hereunder and your attendance is cordially requested.

01 Date/Time Thursday March 23, 2023, at 10:00 am (Korea Standard Time)

02 Place Grand Auditorium, 20th Floor, Shinhan Bank, 20 Sejong-daero 9-gil, Jung-gu, Seoul

03 Agendas To Be Voted On

Agenda 1 : Approval of Financial Statements and Annual Dividends for FY2022 (Jan 1, 2022 – Dec 31, 2022)

Agenda 2 : Approval of Amendment to the Articles of Incorporation

Agenda 3 : Election of Directors (1 Executive Director, 1 Non-Executive Director, 7 Independent Directors)

Agenda 3-1. Election of Mr. Jin Ok-dong as Executive Director

Agenda 3-2. Election of Mr. Jung Sang Hyuk as Non-Executive Director

Agenda 3-3. Re-election of Mr. Kwak Su Keun as Independent Director

Agenda 3-4. Re-election of Mr. Bae Hoon as Independent Director

Agenda 3-5. Re-election of Mr. Sung Jaeho as Independent Director

Agenda 3-6. Re-election of Mr. Lee Yong Guk as Independent Director

Agenda 3-7. Re-election of Mr. Lee Yoon-jae as Independent Director

Agenda 3-8. Re-election of Mr. Jin Hyun-duk as Independent Director

Agenda 3-9. Re-election of Mr. Choi Jae Boong as Independent Director

Agenda 4 : Election of an Independent Director who will serve as Audit Committee Member

Agenda 5 : Election of Audit Committee Members (2 Members)

Agenda 5-1. Re-election of Mr. Kwak Su Keun as an audit committee member

Agenda 5-2. Re-election of Mr. Bae Hoon as an audit committee member

Agenda 6 : Approval of the Director Remuneration Limit



II

FY2022 Financial Highlights

(Agenda 1)

**Approval of Financial Statements
and Annual Dividends for FY2022**

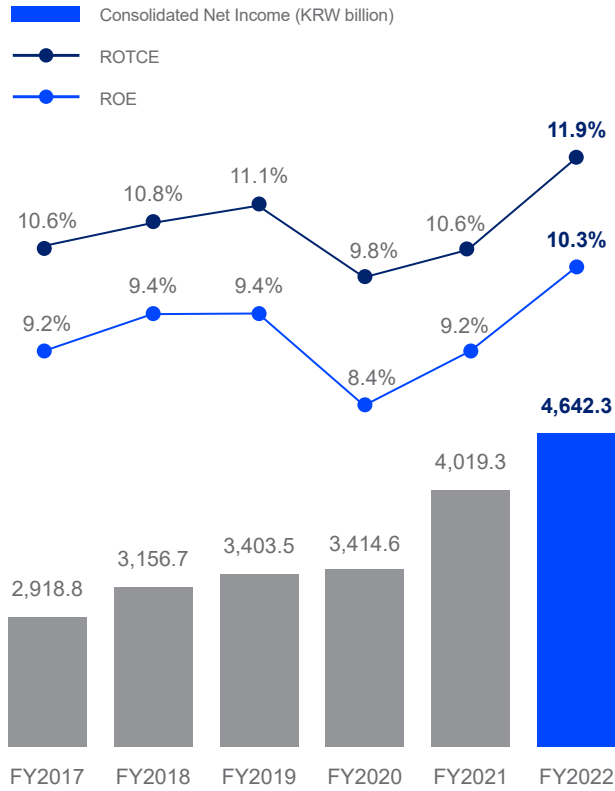
(Jan 1, 2022 – Dec 31, 2022)

FY2022 Financial Highlights

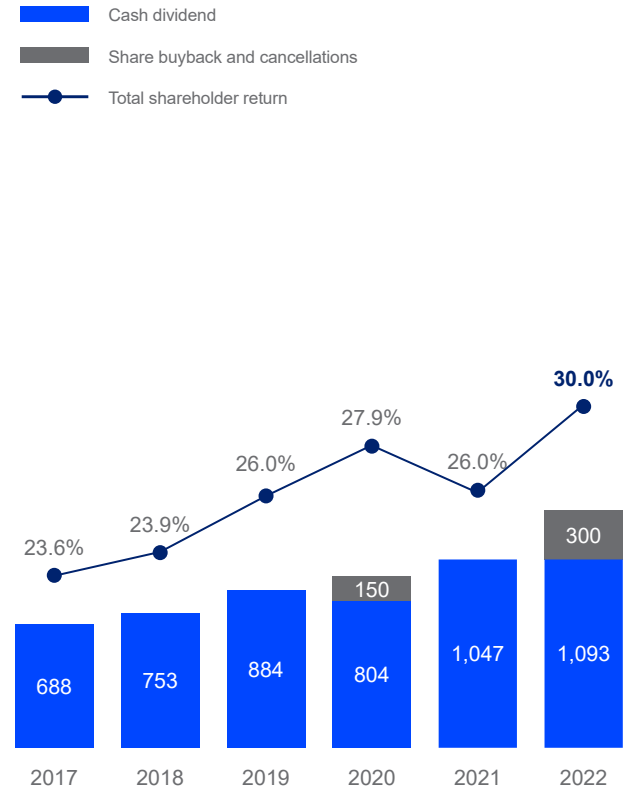
(1/3)

- Net income for FY 2022 marked KRW 4.64 billion, continuing solid earnings growth
- Achieved Total Shareholder Return of 30% through efficient capital management, and efforts to enhance shareholder value

Financial Performance



Total Shareholder Return (Incl. preferred shares, KRW bil.)



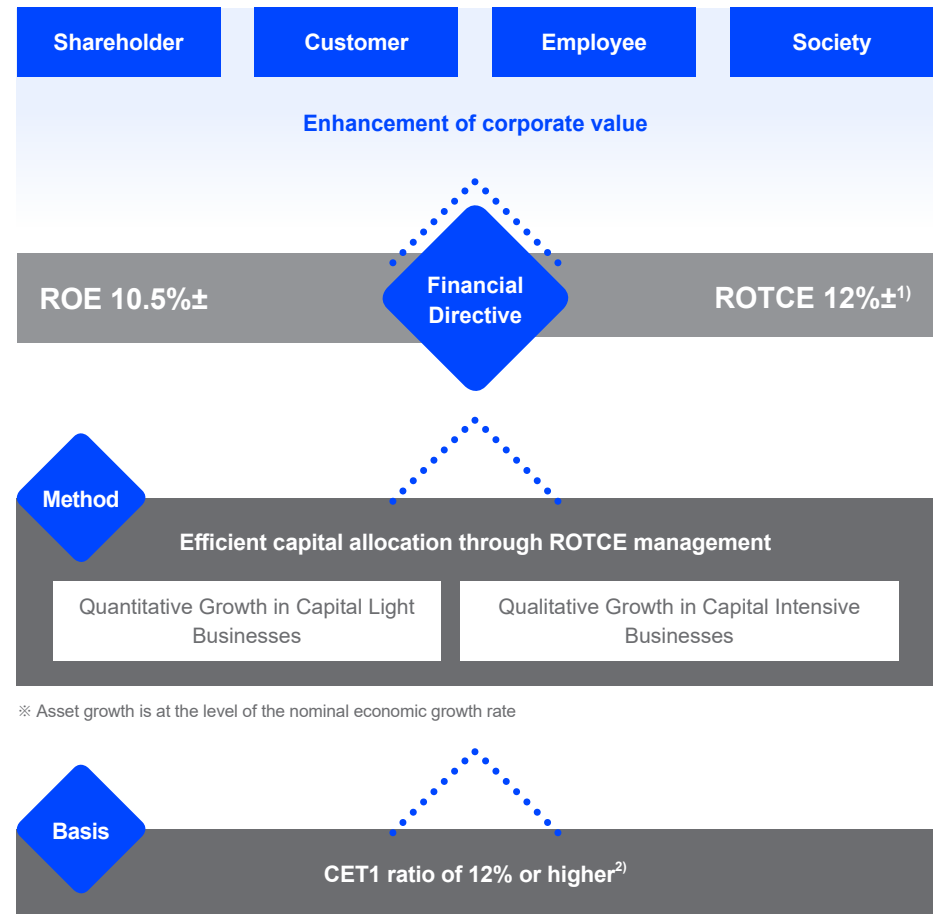
FY2022 Financial Highlights

(2/3)

- ROE and ROTCE targets set at 10.5% and 12%, respectively, according to 2025 financial targets
- Maintain a stable level of CET1 ratio of 12% or higher while using excess capital for shareholder returns

Mid-term Financial Directive for 2025

(Board Meeting, AUG 2022)



Note 1) Capital allocation and asset growth decisions based on ROTCE with cost of equity at 10%

※ ROTCE: Return on tangible equity; excluding intangible assets such as goodwill

§ ROTCE = Net Income (Net Income - Preferred Shares & Hybrid dividends) / Tangible Equity (Common Equity - Intangible Assets (Goodwill, etc.))

Note 2) After meeting regulatory requirements and management buffer, capital exceeding 12% of the CET1 ratio to be used for shareholder returns, in principle

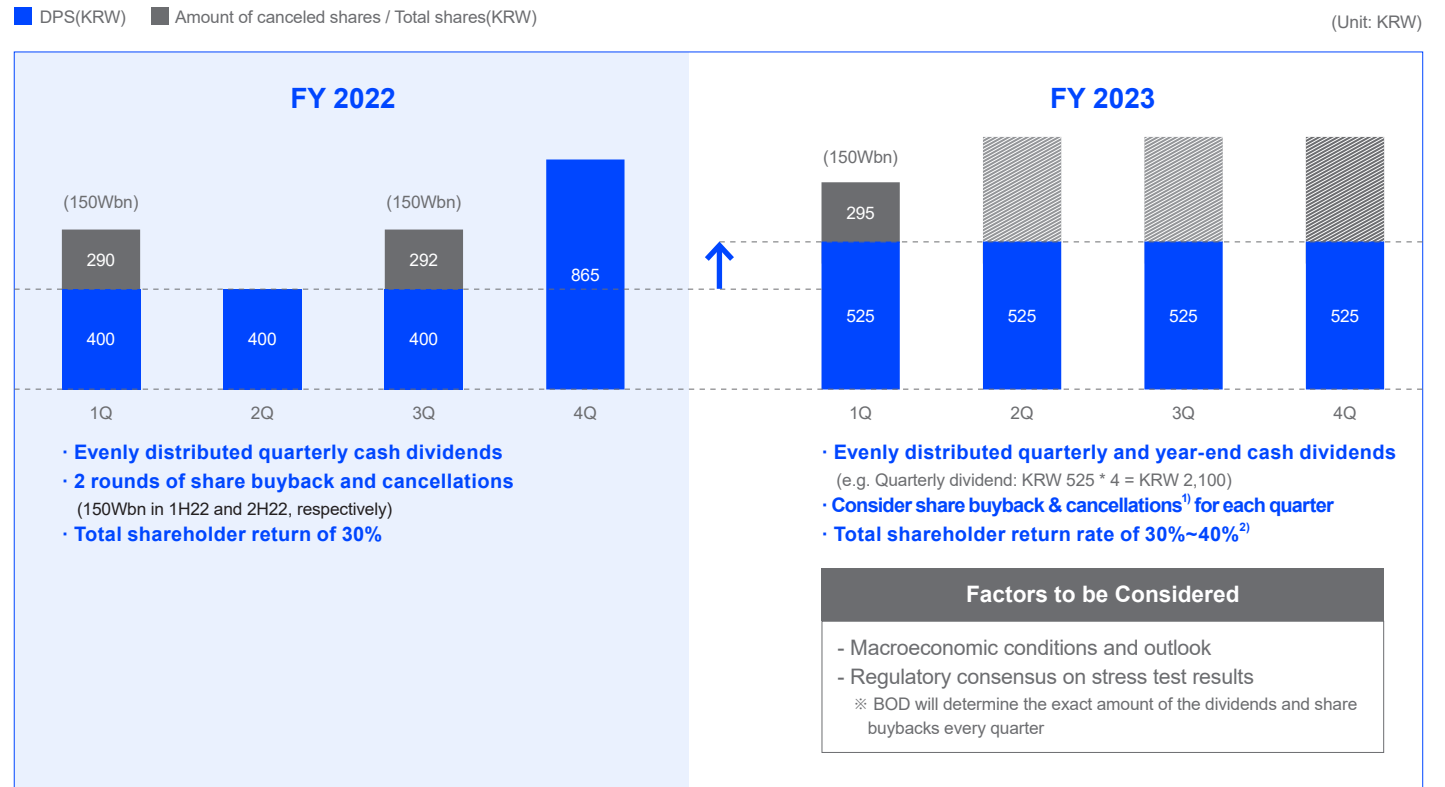
※ Asset growth is at the level of the nominal economic growth rate

FY2022 Financial Highlights

(3/3)

<Shareholder Return Plan for FY 2023>

- Cash dividend: Evenly distributed quarterly and year-end cash dividends
- Share buyback and cancellations: Will be reviewed quarterly (150Wbn of share buyback and cancellations already completed in February 2023)



Note 1) Convertible Preferred Stocks [750Wbn(17.5 mn shares)] to be converted in May, 2023] to be considered for share buyback and cancellation program

Note 2) Capital allocation in consideration of asset growth (in line with expected nominal GDP growth) and strategic growth

III



Revision to Articles of Incorporation

(Agenda 2)

Approval of Amendment to
the Articles of Incorporation

Revision to Articles of Incorporation

(1/3)

<Reasons for Amendments>

- To allow BOD sub-committees to be established when deemed necessary (Article 48)
- To reflect the changes already made in the BOD by-law and name of a BOD sub-committee (Article 25, Article 51)
- To change the base date of dividend from fiscal year-end to a date after the confirmation of dividend amount (i.e. after the AGM) (Article 59)

Proposed changes to the Articles of Incorporation (1/3)

Current Provision	Proposed Amendments	Remarks
<p>Article 25 (Authority to Convene) (1) <i>[omitted]</i> (2) If the Representative Director-Chairman is unable to perform his/her duties, the General Meeting of Shareholders shall be convened by a Director designated by the Board of Directors.</p>	<p>Article 25 (Authority to Convene) (1) <i>[no changes]</i> (2) If the Representative Director-Chairman is unable to perform his/her duties, the General Meeting of Shareholders shall be convened by a person designated by the Board of Directors.</p>	<p>· Amendment is suggested to reflect the change within the by-law of the Board of Directors</p>

Revision to Articles of Incorporation (2/3)

Proposed changes to the Articles of Incorporation (2/3)

Current Provision	Proposed Amendments	Remarks
<p>Article 48 (Committees)</p> <p>(1) The Company shall operate the following committee within the Board of Directors at all time:</p> <p>1.- 8. [omitted]</p> <p>9. Committee for managing subsidiary's business</p>	<p>Article 48 (Committees)</p> <p>(1) The Company shall operate the following committee within the Board of Directors at all time:</p> <p>1.-8. [no changes]</p> <p><u>9. Subsidiary's CEO Recommendation Committee; and</u> [added]</p> <p><u>10. Other committees deemed necessary by the Board of Directors.</u></p> <p>(2)~(3) [no changes]</p>	<ul style="list-style-type: none"> · Amendment is suggested to propose a change in the name of the Committee · Amendment is suggested to enable the Board of Directors to promptly and flexibly respond to societal demands for finance, while also enhancing operational efficiency.
<p>Article 51 (Constitution of Audit Committee)</p> <p>(1) [omitted]</p> <p>(2) Candidates for the Audit Committee shall be recommended by the Audit Committee Member Recommendation Committee comprised entirely of Outside directors. The Audit Committee Member Recommendation Committee shall make resolution by an affirmative vote of at least two-thirds (2/3) of the members.</p>	<p>Article 51 (Constitution of Audit Committee)</p> <p>(1) [no changes]</p> <p>(2) Candidates for the Audit Committee shall be recommended by <u>the Independent Director and Audit Committee Member Recommendation Committee</u> comprised entirely of Outside directors. <u>the Independent Director and Audit Committee Member Recommendation Committee</u> shall make resolution by an affirmative vote of at least two-thirds (2/3) of the members.</p>	<ul style="list-style-type: none"> · Amendment is suggested to reflect the revisions in the standardized articles of incorporation published by Korea Listed Companies Association.

Revision to Articles of Incorporation (3/3)

Proposed changes to the Articles of Incorporation (3/3)

Current Provision	Proposed Amendments	Remarks
<p>Article 59 (Dividends) (1) - (2) [omitted] (3) Dividends of Paragraph (1) above shall be paid to the shareholders registered in the Company's registry of shareholders or the registered pledgees as of the last day of each fiscal year.</p>	<p>Article 59 (Dividends) (1) - (2) [no changes] (3) <u>The Company may set a record date for determining the shareholders entitled to receive dividends under Paragraph (1) by a resolution of the Board of Directors; provided that the Company shall give at least two (2) weeks prior notice of such record date to the public.</u></p>	<p>· Amendment is suggested to reflect the revisions in the standardized articles of incorporation published by Korea Listed Companies Association.</p>

IV

Election of Directors



(Agenda 3)

Election of Directors

(1 Executive Director, 1 Non-Executive Director,
7 Independent Directors)

Agenda 3-1 Election of Mr. Jin Ok-dong (ED)

Agenda 3-2. Election of Mr. Jung Sang Hyuk (NED)

Agenda 3-3. Re-election of Mr. Kwak Su Keun (IND)

Agenda 3-4. Re-election of Mr. Bae Hoon (IND)

Agenda 3-5. Re-election of Mr. Sung Jaeho (IND)

Agenda 3-6. Re-election of Mr. Lee Yong Guk (IND)

Agenda 3-7. Re-election of Mr. Lee Yoon-jae (IND)

Agenda 3-8. Re-election of Mr. Jin Hyun-duk (IND)

Agenda 3-9. Re-election of Mr. Choi Jae Boong (IND)

Board Nominees

(1/5)



JIN Ok-dong

- Year of Birth : 1961
- Gender : Male
- Role : Executive Director Nominee
- Skills & Experience : Finance
- Standing for New Appointment
- Recommender :
CEO Recommendation Committee

Reasons for recommendation

Jin Ok-dong, recommended as a CEO candidate, has worked in the banking business for about 42 years, accumulating expertise while experiencing various tasks across the financial industry, including global, credit review, fund management, and management support.

In addition, as the president of Shinhan Bank for the past four years, he achieved record-high profits, successfully led digital transformation, and established ESG management, laying the foundation for sustainable growth even in the unprecedented Covid-19 situation, through balanced crisis management and business capabilities

The CEO Candidate Recommendation Committee judged that CEO candidate JIN Ok-dong has the leadership to accumulate and mobilize potential and energy inside and outside the organization, and has the ability to flexibly respond to future uncertainties.

Accordingly, the CEO Candidate Recommendation Committee judged that he was the right person to solidify Shinhan FG's status as a first-class financial group, lead organizational changes in response to the new business environment, visualize performance creation, possess morality/ability to realize Shinhan values /work expertise/ organizational management capabilities and share the company's vision. Therefore, based on the verification of legal requirements, the CEO Candidate Recommendation Committee decided to recommend him as a CEO candidate.

※ Please refer to page 37 for details related to CEO candidate selection.



JUNG Sang Hyuk

- Year of Birth : 1964
- Gender : Male
- Role : Non-Executive
Director Nominee
- Skills & Experience : Finance
- Standing for New Appointment
- Recommender : Board of Directors

Reason for recommendation

Jung Sang Hyuk, who is serving as the CEO of Shinhan Bank, has a broad understanding of the characteristics of the traditional banking industry and current issues, and has extensive field experience, such as demonstrating outstanding sales performance while working as a retail and corporate finance branch manager

Prior to being appointed as the president, he served as the head of the management planning group, which oversees the establishment and implementation of the bank's business strategy and financial plan, for three years.

Having worked at Shinhan Bank, a core subsidiary of Shinhan FG, for over 30 years, he has a good understanding of Shinhan FG's philosophy and core values, and has excelled in collaboration with subsidiaries based on careful and smooth communication. Therefore, he was recommended as a non-executive director nominee, as he was expected to be able to provide insightful suggestions and in-depth analysis of subsidiary management issues through the BOD.

Board Nominees

(2/5)



KWAK Su Keun

- Year of Birth : 1953
- Gender : Male
- Role : Independent Director Nominee
- Skills & Experience : Accounting
- Standing for Reappointment
- Recommender : Independent Director and Audit Committee Member Recommendation Committee

Reasons for recommendation

Kwak Su Keun was recommended as an Independent Director Nominees by a private equity fund that participates in management for the reason that it is expected that he will be able to responsibly perform his duties as independent director by representing the opinions of all shareholders fairly based on his expertise in accounting and management. He has been a professor in the Department of Accounting for a long time and has experience as an advisor to various academic societies and public institutions. Based on sufficient experience and knowledge accumulated in related fields, he presented effective opinions not only on accounting but also on finance and management in general to the BOD, and he had a strong sense of responsibility as an independent director, eliciting opinions from members and leading harmony.

In addition, for the past two years, he served as an independent director and contributed greatly to discussions on the group's finance and audit-related work. In particular, as the chairperson of the ESG Strategy Committee, he not only established detailed ESG strategic directions, but also actively participated in meetings with overseas investors to listen to the opinions of various stakeholders to induce rational decision-making by the management, contributing significantly to the sound management and development of the company.

He was judged to have faithfully acted as an independent director, devoting enough time and effort to prior review of key issues of the BOD and its committees, and also acting as a bridge between the company and investors. Therefore, his re-appointment was recommended based on the consensus of the independent directors and the Audit Committee Member Recommendation Committee.



BAE Hoon

- Year of Birth : 1953
- Gender : Male
- Role : Independent Director Nominee
- Skills & Experience : Legal
- Standing for Reappointment
- Recommender : Independent Director and Audit Committee Member Recommendation Committee

Reasons for recommendation

Bae Hoon is a Korean-Japanese lawyer specializing in providing legal advice to companies regarding Ko-rea-Japan relations. He is also an assistant certified public accountant in Japan who has completed a master's degree in business administration, and is an expert in the legal, accounting, and global fields, providing legal advice in various fields such as corporate debt collection and rehabilitation. Based on his sufficient experience and knowledge in the fields of law and accounting, he presented professional opinions when the BOD made major management-related decisions, and faithfully performed duties of monitoring and supervising the management based on his expertise and independence.

He presented his opinions on legal issues and detailed provisions related to major management issues of Shinhan FG based on his reasonable judgment acquired while working as a lawyer. He contributed greatly to the management of Shinhan FG by presenting professional opinions on financial soundness and corporate social responsibility, such as providing examples of governance structures and financial policies of various foreign companies to the BOD.

He was evaluated as having performed his duties fairly as an independent director with an excellent sense of balance in everything and not favoring one side's interests. In addition, he was judged to have faithfully performed his duties as an independent director, including not only attending all BOD meetings and BOD sub-committee meetings, but also actively participating in face-to-face meetings, even when it was not easy to move between countries due to COVID-19. Therefore, his re-appointment was recommended based on the consensus of the independent director and the Audit Committee Member Recommendation Committee.

Board Nominees

(3/5)



SUNG Jaeho

- Year of Birth : 1960
- Gender : Male
- Role : Independent Director Nominee
- Skills & Experience : Legal
- Standing for Reappointment
- Recommender : Independent Director and Audit Committee Member Recommendation Committee

Reasons for recommendation

Sung Jaeho is a legal expert with a career as a professor at Sung Kyun Kwan University. He served as a policy advisor of the Ministry of Unification in 2009 and the Ministry of Foreign Affairs and Trade in 2002. In addition, Mr. Sung served as an independent director at Shinhan Card (2015-2019) where his commitments and insights were widely acknowledged.

Based on his legal expertise and background, he maintained an objective perspective and greatly contributed to maintaining a sound and reasonable corporate governance system, and to the establishment of a transparent law-abiding business environment.

He has served as an effective legal advisor for the Company's business strategies, both large and small, as well as providing a legal advice on the establishment and revision of the company's overall major contractual matters and regulations. As a legal expert, he reviewed issues and presented logical views, contributing to the efficient operation of the Board of Directors.

In addition, with his experience as an independent director of Shinhan Card, a major subsidiary of the company, he has a deep understanding of the Group's vision, growth path, and corporate culture. He also actively participated in meetings with investors to promote the long-term development of the group and performed duties fairly for the benefit of all stakeholders, such as informing about the BOD's independent and active activities, ESG, and governance.

He was judged to have faithfully acted as an independent director, devoting enough time and effort to prior review of key issues of the BOD and its committees. Therefore, his re-appointment was recommended based on the consensus of the independent directors and the Audit Committee Member Recommendation Committee.



LEE Yong Guk

- Year of Birth : 1964
- Gender : Male
- Role : Independent Director Nominee
- Skills & Experience : Legal
- Standing for Reappointment
- Recommender : Independent Director and Audit Committee Member Recommendation Committee

Reasons for recommendation

Lee Yong Guk was recommended as an Independent Director Nominees by a private equity fund that participates in management for the reason that it is expected that he will be able to responsibly perform his duties as independent director by representing the opinions of all shareholders fairly based on his expertise in accounting and management. He presented his opinion based on reasonable and accurate judgment at the BOD based on sufficient experience and knowledge in related fields accumulated while serving as a lawyer at a large global law firm for a long time. In addition, he contributed to sound management by actively listening to the opinions of various stakeholders and prudently approaching the discussion agenda to maintain fairness and objectivity.

In particular, in relation to the Russia-Ukraine war last year, when major subsidiaries requested an inspection of the risk management status and investment cost of customer assets, he presented insightful opinions for sound management on the expansion of risk-weighted assets in relation to the Group's financial orientation, including group risk management. In addition, he was judged to have acted responsibly as an independent director by attending all BOD meetings and BOD sub-committee meetings, actively participating in overall education, and faithfully conducting preliminary reviews on agendas. Therefore, his re-appointment was recommended based on the consensus of the independent directors and the Audit Committee Member Recommendation Committee.

Board Nominees

(4/5)



LEE Yoon-jae

- Year of Birth : 1950
- Gender : Male
- Role : Independent Director Nominee
- Skills & Experience : Economics
- Standing for Reappointment
- Recommender : Independent Director and Audit Committee Member Recommendation Committee

Reasons for recommendation

Lee Yoon-jae has served on the boards of many renowned Korean enterprises, such as CJ Freshway, Busan Bank, LG, KT&G, Samsung Fire & Marine Insurance and S-Oil. Going further back, he has a long career as working for government institutions related to finance. Through his directorships across various industries such as banking, insurance, and energy, as well as his profession working for the government, he acquired profound understanding of Korean economy, regulatory evolve-ment, and business environment across various industrial sectors.

Based on his balanced professional experience working in both the public and private sectors, Mr. Lee contributed to the development of the Group by presenting non-biased opinions and a wide spectrum of ideas and insights. He has also demonstrated the highest level of ethical awareness, balanced conflicting opinions within the BOD and presented a clear philosophy and vision as the chairperson of the BOD. During this term, he emphasized the social role of finance and encouraged open communication between directors so that the BOD could operate more efficiently.

Considering his performance during his term, the Board believes that his leadership, work ethics, and profound knowledge in both banking and non-banking sectors have benefited the Group great-ly. The committee nominates and recommends Mr. Lee as an independent director as he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company.



JIN Hyun-duk

- Year of Birth : 1955
- Gender : Male
- Role : Independent Director Nominee
- Skills & Experience : Management
- Standing for Reappointment
- Recommender : Independent Director and Audit Committee Member Recommendation Committee

Reason for recommendation

Jin Hyun-duk is a successful entrepreneur in Japan and has more than 30 years' experience in retail, F&B, and leisure projects. This includes the CEO role of PHOEDRA. He was previously a professor at two different universities where he taught business administration and engineering, demonstrating his depth of knowledge in the field. During his term, the Board benefited from his strong leadership, proven integrity and sound judgement. Based on his experience as a professor of business administration, he has shared with the Board the latest management best practices of global corporates in relation to the Group's major agendas.

Mr. Jin, in particular, emphasized the role of future-oriented finance that breaks the limits and boundaries of the existing financial industry, therefore promoting sustainable management based on a solid corporate management philosophy rather than being immersed in short-term profits and goals. As a supporter of providing bold support to achieve new and challenging business ideas, he also contributed to the strategic decision-making of the Board.

Mr. Jin has demonstrated strong sense of vocation, especially for enhancing individual and corporate social re-sponsibility. Accordingly, he has performed his duties fairly and objectively for the common benefit of various stakeholders, and not of specific interest groups.

Board Nominees

(5/5)



CHOI Jae Boong

- Year of Birth : 1965
- Gender : Male
- Role : Independent Director Nominee
- Skills & Experience : IT
- Standing for Reappointment
- Recommender : Independent Director and Audit Committee Member Recommendation Committee

Reasons for recommendation

Choi Jae Boong was recommended as an Independent Director Nominee by a private equity fund that participates in management for the reason that it is expected that he will be able to responsibly perform his duties as independent director by representing the opinions of all shareholders fairly based on his expertise in accounting and management.

As a professor in the field of engineering and the highest authority in the digital field in Korea, he has sufficient experience and knowledge in information technology-related fields such as actively participating in ICT-related industry-academia cooperation activities and government-led innovation projects, etc. Based on such experience and knowledge, he effectively performed his role as an effective management advisor by presenting the digital strategic direction and vision for Shinhan FG to move forward in the rapidly changing IT environment.

In particular, he has a wealth of insights related to digital transformation, metaverse ecosystem, and MZ generation trends. Based on such insight, he sought a strategy with the management to expand daily contact points between Shinhan FG and financial consumers. In addition, he contributed greatly to innovative management by presenting the importance of data-based risk management at the BOD meeting. In addition, he was evaluated to have faithfully acted as an independent director by attending all BOD meetings and BOD sub-committee meetings as well as sufficiently reviewing agendas in advance. Therefore, his re-appointment was recommended based on the consensus of the independent directors and the Audit Committee Member Recommendation Committee.

Board Composition

(After the 22nd AGM)

Director	Independence	Gender	Year of Birth	Main Key Expertise and Work Experience						
				Finance	Economics	Accounting	Business Mgt.	Tech/Digital	Int'l Business	Legal
Jin Ok-dong	Executive	M	1961	●			●		●	
Lee Yoon-jae	Independent	M	1950	●	●		●			
Kwak Su Keun	Independent	M	1953			●	●			
Kim Jo Seol	Independent	F	1957		●				●	
Bae Hoon	Independent	M	1953			●	●		●	●
Sung Jaeho	Independent	M	1960						●	●
Yoon Jaewon	Independent	F	1970			●	●			
Lee Yong Guk	Independent	M	1964						●	●
Jin Hyun-duk	Independent	M	1955				●		●	
Choi Jae Boong	Independent	M	1965					●		
Jung Sang Hyuk	Non-executive	M	1964	●			●			



V

Audit Matters

(Agenda 4)

Election of an Independent Director who will serve as Audit Committee Member*

Agenda 4. Re-election of Ms. Yoon Jaewon as Independent Director who will serve as Audit Committee member

* Pursuant to paragraph 5 of Article 19 of the Act on Corporate Governance of Financial Companies, financial companies shall appoint one or more independent director to serve as Audit Committee members separately from other directors to ensure the independence of Audit Committee members

(Agenda 5)

Election of Audit Committee Members (2 Members)

Agenda 5-1. Re-election Mr. Kwak Su Keun (IND) as Audit Committee member

Agenda 5-2. Re-election of Mr. Bae Hoon (IND) as Audit Committee member

Director Nominee for Audit Committee member



YOON Jaewon

- Year of Birth : 1970
- Gender : Female
- Role : Independent Director
Nominees to become a member
of the Audit Committee
- Skills & Experience : Accounting
- Standing for Reappointment
- Recommender : Independent
Director and Audit Committee Member
Recommendation Committee

Reasons for recommendation

The Audit Committee is not only a committee for which accounting expertise is important, but also has a requirement that at least one accounting and finance expert must be a member as stipulated by the Commercial Act and the Act On Corporate Governance Of Financial Companies. She majored in accounting and is currently a professor teaching related courses at Hongik University and holds a US Certified Public Accountant license. She has sufficient knowledge in the field of accounting. In addition to this, she has outstanding experience and knowledge, such as actively serving as a member of the Tax Development Review Committee of the Ministry of Strategy and Finance and a member of various tax and accounting related academic societies and committees. Therefore, she is a nominee with the necessary expertise to perform the tasks of the Audit Committee. In addition, as the chairperson of the Audit Committee for the past two years, she actively communicated with external auditors to enhance transparency in financial reporting and emphasized strengthening internal control to protect financial consumers. With her soft leadership and strong sense of responsibility, she contributed to the advancement of the internal control system and accounting system, as well as the establishment of sound and transparent management by preemptively responding to various accounting issues. Therefore, she was nominated as an independent director nominees to be a member of the Audit Committee this year.

Appointment of Audit Committee Members



KWAK Su Keun

- Year of Birth : 1953
- Gender : Male
- Role : Audit Committee Member Nominee
- Skills & Experience : Accounting
- Standing for Reappointment
- Recommender : Independent
Director and Audit Committee Member
Recommendation Committee

Reason for recommendation

As an emeritus professor of accounting at the Department of Business Administration, Seoul National University, he has sufficient knowledge in the related field. He has previously served as independent director and audit committee member at various corporations, including the chairman of the Financial Supervisory Service's Financial Supervisory Advisory Committee. Therefore, as a nominee with sufficient experience and knowledge, he has the appropriate expertise as a member of the Audit Committee.

Since the Audit Committee requires a high degree of expertise and understanding, it is necessary to enhance the stability, professionalism and continuity of the operation through reappointment of the Audit Committee members. Since being appointed as an independent director, he has served as a member of the Audit Committee for the past two years, contributing to the establishment of a transparent management environment based on compliance management. In addition, he presented a sound and correct direction for corporate operation by examining various issues related to internal accounting and providing generous advice on matters to be improved.

He was recommended as a member of the Audit Committee this year in order to continuously maintain the operational soundness and stability of the Audit Committee based on his work expertise



BAE Hoon

- Year of Birth : 1953
- Gender : Male
- Role : Audit Committee Member Nominee
- Skills & Experience : Legal
- Standing for Reappointment
- Recommender : Independent
Director and Audit Committee Member
Recommendation Committee

Reason for recommendation

Bae Hoon is a Korean-Japanese lawyer specializing in corporate legal advice and a certified public accountant in Japan who has a master's degree in business administration.

Due to the nature of the work of the Audit Committee, legal knowledge on compliance is required in addition to accounting competency. As a lawyer and certified public accountant at the same time, he has a wealth of knowledge and experience in law and accounting in general.

In particular, since he was appointed as a member of the Audit Committee last year, he has worked faithfully as a member of the Audit Committee based on his reasonable judgment and excellent sense of balance acquired while working as a lawyer. He was recommended as a member of the Audit Committee because it was confirmed that he had sufficient knowledge and experience necessary to perform the tasks of the Audit Committee, such as sharply checking issues even in large and small contracts and revisions of regulations of the company.



VI
**Director
Remuneration**

(Agenda 6)

Approval of the Director Remuneration Limit

Director Remuneration

FY2023 (Proposed)	FY2022 (Approved)	FY2021 (Approved)	FY2020 (Approved)
3.0 billion*	3.5 billion	3.5 billion	3.5 billion

* Separately, a long-term performance-linked incentive in performance shares ("PS") is granted. The Company determines the PS by conducting performance evaluation on the next four-year period. The performance indicators include the increase in share price relative to the comparison group, the achievement level of net operating income and Return on Equity and NPL ratio before sales/write-off relative to a pre-established target. The maximum number of performance shares to be granted to the directors of the Board in respect of fiscal year 2022 is 30,000 shares, ranging from 0% to 100% of the maximum shares, provided that payments accrued in relation thereto shall be made in fiscal year 2026. It should be noted, however, that in addition to such limit, additional compensation in the form of performance shares and annual incentives be made in fiscal year 2022 to the extent that the total number of such shares falls within the limit approved at previous shareholders' meetings held.

Director Remuneration Paid in 2022

Total amount paid (A+B)		KRW 1,813.6 million	
Non-Independent Directors (A)		Independent Directors (B)	
KRW 851.1 million		KRW 962.5 million	
Executive Director: Cho Yong-byoung	KRW 851.1 million ¹⁾	Independent Directors Lee Yoon-jae	KRW 88.0 million
Non-Executive Director: Jin Ok-dong	No remuneration ²⁾	Independent Directors Park Ansoon	KRW 71.5 million
		Independent Directors Byeon Yang-ho	KRW 81.5 million
		Independent Directors Sung Jaeho	KRW 88.5 million
		Independent Directors Huh Yong-hak	KRW 82.5 million
		Independent Directors Yoon Jaewon	KRW 85.0 million
		Independent Directors Jin Hyun-duk	KRW 69.5 million
		Independent Directors Kwak Su Keun	KRW 86.0 million
		Independent Directors Bae Hoon	KRW 77.0 million
		Independent Directors Lee Yong Guk	KRW 83.5 million
		Independent Directors Choi Jae Boong	KRW 77.0 million
		Independent Directors Kim Jo Seol	KRW 52.5 million
		Independent Directors Choi Kyong-rok (Retired in March 2022)	KRW 20.0 million

Note 1) Excludes KRW 487.7 million of performance-linked incentives withheld

Note 2) Considering the concurrent position of an executive at a subsidiary, no separate remuneration is paid

VII

**BOD Performance
Highlights
for FY2022**



Board Performance

(1/5)

Amid market volatility, the Board reviewed the Company's risk and capital management while establishing a mid-term strategy for a sustainable growth.

BOD Performance Highlights for FY2022

Mid-term Strategy

- **Discussion on establishing SFG's mid-term strategy (AUG)**
 - Deliberation of the strategic objectives for 2025
- **Discussion on the direction of SFG's asset management strategy (MAY)**
 - Review the direction and strategy of customer/proprietary asset management
- **Discussion on SFG's ESG strategy (MAY)**
 - Review key ESG performances and establish future strategies with emphasis on maximized impact through strong execution
- **Review entry into new business (JUN)**
 - Incorporated 'Shinhan EZ General Insurance' as a subsidiary

Risk Management

- **Check SFG's capital adequacy levels (MAY)**
 - Review capital capacity reflecting inflationary pressure
 - Analysis on stress test results and contingency plan
- **Review risk management and related issues (JUN)**
 - Risk monitoring amidst increased volatility in the financial market
 - Review funding structures of non-bank subsidiaries under liquidity crisis scenarios
- **Review risk management by segment (AUG)**
 - Analysis on risk management by risk type (credit, liquidity, and interest rate)
 - Review risk management strategy (exposure management, etc.) for the vulnerable segments

Capital Management

- **Establish a mid-term financial target (AUG)**
 - Set a target to achieve a sustainable double digit ROE (Targets to achieve recurring ROE and ROTCE that exceeds the cost of capital while maintaining capital adequacy ratio above the regulatory requirement)
 - Aims to strengthen capital market businesses, increase non-interest income, etc.
- **Resolution on share buyback and cancellation (MAR, OCT)**
 - Two rounds of share buyback and cancellations amounting to a total of 300Wbn in 2022
- **Resolution on quarterly dividends**
 - Evenly distributed quarterly cash dividends
 - DPS KRW 2,065 (KRW 400 (1Q, 2Q, 3Q 2022, respectively) and KRW 865 (4Q))

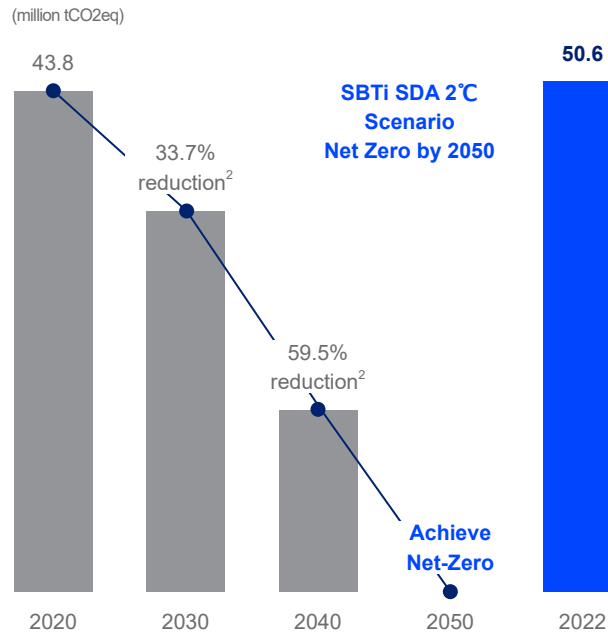
Board Performance

(2/5)

To address the risk posed by climate change, the Board has established emissions reduction(Scope 1+2, 3) and green financing targets, and are monitoring its progress.

Financed Emissions Reduction Target ¹

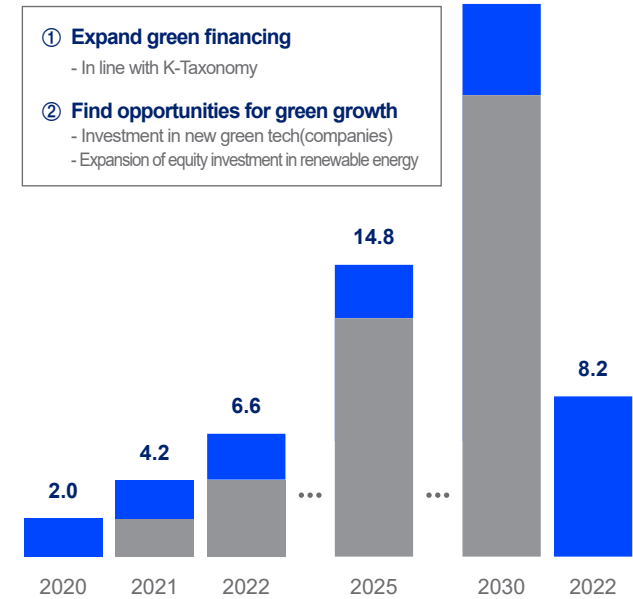
34% reduction in financed emissions by 2030
83% reduction by 2050 and achieve net-zero



Green Financing Target

Providing KRW 30 trillion in green financing by 2030

■ Newly financed during the period
■ Cumulative prior to the period (KRW trillion)



- ① **Expand green financing**
- In line with K-Taxonomy
- ② **Find opportunities for green growth**
- Investment in new green tech(companies)
- Expansion of equity investment in renewable energy

NOTE 1 Carbon emissions reduction target for SFG's asset portfolio; Measured asset classes : Listed stocks, corporate bonds, corporate loans, unlisted stocks, PF, Commercial real estate, mortgages, vehicle loans; Measured asset industries : power generation, commercial building, steel, paper, cement, transportation, others.

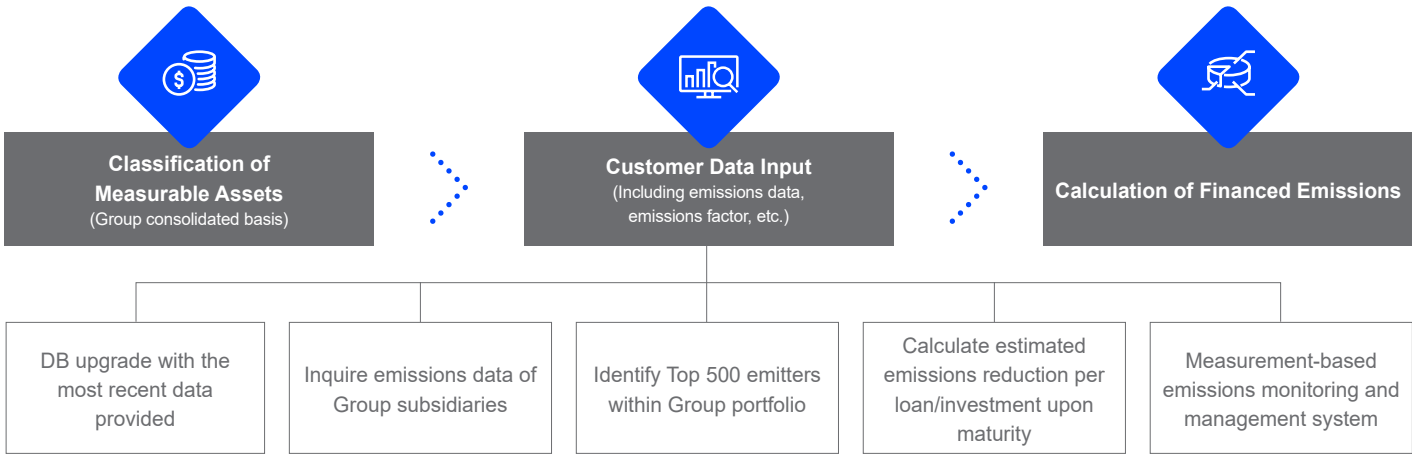
NOTE 2 Base year for the target is 2020

Board Performance

(3/5)

Shinhan has also developed its own ‘Financed Emissions Calculation System’ and ‘ESG Assessment Model’ to better reflect ESG factors to its business.

Financed Emissions Calculation System (in line with PCAF GHG Accounting Standards)



* Data from company disclosures, Ministry of Environment data, and PCAF emissions factor DB

Shinhan ESG Assessment Model

- **Shinhan ESG Risk Assessment Model**
- In line with 3rd-party ESG rating agencies
- **Shinhan Sustainability Model**
- In consideration of Corporate's ESG commitments and investments towards sustainable development

Future Plans

- Reinforce engagement in investment companies for emissions reduction and low-carbon transition
- Provide ESG consulting for SME customers
- Finding new investment opportunities such as Climate Tech, etc.

Board Performance

(4/5)

The Board revised the Company's Code of Ethics to reflect changes within the industry and supported an effective internalization of the revised Code.

Revision of the Code of Ethics

- Revised the Code to reflect recent changes in the market and work methods.
 - BOD made a resolution to revise the Code of Ethics (Aug.'22)
- Published guidelines on the revised Code for better implementation.

Reflecting changes in system and way of work

- Reflecting social issues and regulatory changes surrounding protection of financial consumers, ESG, and information security

Reflecting the characteristics of the financial industry

- Expertise: Deep understanding of the capital market and asset management
- Diversity: Cross-industrial digital alliances, etc.
- Social issues: improvement of work culture*, etc.
 - * Eradicating malpractices such as bullying, abuse of power, sexual harassment, etc.

Internalizing the revised Code of Ethics

- Clear wording and examples as to Who, What, and How to abide by the Code
- Published and distributed the guideline of the revised Code of Ethics
 - includes Dos / Don'ts with examples and comments

『Shinhan Financial Group's Code of Ethics』 (revised in Aug. 2022)

Chapter 1. Criteria for customers

- Provide goods and services [New]
- Business expertise (Capital markets, asset management) [New]
- Customer perspective business improvement

Chapter 2. Standards for Shareholders and Investors

- Respect for the rights and interests of shareholders and investors
- Accounting Information Internal Accounting Reliability, Disclosure Standards [Specified]

Chapter 3. standards for society

- Realization of a warm and hopeful society, Enhancing social-economic values [New]
- Protection and promotion of human rights [Specified]
- Carbon Neutral, Low Carbon Economy [New]

Chapter 4. Standards among employees

- Fairness and non-discrimination
- 2~3. Prohibition of harassment and sexual harassment in the workplace [New]/[Specified]

Chapter 5. Standards for business performance

- Group Mission, Core Values and Legal Compliance [New]
- 2~3. Prohibition of bribery, provision of benefits, and profit-making activities without permission [Embodied]
4. Transparent use of company assets and expenses [Embodied]
- 5~7. Customer information protection, information security, digital business performance standards [New]

Chapter 6. Standards for external communications

- External communication process [New]
- Neutrality toward political and social issues and interest groups [New]

Chapter 7. Standards for partners and Competitors

- Fair trade and win-win relationship with business partners
- Fair competition with competitors, respect for free market economy [New]


Board Performance

(5/5)

To promote diversity within the Board, as well as within the Company, the Board has set a numeric target for nurturing female managers, and is monitor the progress.

Mid-Term Target* for Nurturing Female Leaders


	Management	Manager-level
2030(target)	15%	25%
2022	9%	13%
2020	7%	9%



Gender Diversity

Nurturing Female Leaders

- **SHeroes**
- Female leader fostering program that offer group mentoring, coaching networking and more
- 221 women graduated (since 2018)



Promoting Board Diversity		2020	2021	2022
No. of female directors on our Boards	Shinhan Financial Group	1	1	2
	Shinhan Bank	0	1	2
	Shinhan Card	0	0	1
	Shinhan Capital	0	0	1
	Jeju Bank	1	2	2

% of Females in the pool of BOD candidates		2020	2021	2022
Number of female candidates		24.8% (29 / 117)	37.4% (49 / 131)	38.7% (50 / 140)

* Management: Executives and Division Heads; Manager-level: Department and Branch Heads (Group/Bank/Card/Securities/Life/Capital/AM/Jeju)



VIII FAQs

1. CEO Nomination and Process (Jin Ok-dong, CEO Nominee)	32
2. The Lime Fund Issue	36
3. Updates on Legal Proceedings of the Group CEO (Cho Yong-byoung)	46

CEO Nomination and Process

(Jin Ok-dong, CEO Nominee)

In December 2022, the Board finalized its recommendation of a new CEO candidate for Shinhan Financial Group (SFG).

Background

- **Term of the incumbent CEO expires in March '23**
 - As a financial company, SFG operates an all-year-round CEO Succession Plan in order to fulfill its social responsibility and maintain a stable governance structure. Given that the term of the incumbent Group CEO expires in March 2023, the Board duly commenced its CEO nomination process
- **The incumbent CEO, Cho Yong-byoung, expressed his intention to step down**
 - Mr. Cho announced his resignation from candidacy at the final round of the CEO nomination process
 - Reason for the resignation:
Mr. Cho believed that ① it was the right time to open up opportunities for a group of competent candidates to grow to be successors to lead SFG as well as to continually contribute to effective and stable governance, and, that ② someone should take the responsibility for the recent unfortunate incident relating to investment product sales.

CEO Nomination and Process

(Jin Ok-dong, CEO Nominee)

Through a transparent and fair process under SFG's systematic succession plan, JIN Ok-dong was nominated as the CEO candidate.

CEO Succession Plan

CEO Succession Plan can be divided into 2 main pillars:

1 Management of the pool of CEO candidates (operated on a year-round basis)

Candidate Selection	<ul style="list-style-type: none"> Review candidate qualification standards Select candidates on once-a-year basis
Candidate Training	<ul style="list-style-type: none"> Year-round competency building programs Evaluation on results of CEO-training
Candidate Evaluation	<ul style="list-style-type: none"> Assessment of performance & leadership Accumulated of evaluation results

2 Succession Process (operated at the time of succession)

Commencement of Succession Process	<ul style="list-style-type: none"> Commences the succession process and completes candidate recommendation at least 2 months before the end of the CEO's term
Candidate Selection	<ul style="list-style-type: none"> Review candidate qualification standards Select a final candidates for succession
Candidate Review	<ul style="list-style-type: none"> Confirmation of detailed review criteria Final recommendation of CEO candidates

CEO Nomination Process

CEO Nomination Process: 4 Committees & BOD meeting

CEO Recommendation Committee*

2022.11.11 (1st Committee)	<ul style="list-style-type: none"> Discuss Committee meeting schedule and process Decide on candidate long list selection process Discuss other details on the selection process
2022.11.22 (2nd Committee)	<ul style="list-style-type: none"> Review and confirm candidate long list Discuss candidate short list selection process Discuss candidate evaluation/interview methods
2022.11.27 (3rd Committee)	<ul style="list-style-type: none"> Review and confirm candidate short list Select third-party firm for reputation screening, etc. Discuss details on finalizing the candidate
2022.12.08 (4th Committee*)	<ul style="list-style-type: none"> Review search firm report on the candidates (reputation, etc.) Interview short listed individuals Final Candidate Recommendation Deliberation

BOD meeting

2022.12.08	Confirm CEO candidate nomination
------------	----------------------------------

※ CEO Recommendation Committee: (7 members, all Independent Directors) SUNG Jaeho (Chair), KWAK Sukeun, BAE Hoon, LEE Yongguk, LEE Yonjae, CHOI Jaeboong

※ The 4th Committee Meeting was held with all Independent Directors of the Board in attendance in accordance with the bylaws for CEO Recommendation Committee Article 3(2). "All outside directors shall be at attendance at the final meeting of CEO Recommendation Committee to nominate a CEO candidate"

CEO Nomination and Process

(Jin Ok-dong, CEO Nominee)

Based on his management philosophy and business performance, JIN Ok-dong was judged to be the best candidate to lead SFG in the current challenging market environment.



JIN Ok-dong (1961. 02. 21) Shinhan Financial Group CEO Nominee

Main Work Experiences

MAR 2019	CEO, Shinhan Bank, NED, Shinhan Financial Group (SFG)	DEC 2009	General Manager, SBJ Osaka Branch
MAR 2017	Deputy President, SFG	MAR 2008	General Manager, Osaka Branch
JAN 2015	CEO, Shinhan Bank Japan (SBJ)	JUL 2004	General Manager, Treasury Department
DEC 2011	CEO, SH Capital (Japan)	SEP 2002	Deputy General Manager, Credit Assessment Department
		NOV 1986	Joined Shinhan Bank (SHB)

1 Long-time Trained Leader with Proven Records and Experience:

- Demonstrated top-management capability since 2015 (Appointed as the CEO of SBJ in 2015)
- Included in 'CEO candidate pool' since 2019, and systematically trained and verified under the CEO succession plan for 4 years

2 Business Philosophy Centered on Sustainable Development:

Customer	Customer-centric management and protection of financial consumers
Shareholder	Prioritizing shareholder value enhancement through long-term growth and shareholder return
Society	Expanding positive impact through financial initiatives

3 Prompt Response to Investment Product Issues:

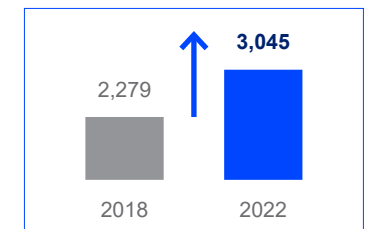
- [Customer compensation] Active & preemptive loss recovery measures
- [Process Improvement] Internal process/evaluation system improvement

4 Proven Business Performance:

New Business	Main depository bank for city governments (Seoul, Incheon), selected for the "Smart City Project" (Sejong, Busan)
Digital	The New SOL, Ddangyo, Digilog, cross-sectoral partnership (Douzone, KT, etc.)
Global	Improved earnings (SBJ and Shinhan Bank Vietnam), successful partnership with local fintech (Tiki, etc.)
ESG	Establishment of ESG governance, reflecting ESG goals in KPIs

5 Financial Achievements:

- 33.6% improvement in Shinhan Bank Net Income (Unit: KRW bn)



CEO Nomination and Process

(Jin Ok-dong, CEO Nominee)

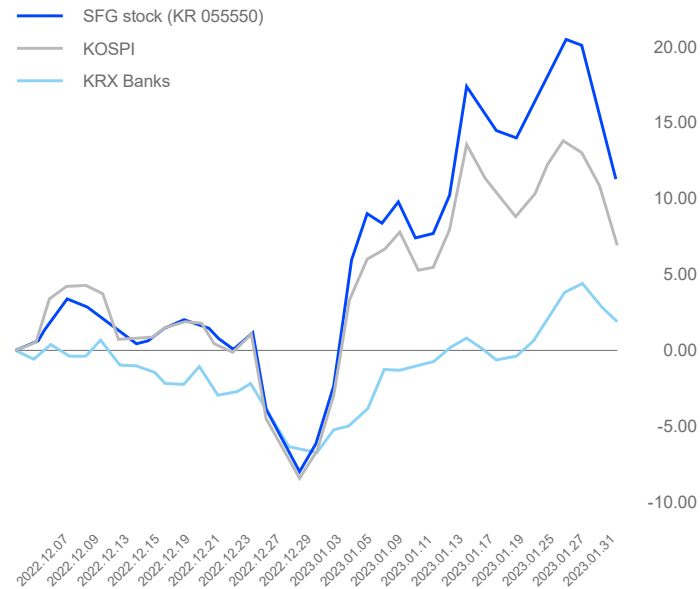
The capital market and various stakeholders also have positive evaluations on the recommending JIN Ok-dong as the CEO candidate.

Evaluation from the Capital Market

Since 7 DEC 2022*, the daily rate of return of SFG, compared to the KOSPI and KRX Banking index, has been outperforming

* 8 DEC 2022: JIN Ok-dong finalized as the CEO candidate

Daily rate of return



Evaluation from Stakeholders

“The Board agreed that the next CEO should be a person with a capacity to flexibly respond to uncertain future environment while demonstrating leadership to accumulate and mobilize full business potential from within and outside the Group. JIN Ok-dong has proved his management capability as the CEO of Shinhan Bank over the past four years by achieving substantial and solid growth, as well as marking the highest level of performance since the Bank’s founding, based on differentiated business strategies and risk management capabilities even amid the pandemic-led uncertainties.”

- SFG CEO Recommendation Committee

The Head of FSS evaluated JIN in a positive way, saying, “I understand that there is no doubt about the new CEO candidate’s capability and personality,” and also mentioned that “Shinhan Financial Group has systematic procedures to nurture and nominate CEO candidates, which, in my view, includes healthy checks and balances.”

- Chosun Biz (21 DEC 2022)

The Lime Fund Issue

Many investors suffered losses due to Lime Fund's illegal operations. Shinhan, as a prime broker and a seller of Lime's funds, took responsibility for the customers' losses.

Lime Asset Management

Lime Asset Management, the largest hedge fund in Korea at the time, declared suspension of redemption in Oct. 2019, incurring huge losses to customers.

Shinhan Securities

- Shinhan Securities provided prime brokerage services to Lime AM. Follow-up investigations found that a few Shinhan Securities' employees noticed illegal operations, but failed to report the issue.
- Couple of mis-selling cases found.



Shinhan Bank

- As a seller of Lime Funds, the few mis-selling cases were identified to be a deviation of some individual employees, not an organization-wide issue.

The Lime Fund Issue

The Lime incident has effectively been closed with the completion of customer compensation and measures to prevent recurrence put in place.

Measures Taken by FSC on Lime Fund Issue

 Shinhan Securities Date of FSC order: Nov. 12, 2021 (Fund sold from Apr. 2016 to Aug. 2019)	(Institution) Partial suspension of business (6m) KRW 1.8 billion in fines (CEO) Suspension from work (3m) (Employee) Request for dismissal
 Shinhan Bank Date of FSC order: Jul. 6, 2022 (Fund sold from Apr. 2019 to Aug. 2019)	(Institution) Partial suspension of business (3m) KRW 5.71 billion in fines (CEO) Cautionary warning
 Shinhan Financial Group	(Institution) Caution (CEO) Caution

SFG's Response

- Shinhan Securities**
 - Resignation of CEO, disciplinary action on related employees
 - Compensated customers
 - Took measures to prevent recurrence (product governance reform)
- Shinhan Bank**
 - Ordered immediate look into the situation, promptly after the rumors on Lime Asset Management
 - Compensated customers
 - Took measures to prevent recurrence (reform in KPI, Organization overhaul, etc.)
 - Suspended Shinhan Bank CEO's incentives
- Shinhan Financial Group' BOD**
 - Directed an immediate internal review on the funds
 - Requested both SHB and SS for action to protect customers and prevent recurrence
 - Suspension of the Group CEO's incentives & resignation of the Group CEO



Different Levels of Measures Against Executives of Financial Institutions



* Non-disciplinary action ('Cautionary warning' and below) does not pose any restrictions on a person to become an executive of a financial institution. (According to 'Financial Company Governance Act')

The Lime Fund Issue

As a BOD member of SFG and as Shinhan Bank CEO, JIN played a key role in responding to the issue. He acted promptly by implementing customer compensation, improving the internal control system and changing the employee KPI system to prevent future recurrences. Importantly, as soon as taking office, JIN reviewed the product prior to Lime AM suspending the redemption of funds. As a result, he contributed to minimizing customer losses by preemptively ordering the suspension of sales, contributing to preemptive customer compensation and promotion of prevention measures.

Shinhan Bank's Response (as Shinhan Bank CEO)

- **Short overlap of the sales period**
 - JIN became Shinhan Bank(SHB) CEO on **26 MAR 2019**
 - Lime Funds sold by SHB **from APR 2019 to AUG 2019**
- **Requested immediate internal probe (JUN 2019)**
 - Upon encountering negative rumors on Lime AM, JIN requested an internal probe into the Fund
 - * No issues found with the Fund in Jun. 2019
 - * FSS commenced investigation on Lime, and SHB suspended the sales to prevent customer losses regardless of the benign results of the internal probe
- **Established customer-centric KPIs (JAN 2020)**
 - Sales fee income excluded from KPIs of front offices
 - KPIs changed from relative to absolute evaluation system
- **Strengthened internal control (JAN 2020)**
 - Establishment of an independent Consumer Protection Group
 - Inspection of fund sales through strengthened mystery shopping
- **Restored trust through prompt customer compensation (JUN 2020)**
 - Paid 50% of the principal in advance, which was followed by additional compensation
- **Suspended CEO incentives (payments due 2021 - current)**
 - Suspension of incentive payments after the incident

FSS also took into consideration these efforts and handed down a non-disciplinary action of "Cautionary Warning" on JIN (*Non-disciplinary action does not pose any restrictions on a person to become an executive of a financial institution)

SFG Board's Response (as NED of SFG's Board)

- **Sales of the Funds were halted soon after joining SFG's Board**
 - Appointment of JIN Ok-dong, SUNG Jae-ho, LEE Yoo-jae, HUH Yong-hak was in **MAR 2019**
 - Lime Funds were sold by Shinhan Securities(SS) **from APR 2016 to AUG 2019**, and by SHB **from APR 2019 to AUG 2019**
- **Requested report on the status of all investment products (AUG 2019)**
 - Report on the status of all investment products sold, including Lime Funds
- **Immediately made reports to the Board (2019-2020)**
 - Shared the situation with the Board promptly after Lime AM's announcement of suspension of redemption
 - Demanded for a Group-level response
- **Resignation of management (2019-2020)**
 - Head of WM for SHB & SS(DEC 2019) and CEO of SS(MAR 2020) etc.
- **Monitor response plans (2019-2020)**
 - regular reporting on customer damage and losses, and reviewed response plans
- **Establish counter measures (2020)**
- **Consumer protection measures (AUG 2021)**
 - BOD recommendations to subsidiaries to take measures to enhance customer value and strengthen customer protection
- **Suspended Group CEO incentives (payments due '21-current)**

Resignation of the incumbent CEO, CHO Yong-byoung, "to take the responsibility for investment product incident" and "to open up opportunities for a change through generational change in leadership."

The Lime Fund Issue

Response by Shinhan Bank(CEO JIN Ok-dong) to the Lime Issue (1/6)

1. Improvement of KPIs and reorganization of PWM

As a measure to realize customer-centric value the CEO had stressed before his appointment,

KPIs were reformed swiftly upon the appointment.

Measures taken by JIN was a clearly an opposite to the then prevalent trend of “sales promotion of private equity funds”.

1
Officer/Chief Workshop
 (April 19, 2019)

“For the WM group, **it is necessary that sales related indicators be discontinued,** and instead products advantageous to customers may be sold”
 “Review the bank-wide effect when implementing KPI focusing on customer earnings”

2
Officer Management Debate
 (June 28, 2019)

“Direction for PWM reform is clear. We will reform, no matter what.
Since setting targets for non-interest may lead to mis-selling, we would not giving these targets.””

	1H 2019	2H 2019	2020
Customer Indicators (Customer management, Customer Satisfaction)	26%	35%	80%
Strategic Indicators (Fees from Sales, etc.)	42%	33%	-

The Lime Fund Issue

Response by Shinhan Bank(CEO JIN Ok-dong) to the Lime Issue (2/6)

2. Issue Identification of Lime Asset Management in June 2019

Immediately upon being aware of the negative rumors surrounding Lime Asset Management, **the CEO JIN ordered for measures to identify the issue.**

- | | |
|---------------|---|
| (June 2019) | When rumors began circulating in the industry regarding an investigation by the Financial Supervisory Service into Lee Jong-pil, Vice President of Lime Asset Management, JIN instructed the Head of Investment Products and Services(IPS) to investigate whether these rumors were related to products sold by Shinhan Bank. Later, JIN received a report confirming that no particular problems had been detected with the Lime Funds being sold at Shinhan Bank. |
| (July 2019) | After the re-spreading of negative rumors about Lime Asset Management, Shinhan Bank received the list of trust assets from Lime Asset Management and confirmed that the products sold by Shinhan Bank were safely operated. |
| (July 2019) | The company that holds the underlying assets of the Lime fund sold by Shinhan Bank is a trading company located in Singapore, which, at the time, had active transactions with Shinhan Bank Singapore branch. Later, in November of 2019, the Head of IPS visited Singapore and conducted due diligence on the underlying assets on site to confirm the existence of account receivables. |
| (August 2019) | At Shinhan Bank's strong request, executives and employees of Lime Asset Management visited Shinhan Bank twice and confirmed that Lime Funds sold by Shinhan Bank were being operated as described in the proposal. |

<Excerpt>

✓ **The rumor that LEE Jong-pil is under investigation by the FSS**

- As Lime is preparing for the permit for its public offering fund, the FSS is investigating LEE, a Canadian national, as part of discussions regarding the permit

✓ **The rumor that Lime is using balance from new funds to pay off older funds**

- As most of their funds are closed funds, refinancing the funds upon maturity is not illegal. Provided, balance of the product recently sold by Woori Bank has increased rapidly, so Shinhan Bank decided not to sell the product

✓ **The rumor that there are liquidity constraints on trade finance products**

- Due diligence by Shinhan Securities found that there are no liquidity constraints; redemptions being made without problem
- Most of alternative investment by the bank is being provided after credit enhancement through insurance by a global insurance company on trade receivables of Singapore branch's major customers

The Lime Fund Issue

Response by Shinhan Bank(CEO JIN Ok-dong) to the Lime Issue (3/6)

3. Comments at the Internal Control Committees

The CEO JIN fulfilled his supervisory duties by **emphasizing at the Internal Controls Committees an extra caution to prevent mis-selling of investment products.**

Third Internal Controls Committee of Year 2019

(Aug 12, 2019)

CEO Comment on 1H 2019 Report from Compliance Officer

<Excerpt>

- **We should keep ourselves alert with matters related to financial customers: consumer protection**, fair competition and fair treatment will continue to be an important industry topics.
- Those are the areas with placing relatively less priority in the midst of growth-oriented Korean economy including the financial sector—Bank also needs to consider this aspect in a thorough manner.
- When deemed appropriate, it may be possible to conduct a joint audit with the Audit Department, and **make implementation of consumer protection in a more rigorous manner**.
- Business functions and compliance should maintain checks & balances in this efforts.

CEO's Concluding Remarks

<Excerpt>

- **Compliance is now a key to survival: Loans & deposits are to maintain and operate while compliance directly affects sustainability of the organization, therefore must be emphasized as a matter of importance**.
- Unfair trade and mis-selling are very important topics to review in the consumer protection area.
- Internal control has in part been treated with a mere formality but now the management, and business group leaders **must manage internal controls in a thorough and robust manner, placing top priority over financial numbers**.
- The mis-selling of DLS related to German bonds recently on press is expected to be an issue in the market, and we must **pay higher attention on the sales of investment products**.

Fourth Internal Controls Committee of Year 2019

(Dec 9, 2019)

CEO Comment on Report from WM Group on Internal Controls Activities

<Excerpt>

- **Business promotion and internal controls** of the WM Group are reported every time, but the **internal controls for the business groups with the matrix structure need to be examined more thoroughly**. There are differences in regulations for each industry, and there is a performance-oriented culture in the matrix organizations which may lead to possible shortcomings in procuring procedural rightness. More stricter standards should be considered for matrix organizations compared to other business groups.
- **Business and internal controls are equally important**: There has been a misguided perception that the two are separate or mutually exclusive. However, **business should go always with the internal controls in mind, and performance must be grounded in compliance of the laws, especially when designing financial products**.

The Lime Fund Issue

Response by Shinhan Bank(CEO JIN Ok-dong) to the Lime Issue (4/6)

4. Suspension of Investment Product Sales

Implemented a **suspension of investment product sales** for branches with lower score at mystery shopping assessment, **the first among national banks**

Conduct mystery shopping on investment products for all branches



Insufficient to Poor-performing branches are subject to re-conduct



Temporary suspension of investment products sales for 1 month and conducted mandatory training on complaint sales

<Excerpt>

Re-Conduct of Derivatives-Linked Products (ELT, ELF) Mystery Shopping on Poor-Performing Branches

1. **Overview of the Re-conduct of Derivatives-Linked Products (ELT, ELF) Mystery Shopping**
 - A. Period: July 1, 2020 (Wednesday) ~ July 13 (Monday)
 - B. Branches subject to re-conduct: 114 branches assessed as "insufficient" (below score of 70) or worse on the first mystery shopping
 - C. Criteria for assessment: Compliance of ELT, ELF standard sales process (the suitable/unsuitable type for non-elderly)
 - D. Results
 - 96 branches performed at "outstanding" level from increased interest
 - As announced, branches below "insufficient" (below score of 70) subject to suspension from investment products and additional training
2. **Distribution of Mystery Shopping (Derivatives-Linked Securities ELT, ELF) Scores for each Branch**

Level	Score	First mystery shopping, all branches (655 branches)	Re-conducted branches (114 branches)	Measures
Outstanding	Above 90	495	96	-
Satisfactory	80 ~ below 90	31	7	
Fair	70 ~ below 80	13	3	
Insufficient	60 ~ below 70	63	6	
Inadequate	50 ~ below 60	41	1	
Poor	Below 50	12	1	Investment product sales to be suspended

The Lime Fund Issue

Response by Shinhan Bank(CEO JIN Ok-dong) to the Lime Issue (5/6)

5. Implementation of Customer Protection Measure

On Regular Basis	Review of "Voice of Customer"	Discuss how to improve upon review of Voice of Customer, at the weekly Executives Meetings
June 2019	"War against Fake Accounts"	Campaign against voice phishing (Damages: KRW 29.2 billion in May to KRW 4.5 billion in September)
July 2019	Customer-centric KPIs	Customer Indicators (Customer management, etc.)↑ / Strategic Indicators (Sales fees, etc.) ↓
	Expanded implementation of customer-centric KPIs	Expand the pilot test of new KPIs for full implementation (2x compared to the first half)
January 2020	Independent Customer Protection Group	Establish an independent group for promotion of customer-centric culture, first among the national banks
	Suspension of investment products	Introduce a sales suspension system for low-performing branches in the mystery shopping assessment, first among the national banks
	"Grow Together" assessment system	Refrain from performance competition → autonomous business processes / assessment of the procedures and verification of procedural justification
	Customer-centric branches	Newly create customer-centric branches for public interest and customer convenience (especially for the elderly and customers with limited financial accessibility)
April 2020	Officers for financial customer protection operations	Maintain dedicated personnel for customer protection(23 members) → inspection of/ support for them conducted
	Anti-phishing platform	Operations for a platform against electronic financial frauds (Damages: KRW 2.8 billion in March to KRW 0.8 billion in December)
	Customer-centric communications structure	Revise customer experience service survey structure and conduct survey tailored for each customer
July 2020	Product Supervision Team	Prepare product supervision policy; conduct products supervision including review of private equity funds, etc. (Promoted from a team to a department)
November 2020	Shinhan Ombudsman	Seek advice and consult with industry experts on policy/system/product

The Lime Fund Issue

Response by Shinhan Bank(CEO JIN Ok-dong) to the Lime Issue (6/6)

6. Comparison of Lime Fund Sales : Shinhan Bank vs. Bank A

Item No.	Shinhan Bank	Bank A
Representative Selling Product	Lime CI Fund, etc.	Lime Trade Finance Fund, etc.
Sales Balance	Approximately KRW 270 billion	Approximately KRW 350 billion
Product Structure and Major Risks	<ul style="list-style-type: none"> - Risk hedged for underlying assets with insurance coverage from insurance companies - Product maturity inline with underlying asset maturity (about 12 months respectively) 	<ul style="list-style-type: none"> - In case of insolvency of underlying assets, there is no guarantee condition of insurance company, customer loss occurs - Structure of overlapping fee collection due to mismatch between product maturity of 6 months and underlying asset maturity of about 12 months
Sales Period	April of 2019 to August of 2019	June of 2017 to April of 2019
Tenure of the Bank CEO	March of 2019 to December of 2022 (Sales period and tenure period overlap: about 4 months)	December of 2017 to March of 2020 (Sales period and tenure period overlap: about 16 months)
Measures Imposed by Financial Authorities against the Bank CEO	Non-disciplinary Action (Cautionary Warning)	Diciplinary Action (Reprimand Warning)

The Lime Fund Issue

Specifying the R&R of the holding company's BOD (Aug. '21 BOD Meeting)

The Board clarified the R&R of the holding company's BOD.

- ① Receive cause and progress reports from subsidiaries,
- ② Assess the adequacy of subsidiary's response,
- ③ Review the adequacy of customer protection measures,
- ④ Assess the adequacy of measures taken to prevent recurrence

→ on material issues that may lead to serious damage on shareholder value, critical failure in consumer protection, etc.

BOD Recommendations Regarding Investment Products (Excerpt from document sent to subsidiaries on 20 August, 2021)

Title: Notification of BOD Recommendations Regarding Investment Products

In accordance with the result of Shinhan Financial Group's 3rd regular Board Meeting, recommendations are hereby given to subsidiaries.

1. Overview of Shinhan Financial Group's Board Meeting

- Date: Friday, 13 August, 2021
- Board Session: 3rd Regular Board Meeting
- Meeting Agenda: 5. Review on the current status of investment products sold to customers and future direction

2. Main Contents for Discussion

- Review of the current status of investment products sold to customers
- Report on the measures to prevent recurrence from a customer protection-perspective
- Discussion of issuing BOD recommendations for Group subsidiaries

3. BOD Recommendations for Group subsidiaries

"Customer value is the top priority of Shinhan Financial Group, especially in the context of the investment product issue. As a financial company, we are committed to making every effort within the limits of what is permissible to address the issue. We strongly encourage all Group subsidiaries involved to actively work towards customer value enhancement and customer compensation for losses incurred."

(Appendix) Customer Protection Measures (Including examples of compensation principles for customers)

※For reference, the contents related to consumer protection measures as discussed by the Board is attached.

Heo Young Taeg
Chief Management Officer, Shinhan Financial Group

TO: Strategy Planning Department (Shinhan Bank), Customer Protection Department (Shinhan Bank), Audit Department (Shinhan Investment Corp.),
Strategy Planning Department (Shinhan Investment Corp.), Product Management Department (Shinhan Investment Corp.)

Updates on Legal Proceedings of the Group CEO (Cho Yong-byoung)

On June 30, 2022, the Supreme Court acquitted Mr. Cho of all charges, resolving any governance-related uncertainties relating to the Group CEO's legal case.

Hiring Scandal

- The Group CEO, CHO Yong-byoung, was prosecuted on charges of violation of the Employment Equality Act and business obstruction during his tenure as Shinhan Bank CEO.
- Although Trial Court found CHO partly guilty, both Appellate Court and Supreme Court acquitted him of all legal charges

Date	Details
OCT 2018	· Prosecutors, indict CHO (Business obstruction and violation of Employment Equality Act)
JAN 2020	· Trial Court, found CHO partially guilty (acquitted charges on violation of Employment Equality Act but partially guilty on business obstruction)
NOV 2021	· Appellate Court, Acquitted all legal charges
JUN 2022	· Supreme Court, Acquitted all legal charges

BOD

· SFG Board's Stance

- The Board continued close monitoring and in-depth review of the progress of the legal proceedings and related various risks to SFG's governance from the beginning of the prosecution of Mr. Cho in 2018 to the final acquittal by the Supreme Court in 2022.
- In particular, the Board formed in March 2021 noted the objections of certain proxy voting advisory firms and some investors, and closely monitored and reviewed the Group CEO's legal proceedings from both procedural and factual perspectives.
- At the BOD meeting in Nov. 2021, the BOD decided to convene a separate meeting immediately after the result of the second trial, if necessary, to discuss countermeasures and follow-ups, but concluded a meeting would be unnecessary as the Appellate Court acquitted Mr. Cho of all Charges.
- In June 2022, the Supreme Court acquitted Mr. Cho of all the charges and all governance-related uncertainties have been resolved.

Updates on Legal Proceedings of the Group CEO

(Cho Yong-byoung)

The Board has thoroughly reviewed the issue several times while continuing its efforts to communicate transparently with shareholders.

2019 - 2020 At the time of CEO nomination

- The Board resolved to recommend the re-appointment of Mr. Cho Yong-byoung on the grounds that **(1) he had demonstrated 'deep insight, organizational management capability, strategic mindset and moral leadership while proving his management capability with 'record operating results'; and (2) disqualifying him as a CEO candidate solely on the basis of the prosecutor's indictment would be inappropriate and not the best decision for both shareholders and management.** Therefore, the Board viewed that **it would be more appropriate to monitor the progress of the legal case in Higher Courts,** especially in light of similar court precedents.

2021 Following CEO re-appointment

- Following the AGM (March '21), the newly constituted Board reviewed the matter.


Procedural Perspective

Constitutional principle of presumption of innocence and legal precedents set in similar cases considered.

Factual Perspective


Considering similar legal precedents, and the fact that the Trial Court didn't find CHO illegally involved in hiring decisions, closely monitoring the legal progress of the case in the higher courts is more adequate.

- ① Decision based on the BOD's independence and expertise, as well as accurate information
- ② Ultimately upholding shareholder value by minimizing uncertainty in governance structure


Sent a letter to shareholders 

2021.11 High^{2nd} & Supreme^{Final} Court's Ruling

- [High Court]** At the BOD meeting in Nov. 2021, the BOD decided to convene a separate meeting immediately after the result of the second trial, if necessary, to discuss countermeasures and follow-ups, but **concluded a meeting would be unnecessary at this point as the High Court acquitted Mr. Cho of all Charges.** The Board immediately shared the court results with shareholders through an official letter.

Sent a letter to shareholders 

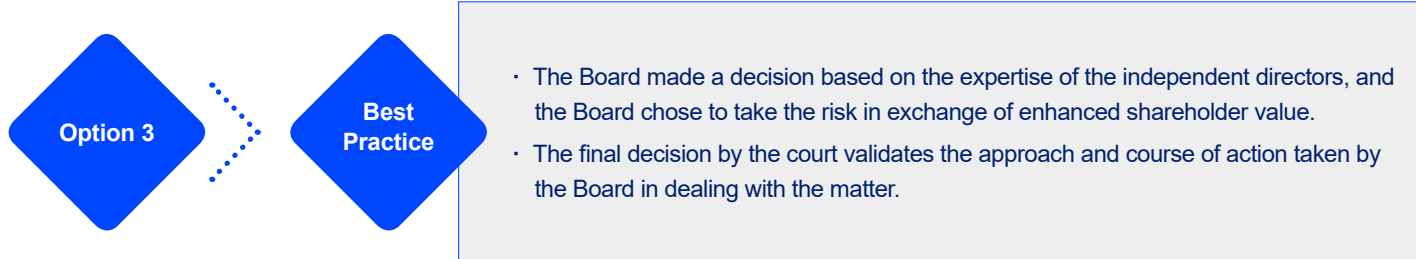
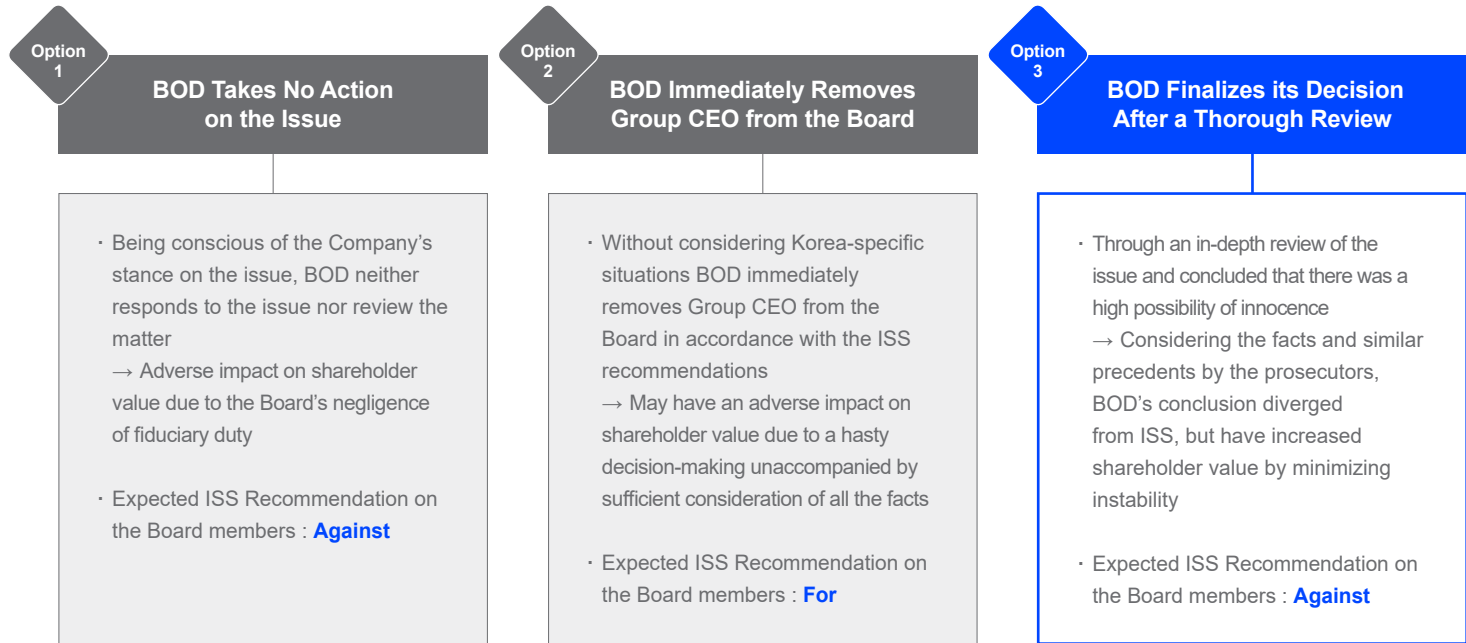
- [Supreme Court] The Group CEO was acquitted of all charges against him. (June '22)
- ▶ Governance-related uncertainties removed**

Sent a letter to shareholders 

Updates on Legal Proceedings of the Group CEO

(Cho Yong-byoung)

Upon various response options, the Board took the most optimal actions and decisions and demonstrated a good corporate governance practice.



Updates on Legal Proceedings of the Group CEO

(Cho Yong-byoung)

On top of industry-wide efforts, namely, the drafting of the Hiring Guideline, Shinhan made improvements to its hiring process for enhanced fairness and transparency.

Drafted 『Hiring Guideline for the Banking Sector』

- Shinhan co-drafted the Guideline with the Korea Federation of Banks(KFB), the financial regulator, law firms, and other banks
- In efforts to eradicate hiring irregularities and boost transparency, and establish internal control system for recruitment irregularities

Key Highlights of the “Hiring Guideline”

General Principles	· Prohibition of discrimination against factors unrelated to competency; competency-based evaluation; and establishment of a management system to secure fairness/reliability, etc.
Hiring Method	· Ban discrimination based on gender, age, education, birthplace, physical condition, etc. · Ban hiring based on employees' recommendation
Blind Hiring	· Personal data (gender, age, etc.) is neither scored, nor disclosed to the interviewer.
Internal Control	· Participation of internal control department in the recruitment process
3rd-Party Experts	· Participation of external experts in the recruitment process
Hiring Decision	· Hiring depends on the applicants' final score, which is a total tally of their scores from each phase of the screening process
Handling Hiring Irregularities	· Cancel or dismiss recruitment and restrict the applicant's eligibility to reapply · Disciplinary action imposed to related employees

Shinhan Bank's Recruitment Process Improvement

- Through efforts such as newly establishing a Recruitment Committee and establishing a compliance review procedure, Shinhan enhanced the fairness and transparency of hiring process.

Key Improvement Highlights

Internalized the Guideline	· Reflected "Hiring Guideline" in its newly established guidelines" and embedded them in hiring practices
Recruitment Committee	· Reinforced fairness with the new Recruitment Committee which is composed of 3rd-party experts and SHB's internal control officer to monitor and check the entire recruitment process
Internal Control	· Newly installed a compliance review procedure for each screening stage of the recruiting process
Pledge	· All employees participating in the recruitment process are required to sign a pledge to prohibit any misconduct

Procedural Improvements

Document Screening	· Recruitment committee predetermines the evaluation criteria; and, gender, age, name of school, etc. are not scored
Written Examination	· Outsource the whole process
Preliminary Interview	· Evaluation computerized on the day of the interview
Final Interview	· Blind interview format results are immediately computerized and cannot be edited once completed

This document is only a summary of certain information in Shinhan Financial Group's Convocation Notice of the 22nd AGM, and shareholders should read the Convocation Notice in its entirety before voting their shares.

Contact Us

PARK Cheol-woo | Head of IR cheol.park@shinhan.com

KIM Jiho | Deputy Head of IR jihokim@shinhan.com

CHA Jina | Manager chajina@shinhan.com
