

Shinhan ESG Value Index Report

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INTRODUCTION

The Importance of Measuring Performance on ESG Activities

As corporate business activities cause various social problems such as environmental pollution and human rights violations, it is necessary for companies to create environmental and social value in addition to financial performance and to enhance the value of all stakeholders. Socially responsible investment has emerged as a major investment technique in response to the demands of this era, recognizing the importance of measuring non-financial performance to assess corporate sustainability.

As companies have limited capital and workforce available for environmental and social value creation, they need to quantify and evaluate the performance of their non-financial ESG activities for managing resources more efficiently and improving their performance. Measuring the performance of a company's ESG activities enables efficient management by comparing performance across businesses and prioritizing for optimized resource allocation. Moreover, it also facilitates communication with various stakeholders such as customers, employees, investors, and rating agencies to expanding the horizons of ESG management.

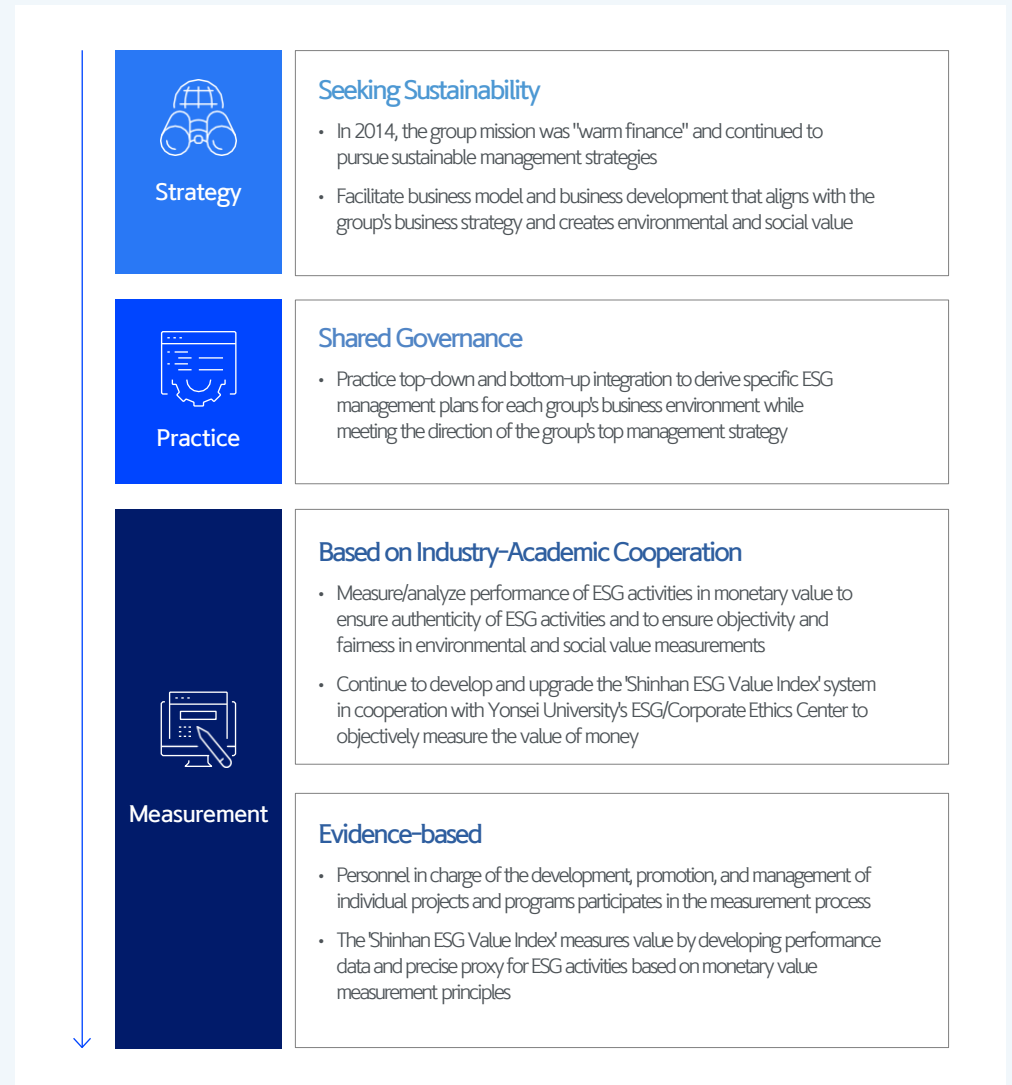
Shinhan's Journey to Create ESG Value

Shinhan Financial Group has been promoting various ESG activities that imply a good-hearted environmental and social impact under the ESG promotion principle of 'Finance for Impact'. Shinhan recognized the need to diagnose the current status of ESG activities of each group company consistently with the direction of sustainable strategies and contribute to the spread of value creation through quantitative and qualitative growth.

To promote systematic and efficient management by quantifying performance of ESG activities, we developed the 'Shinhan ESG Value Index', the first global financial company to develop a performance measurement model for ESG activities, and have been disclosing the measurement results since 2019. In addition, we joined the VBA (Value Balancing Alliance), the first Asian financial company to develop ESG currency value measurement standards, and is promoting advancement by incorporating the know-how of global ESG leaders into the Shinhan ESG Value Index.

In the future, we will measure environmental and social value through quantification and objectification of ESG activities based on the 'Shinhan ESG Value Index' and create more value to achieve sustainable growth and development with stakeholders.

Direction of Shinhan ESG Value Index



INTRODUCTION

Shinhan ESG Value Index Performance Management System

Shinhan Financial Group has established a 'Shinhan ESG Value Index' performance management system in line with its sustainable management strategy. Based on Shinhan ESG's five impact tasks, ESG activities are finely divided into nine categories: eco-friendly growth, innovative growth, inclusive growth, social diversity pursuit, financial education, financial consumer protection, support for the vulnerable, community growth, and social contribution.

We then categorized each program into business innovation programs and social contribution ESG programs so to manage performance accordingly. In addition to corporate profitability, Shinhan Financial Group focuses on projects that can create ESG values by adding social responsibility and triple bottom line, especially by solving environmental and social problems that cannot be solved by individual efforts.

Shinhan ESG Top 5 Impact Tasks

E Green

Reduce carbon emissions and expand eco-friendly finance

S Win-win

Building an innovative growth ecosystem
Expanding social contribution through finance

G Trusted

Pursuit of social diversity
Financial consumer protection

Large classification (9)	Middle classification (20)	Business innovation type			Social contribution type			Category of beneficiary							
		E	S	G	E	S	G	Socially vulnerable	Children/adolescents	Youth	Small business owner	Social enterprise/venture/start up, etc	Local community	Consumer/overall environment and social	
Eco-friendly growth	Eco-friendly financial support	●			●								●		●
	Eco-friendly products	●													●
	Spread of eco-friendly	●			●								●	●	●
	Environmental protection				●									●	●
Innovative growth	Innovative financial support		●										●		
	Innovative financial support				●	●									●
	Fostering startups		●			●							●		
Inclusive growth	Inclusive financial support		●			●			●			●	●	●	
	Financial support for social enterprises		●									●			
	Inclusive growth services				●	●					●	●			●
Pursuit of social diversity	Pursuit of social diversity					●	●		●	●	●		●		
Financial education	Financial education					●			●	●	●				●
Financial consumer protection	Financial consumer protection					●	●		●						●
Support for the socially vulnerable	Support for the vulnerable		●		●	●			●	●	●	●			
	Scholarship program					●			●	●	●				
Community growth	Youth education and employment linkage					●			●		●				
	Creating jobs and solving local problems						●							●	
	Revitalizing the culture and arts ecosystem						●		●	●					●
Donations to social contribution	Charitable donation						●		●	●					
	Other social contribution donations						●		●					●	

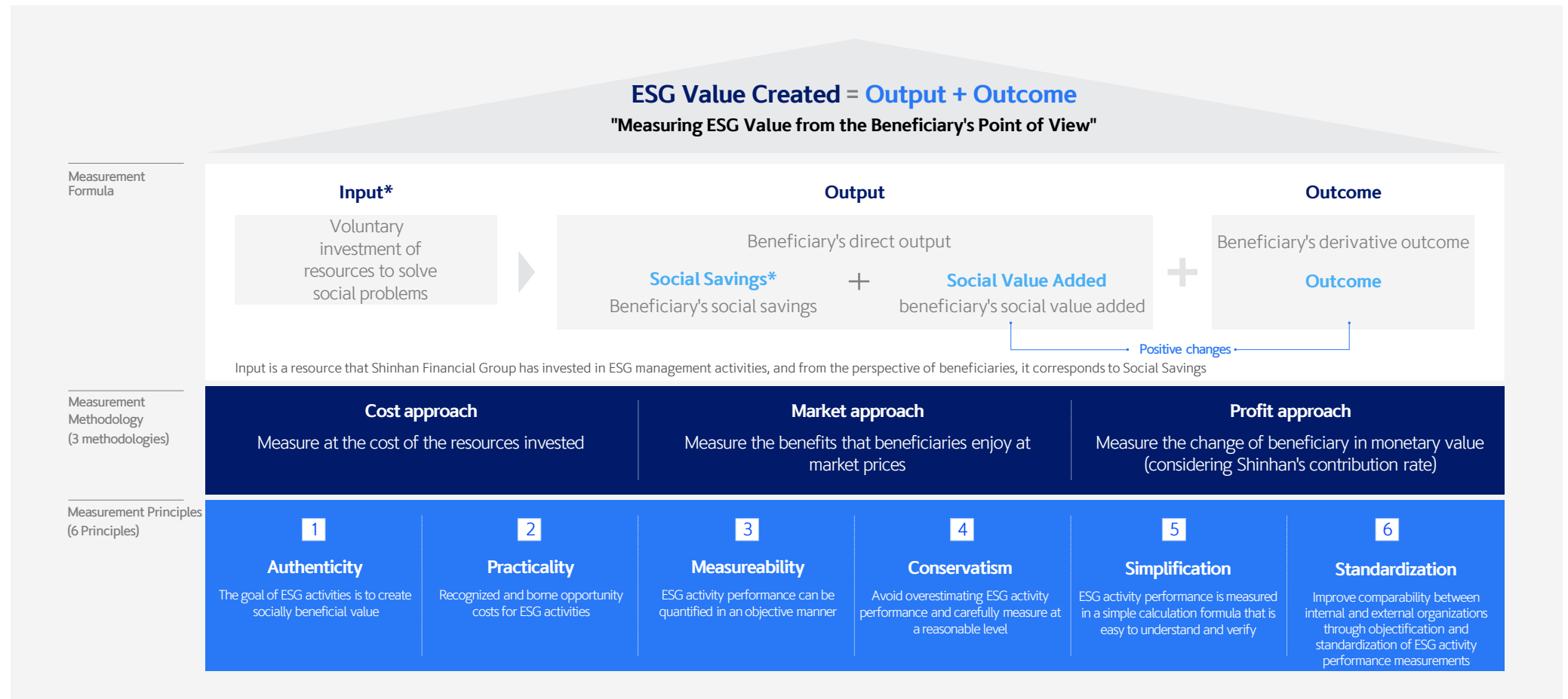
Shinhan ESG Value Index System

Measurement Model and Structure

Shinhan Financial Group identifies the cost (Input) of resources voluntarily invested in ESG activities and measures the performance of ESG activities from the beneficiary's point of view into monetary value by calculating the value generated from them as the sum of 'Direct Output' and 'Derivative Outcomes'. The direct output is categorized into the beneficiary's social savings and the beneficiary's social value added, and the positive changes to the beneficiary due to ESG activities are measured as the sum of the beneficiary's value-added measure and the beneficiary's derivative outcome.

Measurement Principles

The 'Shinhan ESG Value Index' includes six measurement principles so that various stakeholders can easily understand and universally utilize Shinhan Financial Group's ESG value creation system.

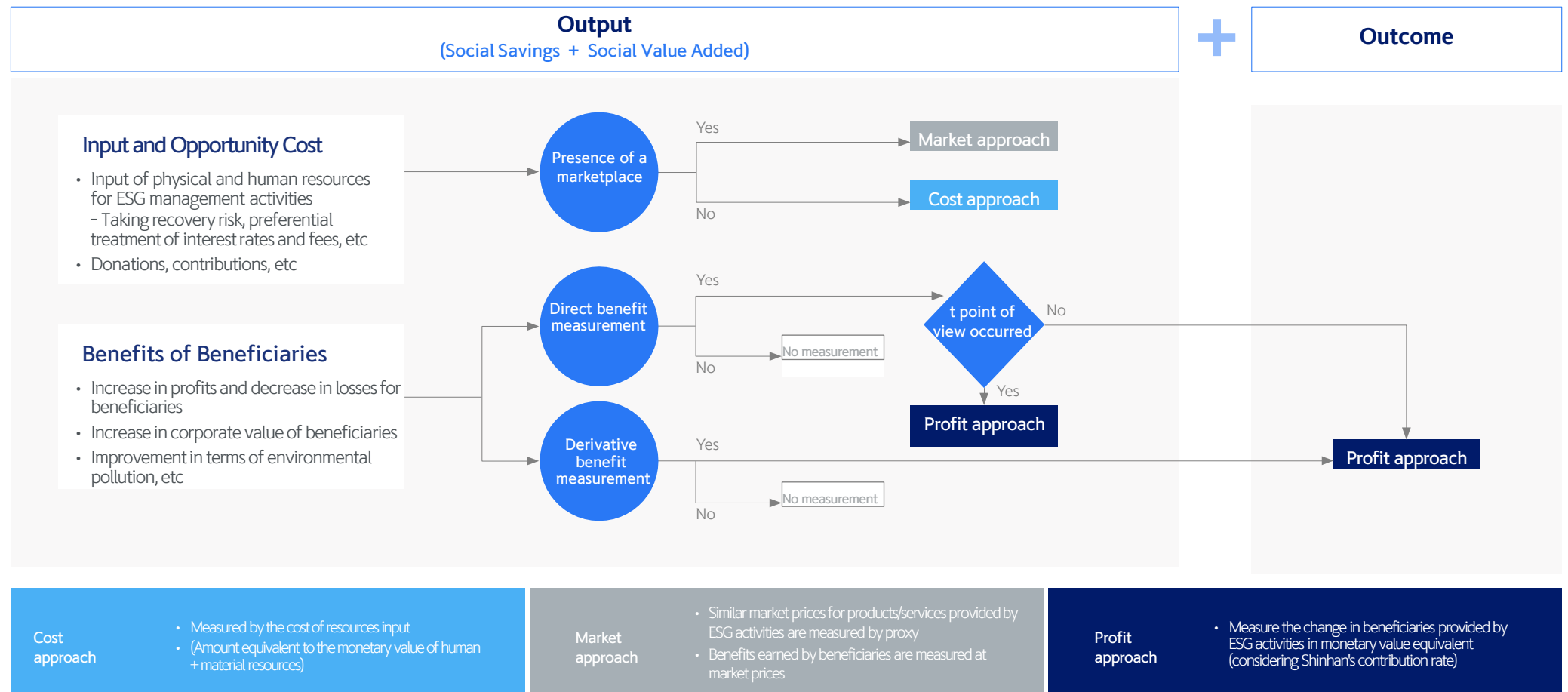


Shinhan ESG Value Index System

Measurement Methodology and Process

Shinhan Financial Group internalizes ESG value creation and measurement concepts in ESG management activities. As a measurement method for each ESG management activity, we used the cost approach, the market approach, and the profit approach, and we can apply multiple methodologies for one activity, depending on its characteristics. These three approaches are conceptually identical to the historical cost and current value, which are the metrics of financial accounting.

For example, if Shinhan Financial Group provides consulting programs to startups, Social Savings measures Shinhan's opportunity cost in terms of historical costs whilst the value of consulting programs provided to startups is 'Output' according to the market approach. The increase in startup value is 'Outcome' according to the profit approach.



Shinhan ESG Performance

Shinhan ESG Value in 2022

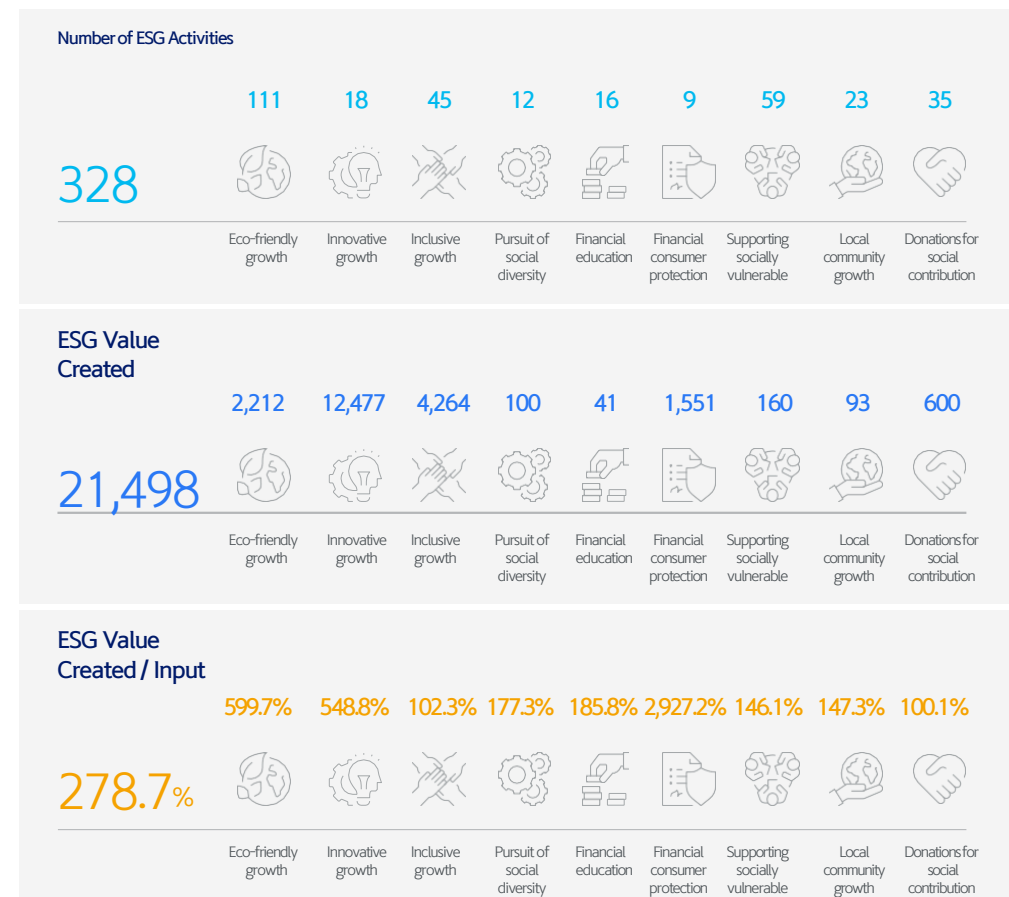
Shinhan Financial Group defines the value created by each ESG activity measured based on the 'Shinhan ESG Value Index' as ESG Value Created, and reports the amount, which excludes environmental costs (GHG emissions Scope 1, 2, 3) and social costs (penalty paid for violating laws), as 'Shinhan ESG Value.' However, indirect economic contribution such as dividends, interest, tax payment, and employment is the amount generated by Shinhan Financial Group's original activities, that makes difficult to evaluate ESG purpose. Thus, these are excluded from the consideration when calculating Shinhan ESG Value.



ESG Value by ESG Activity Type in 2022

Of the nine criteria for Shinhan Financial Group's ESG activities, the largest ESG Value Created was measured in the Innovative Growth area to support innovative finance and digital transformation, and the Inclusive Growth area to support small business owners and the financially vulnerable. ESG Value Created was the highest for ESG activities in the 'Financial Consumer Protection' area, which consists of building a financial fraud prevention system such as voice phishing and damage prevention activities, and green investment and environmental protection activities.

(Unit: KRW 100 million)

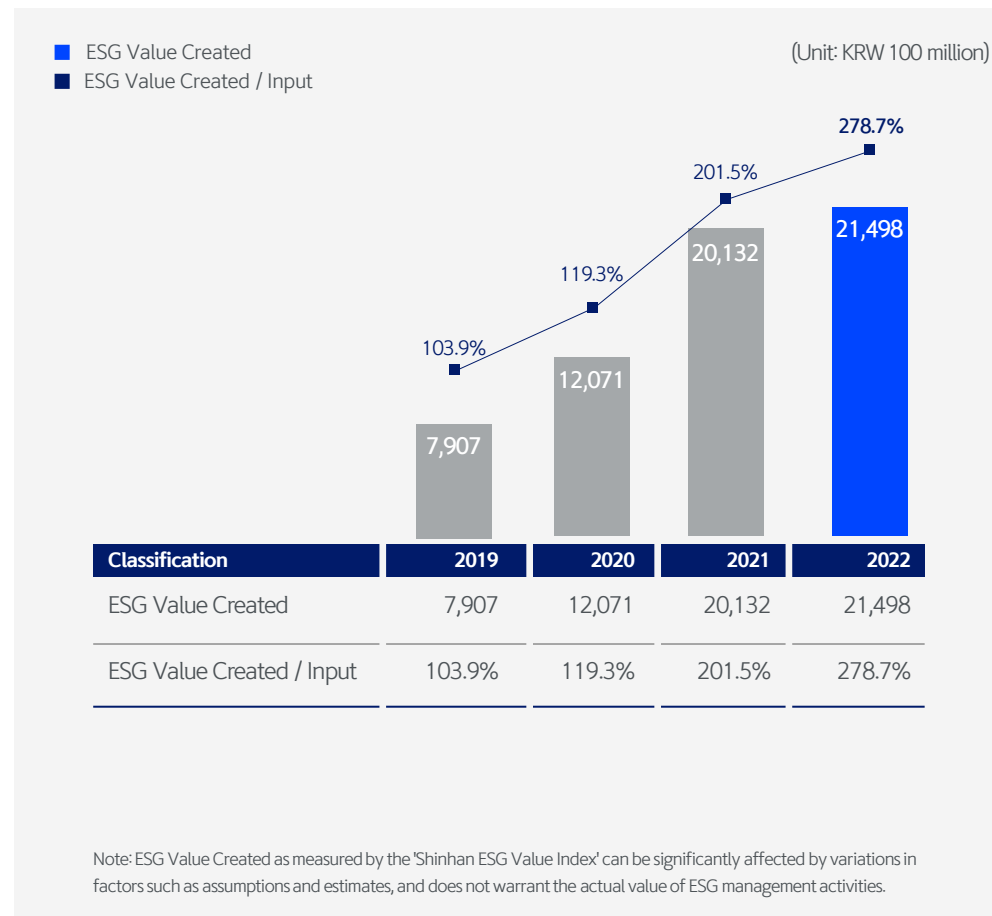


Shinhan ESG Performance

Trend of ESG Value Created

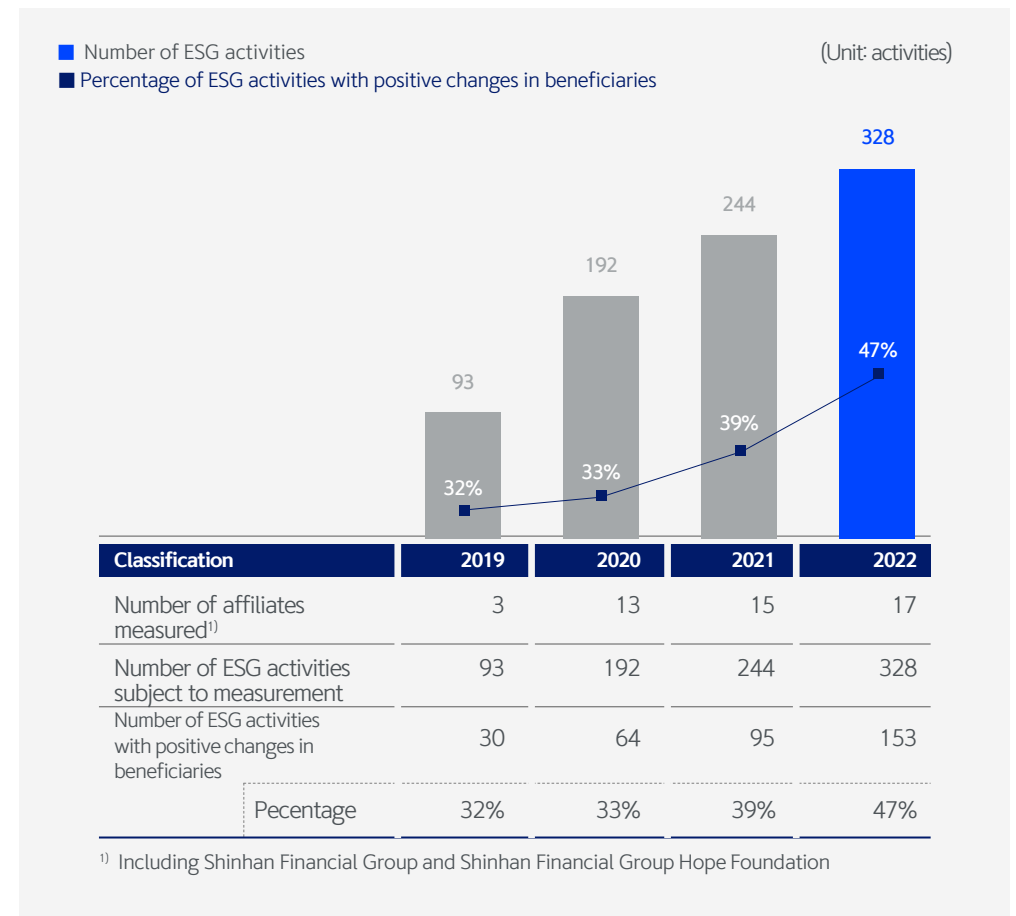
Shinhan Financial Group's ESG Value Created has continued to increase since its first measurement in 2019 due to the annual expansion of the 'Shinhan ESG Value Index' measurement target, accumulation of non-financial performance data, and discovery and application of precise proxy.

Trend of ESG Value Created



In 2022, Shinhan Financial Group and all group companies invested KRW 771.2 billion in 328 ESG activities, and ESG Value Created totalled KRW 2.1498 trillion, and ESG Value Created compared to the input was 278.6%. Due to Shinhan's resource input, a total of 153 ESG activities showed positive changes in beneficiaries, accounting for 47% of the total.

ESG Activity Trends with Positive Changes in Beneficiaries



Key ESG Activity Measurement Cases

E Green

Reduce carbon emissions and expand eco-friendly finance

Through this report, Shinhan Financial Group introduces eight representative cases of measuring the 'Shinhan ESG Value Index' and transparently discloses the methodology and results of measuring ESG Value to stakeholders.

Investment in eco-friendly power plants and rail vehicles

Business introduction

- Investing in project financing and equity/bonds for eco-friendly business owners leasing solar, wind and other eco-friendly power plants and diesel rail vehicles
- Eco-friendly power plant operators implement power generation projects using leverage effects, and diesel railway vehicle leasing companies manufacture eco-friendly railway vehicles and lease them to operators

Participating affiliates

Shinhan Bank	Shinhan Securities	Shinhan Life	Shinhan Capital	Shinhan Asset Management
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ESG activity of Shinhan

Equity investment, bond investment, project financing

Beneficiaries and changes

Eco-friendly business owners (Power plant and diesel rail vehicle lease company)	Environment
Project construction financing and project implementation	Reducing carbon emissions by generating electricity through renewable energy and using eco-friendly railway vehicles

Classification	Workforce input	Material input
Business innovation type (Bond investment, project financing)	Personnel expense for persons in charge of business KRW 459 million	Amount of loans × Rate of setting allowance for bad debts ¹⁾ KRW 2,387.9 billion
Business innovation type (Bond investment, project financing)	Personnel expense for persons in charge of business KRW 100 million	Equity investment amount × Social discount rate ²⁾ KRW 32.74 billion

INPUT
KRW 8.77 billion

↓

Method of measurement	Target beneficiary	Value of benefit
Cost approach	Eco-friendly business owner	Green business cost savings KRW 8.77 billion

OUTPUT
KRW 8.77 billion

+

Method of measurement	Target beneficiary	Value of benefit	Contribution rate	Long-term performance
Profit approach	Environment	Power generation capacity × CO ₂ emission coefficient × Carbon emission futures price ¹⁾ 8,328,402 MWh × 0.4434 tCO ₂ e/MWh × 110,165.96 원/t	Shinhan investment amount in a project	5-year current price coefficient ²⁾ 4.38999
		Fuel calorific value × CO ₂ emission coefficient × Carbon emission futures price 13,588 TJ × 74.1t/TJ × 110,165.96 KRW/t		

OUTCOME
KRW 131.3 billion

Legend: ■ Input, ■ Social Savings, ■ Social Value Added, ■ Outcome

Input	87.7
ESG Value Created	1,401.0
Output	87.7
Outcome	1,313.3

(Unit: KRW 100 million)

ESG Value Created: KRW 1,401 billion

1) Lending is a recoupable nature of investment, measured by setting allowance for bad debts which corresponds to the credit risk set aside to execute ESG products

2) Measure by using social discount rates as a concept of return on investment when invested in other alternatives to measure the opportunity cost of ESG investment

1) A proxy used to represent reduced carbon emissions in monetary value, measured using European carbon emissions futures prices

2) To measure long-term environmental performance, calculated the effectiveness of the next five years from the time the investment is completed at present value

Key ESG Activity Measurement Cases

E Green

Reduce carbon emissions and expand eco-friendly finance

Creating an Eco-Friendly Forest

Business introduction

- To practice carbon neutrality and preserve biodiversity, 'Shining Forest No. 1' in Hongcheon, Gangwon-do and 'Promise Garden' in Busan APEC Naru Park were created
- Donating eco-point and eco-point-linked donations of 'Deep Eco Card' to 'Seoul Green Trust' to form an 'Eco Zone' park in the city center and implement eco-friendly campaigns such as events to encourage citizens to practice carbon neutrality

Participating affiliates

Shinhan Bank Shinhan Life

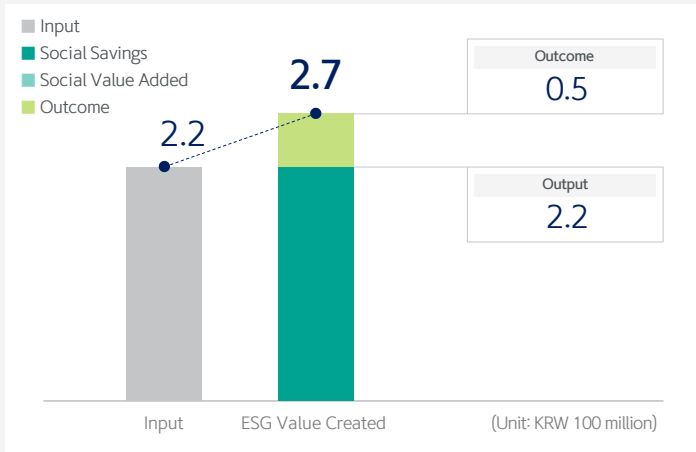
ESG activity of Shinhan

Donation to a forest-building project Implementation of an eco-friendly campaigns

Beneficiaries and changes

Environment Citizens using forests

Reducing fine dust in the air by creating forests Increased welfare through the use of forests



INPUT	Classification	Workforce input	Material input
KRW 220 billion	Social contribution type	Personnel expense for persons in charge of business KRW 30 million	Business operating expenses KRW 190 million (Forest creation and eco-friendly campaign costs, etc.)

OUTPUT	Method of measurement	Target beneficiary	Value of benefit
KRW 220 billion	Cost approach	Citizens using forests /environment	Savings in forest construction costs KRW 220 million

OUTCOME	Method of measurement	Target beneficiary	Value of benefit	Long-term performance
KRW 50 million	Profit approach	Environment Citizens using forests	Planting trees × Annual fine dust absorption × Annual fine dust environmental cost 5,250 trees × 35.7 g/trees × 66.352 KRW/g	5-year current price coefficient 4.38999
			Increased welfare through the use of forests ²⁾	

1) To measure long-term environmental performance, calculated the effects of the forest over the next five years as its present value
2) The effect of increasing the welfare of citizens using the forest is expected, but the long-term beneficiary value cannot be quantified, so outcome is not counted according to the measurability principle

ESG Value Created: KRW 270 million

Key ESG Activity Measurement Cases



Investing in Social Ventures

Business introduction

- Invest by creating social enterprise investment funds that invest in social enterprises, social enterprise conversion agreements, preliminary social enterprises, and impact enterprises that can be applied to UN guidelines
- After Shinhan's investment in the parent fund, contributed to the creation of private venture funds and the revitalization of venture company investment

Participating affiliates

Shinhan Bank	Shinhan Securities	Shinhan Life	Shinhan Capital
Shinhan Asset Management	Shinhan Venture Investment	Shinhan Financial Group	Hope Foundation

ESG activity of Shinhan

Equity investment, bond investment, project financing

Beneficiaries and changes

Eco-friendly business owners (Power plant and diesel rail vehicle lease company)	Environment
Project construction financing and project implementation	Reducing carbon emissions by generating electricity through renewable energy and using eco-friendly railway vehicles

INPUT
KRW 1.3 billion

↓

OUTPUT
KRW 7.53 billion

+

OUTCOME
KRW 8.64 billion

Classification	Workforce input	+	Material input
Business innovation type	Personnel expense for persons in charge of business KRW 440 million		Equity investment amount × Social discount rate ¹⁾ KRW 19 billion × 4.5%

1) Measure by using social discount rates as a concept of return on investment when invested in other alternatives to measure the opportunity cost of ESG investment

Method of measurement	Target beneficiary	Value of benefit
Cost approach	Venture and social enterprises	Savings in financing for social venture business KRW 1.3 billion
Profit approach		Investment amount of private venture funds × Social discount rate KRW 138.5 billion × 4.5%

1) Private venture funds were formed by Shinhan's parent fund creation, and the investment amount is recognized as output, but Shinhan's investment amount is measured by the cost approach and the private venture fund investment by the profit approach

Method of measurement	Target beneficiary	Value of benefit	×	Contribution rate
Profit approach	Venture and social enterprises	Amount of increase in corporate value of the invested company KRW 220.5 billion		Investment amount for invested companies Corporate value after investment

■ Input
■ Social Savings
■ Social Value Added
■ Outcome

Input	130
ESG Value Created	161.7
Outcome	86.4
Output	75.3

(Unit: KRW 100 million)

ESG Value Created: KRW 16.17 billion

Key ESG Activity Measurement Cases

S Win-win
 Building an innovative growth ecosystem
 Expanding social contribution through finance

Operating Win-win Delivery App, 'Ddangyoyo'

Business introduction

- With the slogan of 'Our Neighborhood Delivery App where You Live and I Live,' operate "Ddangyoyo," a food order brokerage platform that provides benefits to platform participants
- Provide support funds for issuing customer discount coupons to merchants in "Ddangyoyo" and provide brokerage fees to merchants when customers order through "Ddangyoyo"

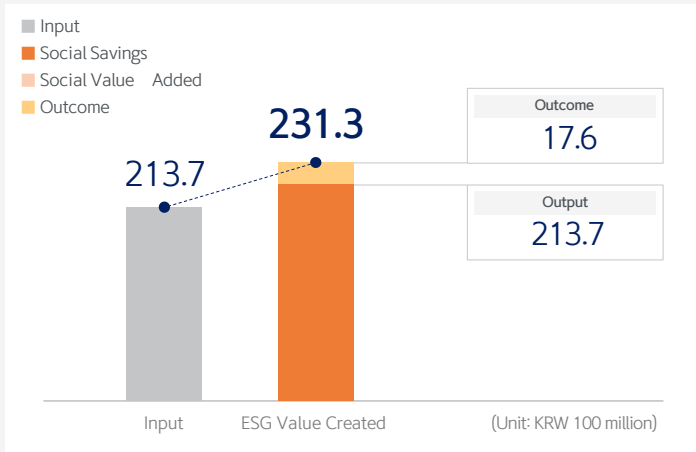
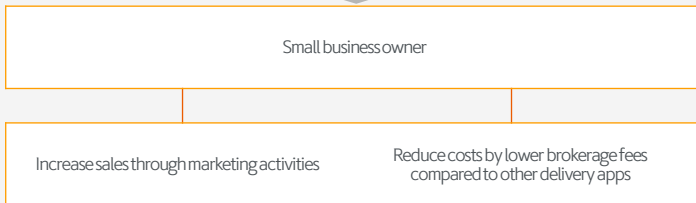
Participating affiliates

Shinhan Bank

ESG activity of Shinhan



Beneficiaries and changes



Classification	Workforce input	+	Material input
Social contribution type (marketing support)	Personnel expense for persons in charge of business KRW 10 million		Business operating expenses KRW 660 million (Support for the issuance of customer discount coupons, etc.)
Social contribution type (reduction of brokerage fees)	Personnel expense for persons in charge of business KRW 3.84 billion		Business operating expenses KRW 16.86 billion (Marketing and promotion costs, etc. to increase sales of store franchises)

INPUT
KRW 21.37 billion

↓

Method of measurement	Target beneficiary	Value of benefit
Cost approach	Small business owner	Marketing savings KRW 670 million
		Cost savings of delivery app brokerage fee ¹⁾ KRW 20.7 billion

+

Method of measurement	Target beneficiary	Value of benefit
Profit approach	Small business owner	Increase in sales × Value-added rate ¹⁾ KRW 4.75 billion × 37.15%

OUTPUT
KRW 21.37 billion

OUTCOME
KRW 1.76 billion

¹⁾ Cost savings of delivery app brokerage fees (based on the amount of orders received, brokerage fees for other delivery apps – brokerage fees for 'Ddangyoyo') can be measured as there is a similar market, but Shinhan's input amount is greater than the value of similar markets due to the short operating period since the launch of 'Ddangyoyo' and the promotion support amount is included in addition to the reduction of brokerage fees, so it is measured by a cost approach

¹⁾ Measurement using the value-added rate of the food and beverage industry to calculate the profit minus expenses to increase sales

ESG Value Created: KRW 23.13 billion

Key ESG Activity Measurement Cases

S Win-win
 Building an innovative growth ecosystem
 Expanding social contribution through finance

Participation in Youth Housing Development Project

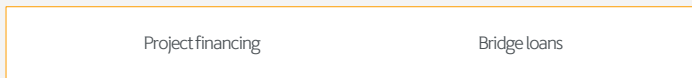
Business introduction

- Participation in projects to provide housing to youth as part of private efforts to stabilize housing for young people which is emerging as social problems
- Investment in loans for business site purchase funds, construction costs, etc. in the form of bridge loans and project financing for projects that provide housing for young people and newly married couples, etc

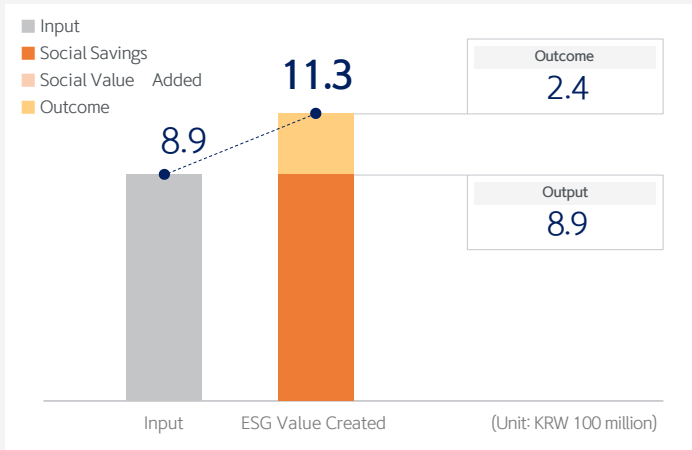
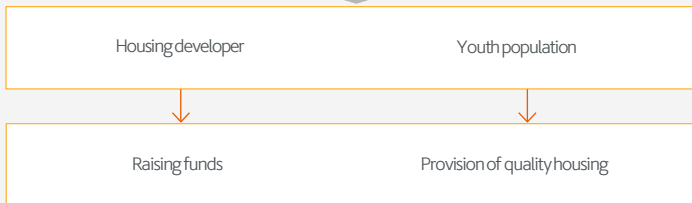
Participating affiliates

Shinhan Capital

ESG activity of Shinhan



Beneficiaries and changes



INPUT	Classification	Workforce input	+	Material input
KRW 890 million	Business innovation type	Personnel expense for persons in charge of business KRW 130 million		Bridge loan and PF loan bad debt allowance set ¹⁾ × Interest rate preferential amount ²⁾ KRW 300 million × KRW 460 million

1) Bridge and PF loans have the nature of recouping investments, measured by the credit risk set aside to execute ESG products
 2) Loan balance x (market interest rate - interest rate applied to youth housing development project)

OUTPUT	Method of measurement	Target beneficiary	Value of benefit
KRW 890 million	Cost approach	Youth housing developer	Saving amount in financing for youth housing development Projects KRW 890 million

OUTCOME	Method of measurement	Target beneficiary	Value of benefit - Rent reduction	× Contribution rate	× Long-term performance
KRW 240 million	Profit approach	Youth population	Supply of youth housing × Average annual rent in the neighborhood × Percentage of rent savings ¹⁾ 2,361 rooms × 6,600,000 won × 5%	Investment amount for invested companies / Total cost of the project	5-year current price coefficient 4.38999

1) Conservatively measured based on a private rental and general supply basis
 2) The average useful life of a building is 20 to 30 years or more, but the effect of the next five years is conservatively calculated as the present value in consideration of uncertainties such as the possibility of rent changes

ESG Value Created: KRW 1.13 billion

Key ESG Activity Measurement Cases

S Win-win
 Building an innovative growth ecosystem
 Expanding social contribution through finance

Financial Education

Business introduction

- Operation of various lifestyle finance education programs for the financially underprivileged who have difficulty using financial services in their daily lives
- Provide customized programs for each target, such as 'Visiting Financial Experience Classes' for youth in islands and mountainous areas, digital banking for the elderly and people with developmental disabilities, and education on prevention of financial fraud

Participating affiliates

Shinhan Bank	Shinhan Card	Shinhan Securities	Shinhan Life
Jeju Bank	Shinhan Savings Bank	Shinhan Financial Group Hope Foundation	

ESG activity of Shinhan

Production of financial education contents and textbooks	Providing musical performances, hands-on activities, etc
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Beneficiaries and changes

Elementary, middle, and high school students	The financially underprivileged
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Acquisition of financial knowledge for living	Closing the digital financial divide
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Classification	Workforce input	Material input
Social contribution type	Personnel expense for persons in charge of business KRW 180 million	business operating expenses KRW 2.71 billion (Production of educational content and personnel expense for instructors)
Method of measurement	Target beneficiary	Value of benefit
Social contribution type	Persons subject to financial education	$\text{Number of training sessions} \times \text{Persons for training} \times \text{Education expenses in a similar market}$ 2,885 times \times 325,419 persons \times Application by training target
		$\text{Production of textbooks} \times \text{Textbook price in a similar market}$ 60,169 books \times Application by training target
		$\text{Number of musical performances} \times \text{Number of audience} \times \text{Performance fee in a similar market}$ 75 times \times 30,844 persons \times Application by performance type
Profit approach	Persons subject to financial education	Persons subject to financial fraud prevention education
Profit approach	Persons subject to financial education	$\text{Persons for training} \times \text{Possibility of exposure to financial fraud}^1 \times \text{Net damage to financial fraud per person}^2$ 1,182 persons \times 4.5% \times 8,364,544 won
		Cultivate savings and sound consumption habits, and improve access to digital finance ³⁾

INPUT
KRW 2.89 billion

↓

OUTPUT
KRW 4.36 billion

+

OUTCOME
KRW 440 million

Input

Input	28.9
ESG Value Created	48

(Unit: KRW 100 million)

Outcome	4.4
Output	43.6

1) Percentage of financial fraud experiences over the age of 50
 2) Amount deducted from the amount of damage per victim of financial fraud
 3) Outcome is not accounted for in accordance with the measurability principle because the long-term beneficiary value of financial education cannot be quantified

ESG Value Created: KRW 4.8 billion

Key ESG Activity Measurement Cases



Supporting Employment and Job Creation for the Disabled

Business introduction

- Provide opportunities for barista internships for people with hearing disability and support the acquisition of barista certificates
- Operate five Cafe Sweet shops, a cafe of people with hearing disability, for the purpose of professional vocational education and job creation

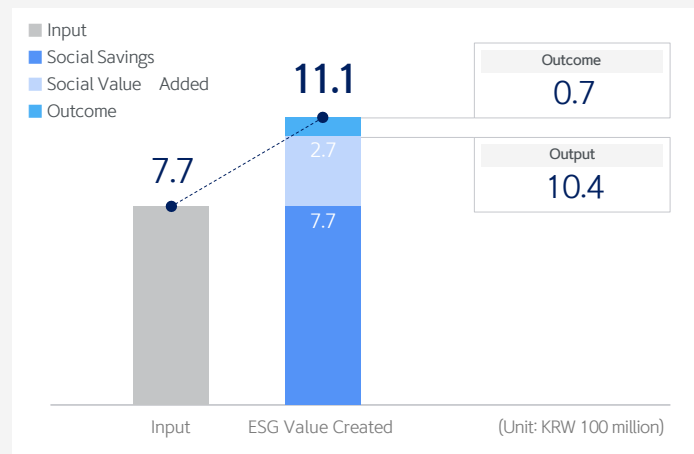
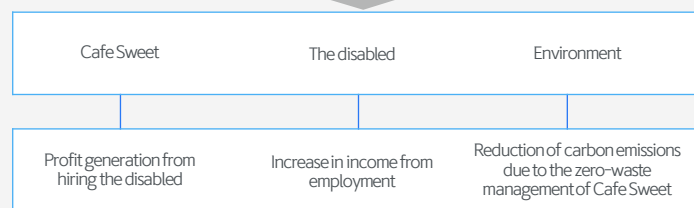
Participating affiliates

Shinhan Financial Group	Shinhan Bank	Shinhan Financial Group Hope Foundation
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ESG activity of Shinhan

Supporting management of Cafe Sweet, education for the disabled

Beneficiaries and changes



INPUT KRW 770 million	Classification	Workforce input +	Material input
	Social contribution type	Personnel expense for persons in charge of business KRW 20 million	Business operating expenses KRW 750 million (Funds for the operation of Cafe sweet, education expenses for the disabled, etc.)
↓	Method of measurement	Target beneficiary	Value of benefit
	Cost approach	Cafe Sweet	Cafe operating cost savings KRW 770 million
OUTPUT KRW 1.04 billion	Profit approach	The disabled	Increase in sales × Value-added rate ¹⁾ KRW 570 million × 37.15%
		2 persons	Employed persons × Annual income increase per person ²⁾ KRW 30 million

OUTCOME KRW 70 million	Profit approach	Cafe Sweet	Receipt of employment incentives for the disabled KRW 70 million
		Environment	Using a multi-use/biodegradable cup ¹⁾ × Reduction amount of carbon emissions × Carbon emissions futures price 283,543 cups × 0.00003546 t/cups × 110,164.96 won/t

¹⁾ Measurement using the value-added of the food and beverage industry to calculate the profit minus expenses to increase sales
²⁾ Calcaute annual income growth based on 2022 minimum wage

¹⁾ Measured using data from the Institute for Climate Change Action as reduced amount of carbon emissions when using multi-use cups and biodegradable cups
²⁾ A proxy used to represent reduced carbon emissions in monetary value, measured using European carbon emissions futures prices

ESG Value Created: KRW 1.11 billion

Key ESG Activity Measurement Cases



Business to Prevent Financial Fraud such as Voice Phishing

Business introduction

- To prevent and detect abnormal financial transactions early, a dedicated response team is formed, and systems are established and advanced
- In order to prevent family-named voice phishing accidents, conducted a 'National Campaign to Make Our Family Password' with the National Police Agency

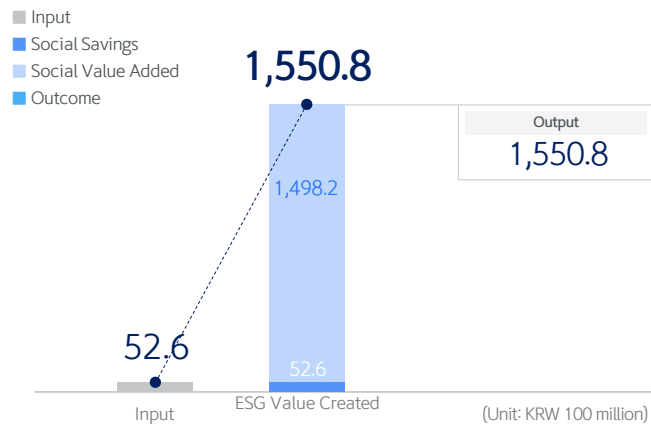
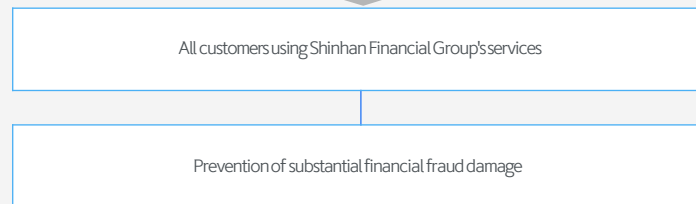
Participating affiliates

Shinhan Bank	Shinhan Card	Shinhan Securities
Shinhan Life	Jeju Bank	Shinhan Savings Bank

ESG activity of Shinhan

Establishing a system for preventing and early detection of financial fraud, implementing a campaign to prevent damage due to financial fraud, and sending customer notification messages

Beneficiaries and changes



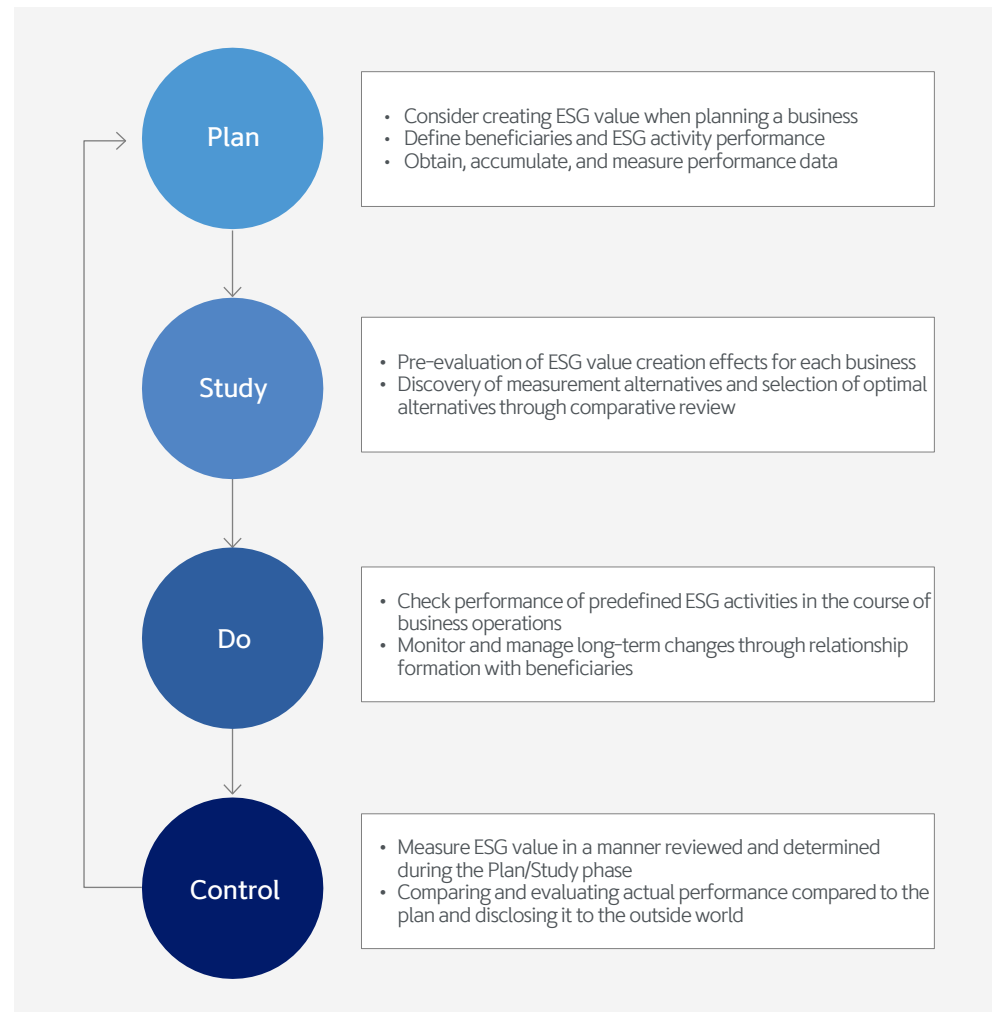
1) Outcome is not accounted for in accordance with the measurability principle because the long-term damage prevention effect related to financial fraud cannot be quantified

ESG Value Created: KRW 155.08 billion

Shinhan's ESG Value Creation and Direction

This year marks the fifth anniversary of Shinhan Financial Group's collaboration with Yonsei University's ESG/Corporate Ethics Center to develop 'Shinhan ESG Value Index' and measure and manage ESG performance in monetary value every year. The performance of ESG activities, which was considered a non-financial achievement, is now the basis for solidifying Shinhan's steps toward ESG management practice, delivering them at a recognizable and understandable currency value. Based on 'Shinhan ESG Value Index,' we will increase the effectiveness of Shinhan Financial Group's ESG activities and focus on more valuable ESG activities to continue our efforts for sustainable growth with various stakeholders.

Shinhan Financial Group's ESG Value Review Process



Comment from the researchers of Shinhan ESG Value Index

We promote a virtuous cycle of social value creation through ESG internalization.

Shinhan Financial Group has shared its willingness to measure the monetary value of its ESG activities with executives and employees. In order for the 'Shinhan ESG Value Index' to be used as a strategic decision-making and performance assessment tool, it is necessary to establish an internal consensus on objective measurements and results by ensuring the suitability of data and measurements.

Therefore, we should consider creating ESG values from the stage of planning the actual business, and define performance indicators to measure in monetary value. In addition, efforts must be made to comply with the ESG Value Index measurement process, from data collection and measurement of monetary value to feedback.

As the 'Shinhan ESG Value Index' has advanced, Shinhan Financial Group has been encouraging the discovery and expansion of ESG activities which can meet the characteristics of each group company by reflecting it in the CEO evaluation of affiliates within the group since 2023. As a result, if a sustainability culture is spread and established within the group, we can expect a virtuous cycle of creating greater ESG values.

Jo Jung-hoon
(Director of ESG at Shinhan Financial Group)



Shinhan's ESG Value Creation and Direction

Measuring ESG Value is a global trend.

Financial statements are a report that summarizes transactions that change financial position and can be measured in monetary amounts among economic events that occur through corporate management activities. The monetary value reported in the financial statements involves numerous assumptions, estimates, and discretionary judgments, and various measurement criteria are sometimes mixed. Despite these limitations, accounting information is the most useful source of information to help you understand a company.

I believe that 'Shinhan ESG Value Index' is a tool that can contribute to internalizing ESG management through quantified measurement and evaluation, despite multiple assumptions and estimates. Authentic ESG management and its performance measurements can improve enterprise value, including reduced regulatory costs and innovation in technology and processes, while generating long-term benefits for both businesses and society. The 'Shinhan ESG Value Index' will be a useful tool for Shinhan's contribution to society as a global financial group and sustainable growth.

Lee Ho-young

(Professor, Business School, Yonsei University, Director of ESG/Corporate Ethics Center)



ESG Value measurements should be beneficiary focused.

The core of the 'Shinhan ESG Value Index' metric is a beneficiary-focused ESG value measurement. This is because the 'value' criterion for ESG activities is the 'benefit' perceived by the beneficiary.

Shinhan Financial Group defines 'ESG Value' created by companies as tangible and intangible benefits perceived by all potential beneficiaries compared to the efforts and resources invested by companies and measures monetary value based on the principles of authenticity, practicality, and measurability. Furthermore, conservatism, simplification, and standardization principles are strictly applied so that they can be used convincingly and universally by more stakeholders. We look forward to Shinhan's continued efforts to develop 'Shinhan ESG Value Index' into a standardized indicator for measuring performance for ESG activities in the future.

Min Soon-hong

(Professor, Business School, Yonsei University and Vice President of the Korea Ethics Management Association)



Metrics by Subject

Environmental Performance Metrics

Large classification	Middle classification	Minor classification	Metrics	
Environmental performance	GHG reduction	Reducing GHG emissions	CO2 emission factor (unit of electricity)	
			CO2 emission factor (unit of consumption)	
			Price of carbon credit	
		Reducing GHG emissions-electricity	CO2 emissions from electricity use	
			CO2 emissions from fluorescent light use	
			PC standby power	
			Eco-cost per PC unit	
			CO2 emissions from A4 paper use	
			Plastic waste incineration CO2 emission coefficient	
		Reducing GHG emissions-waste	CO2 emissions from sending E-mails	
			CO2 reduction from using multiple containers	
			CO2 reduction from credit card made by materials from waste plastic	
		Reducing GHG emissions-transportation	Annual CO2 reduction from using hybrid vehicles	
			CO2 emissions from railways	
			CO2 emissions from gasoline use	
		Reducing GHG emissions-heating	CO2 reduction from using eco-friendly boilers	
		Fine dust reduction	Reducing fine dust emissions	Fine dust environmental cost
			Reducing fine dust emissions-heating	Fine dust reduction using eco-friendly boilers
Reducing fine dust emissions-landscape	Fine dust absorption from trees			

Greenhouse Gas Information Center, Ministry of Environment

International Futures Market Price

Korea Climate and Environment Network

Institute of Climate Change Action

Korea Institute of Electrical Research

Delft University of Technology Data

Journal of the Korean Railroad Society

National Environmental Industry Technology Information System

Korea Environmental Corporation

Institute of Climate Change Action

THE FINTECH TIMES

Korea Automotive Engineering Association

Korea Environmental Corporation

Comprehensive Information on Energy and Greenhouse Gas

National Academy of Environmental Sciences

Institute of Energy Economics

National Academy of Environmental Sciences

Seoul Institute of Research

Metrics by Subject

Social Performance Metrics

Large classification	Middle classification	Minor classification	Metrics	Reference	
Social performance	Personnel expense	Personnel expense-general	Minimum wage	Ministry of Employment and Labor	
			Average wage for startups (businesses with less than 50 employees)	National Statistical Office	
		Personnel expense-employee	Average wage of Shinhan Financial Group	Shinhan Financial Group	
	Educational expenses	Educational expenses-general		Training for middle-aged and elderly instructors	Korea Gender Equality Education Promotion Agency
				Cost of one-day class training completion	Market research
				Training fee of Youth Employment Academy	Korea Development Institute
		Educational expenses-students		Average monthly participation cost per after-school student (elementary/middle/high school)	National Statistical Office, Ministry of Education
				After-school program participation time per person (elementary/middle/high school)	
				EBS textbook fee (elementary/middle/high school)	
				Average private education expenses for elementary school students	
				Private education hours per elementary school student	
				Cost of care per elementary school student per hour	
				Digital education expenses (certification acquisition, coding education expenses, etc.)	
	Reading education program				
	Space rental	Space rental-general		Reading ability test cost	Korea Educational Broadcasting Corporation
				Environmental education	National Children's Science Museum
Small business owner	Small business owner-general		Average area of medium office building	Journal of Real Estate	
			Small business owners' annual income	Ministry of SMEs and Startups, National Statistical Office	
Medical expenses	Medical expenses-the disabled		Small business closure rate	Ministry of Public Administration and Security	
			Neurodevelopmental intervention therapy	Market research	
			Developmental rehabilitation service for disabled children	Social Service Electronic Voucher	
Support for language development for disabled children					

Metrics by Subject

Financial Social Performance Metrics

Large classification	Middle classification	Minor classification	Metrics	Reference
Financial social performance	Financial investment	Bond investment-opportunity cost	Accumulation rate of allowance for bad debts on normal bank bonds	Banking Supervision Regulations
			Accumulation rate of allowance for bad debts on normal insurance bonds	Insurance Industry Supervision Regulations
			Accumulation rate of allowance for bad debts on normal financial investment bonds	Financial Investment Business Regulations
		Accumulation rate of allowance for bad debts on normal bonds from the credit-specialized financial business	Regulations for Supervision of Financial Businesses Specialized in Credit	
		Accumulation rate of allowance for bad debts on normal bonds from mutual savings banking business	Regulations for Supervision of Mutual Savings Bank Business	
		Equity investment-opportunity cost	Social opportunity cost of equity investment	Korea Development Institute
		Innovative financial investment - contribution rate	Total capital investment efficiency	Bank of Korea
	Financial fraud	Innovative financial investment - value added	Value-added inducement coefficient in industry	Institute of Science and Technology Policy
			Commercialization success rate	Institute of Science and Technology Policy
			Prevention of financial fraud - occurrence	Percentage of financial fraud experiences over the age of 50
		Prevention of financial fraud - damage	Net damage per victim of financial fraud	Financial Supervisory Service

General Metrics

Large classification	Middle classification	Minor classification	Metrics	Reference
General	Exchange rate	Exchange rate-general	Average foreign exchange rate	Shinhan Bank
	Present value	Present value-general	Social discount rate pension current value coefficient	Korea Development Institute
	Value added	Value-added rate-general	Value-added rate of corporate operators	National Tax Service
			Value-added rate of general operators	