

Financial Opportunities from Climate Change

Index	Contents
Value Chain	Banking portfolio
Opportunity type	Products and services
Financial impact	Increased revenues resulting from increased demand for products and services
Company-specific description	<p>The Shinhan Financial Group is conducting periodic surveys and analyses to understand customer requirements and consumer and market trends according to climate change.</p> <p>In 2012, a policy where generators must supply a certain percentage of energy from renewable sources known as the RPS (Renewable Portfolio Standard) was introduced. The RPS continues to be in effect along with the FIT (Feed-in Tariff). The supply duty ratio is continuously expanding. In 2021, 9% of renewable energy was supplied. Government plans to increase the share of renewable energy by 25 % by 2026.</p> <p>Since 2007, SFG has seen growing trends of renewable energy in comparison to non-renewable energy and expect to find greater opportunities in the renewable energy generation business. By continuing investment in the renewable energy sector, Shinhan Bank, Shinhan investment Corp. and Shinhan Life Insurance strive to find new business opportunities.</p> <p>Shinhan Financial Group expects to see growing demands from our corporate clients for renewable energy PFs(958.7 billion KRW in 2021) and active promotion of related products can be big opportunities to create profits.</p>
Time horizon	2030 (ten years, Long term)
Potential financial impact figure (currency)	958,700,000,000 KRW
Explanation of financial impact figure	As an effort to support renewable energy projects, Shinhan Bank participated in renewable energy projects as an investor in 2021 and provided approximately 958.7 billion KRW of loan, actively supporting the renewable energy sector. If such demands continue to grow, SFG expects to create higher profits in this area.
Cost of response to risk	3,500,000,000 KRW
Description of response and explanation of cost calculation	<p>As the customer's response to regulations related to new and renewable energy is expected to increase, we are making efforts to actively utilize opportunities related to new and renewable energy by participating in various types of renewable energy power generation projects as an investment advisor or continue to invest in expanding to new and renewable energy sources such as solar power, wind power, fuel cell, and biomass.</p> <p>The Shinhan Financial Group's GIB division is participating in a total of 59 projects in Japan, Vietnam, and other countries. (Japan Shuki 26MW solar power generation PF, Imjado 99.94MW solar power generation project finance, Japan Yamanashi Kai 17.28MW solar power generation PF)</p> <p>Moreover, as financial needs new and renewable energy in the non-solar energy sector (such as wind, solar cells, and waste), Shinhan Bank also expanded our investment in the non-solar energy sector.</p> <p>With the Shinhan Financial Group's expanding eco-friendly finance policy, renewable energy, energy efficiency, and Capital investment in business such as fuel conversion, we plan to continue expanding loans and PF.</p> <p>In 2021, operational cost of climate change-related financial products was included in the total operational costs. Almost 3,500 million KRW was incurred as labor costs for renewable energy generation project investment (35 employees for a year, average annual salary at 100,000,000 KRW/person)</p>

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Value Chain	Investing (Asset manager) portfolio
Opportunity type	Products and services
Financial impact	Increased revenues resulting from increased demand for products and services
Company-specific description	<p>More investors are taking climate change and ESG indicators into consideration for making investment decisions. As such, whether a company seeking for investment is fulfilling its environmental and social responsibilities became an important issue. According to Morning stars's report on average in 2021, sustainable funds attracted \$17.3 billion in net flows each quarter, topping the \$12.8 billion average seen in 2020 and leading to another record-setting year. In total, U.S. sustainable funds netted nearly \$70 billion for the year, a 35% increase over 2020's high-water mark. Shinhan Asset Management: Recognizing these changes as an opportunity factor, we have continuously increased the proportion of ESG-related investments by approximately 1% every year.</p> <p>As of 2021 the climate related ESG fund size is 3,069.5 billion KRW increased ratio about 15%, including renewable energy/energy efficiency 2,211.2 billion KRW, eco-transportation 858.3 billion KRW etc.</p> <p>The Shinhan Financial Group plans to support the transition to a low-carbon economy through eco-friendly finance tailored to the characteristics of each group company. We plan to continuously expand ESG-related investments.</p>
Time horizon	2025 (3 years, short term)
Potential financial impact figure (currency)	3,069,500,000,000 KRW
Explanation of financial impact figure	Shinhan Financial Group has launched and is currently managing various climate change and ESG-related funds. As of the end of 2021, these funds amount to 3,069.5 billion KRW and Shinhan Asset Management expects this figure to continue growing in the future to lead to greater profit.
Cost of response to risk	900,000,000 KRW
Description of response and explanation of cost calculation	<p>As ESG-related systems and institutional investors' investments are expanding world-widely, we are reviewing ESG investment policies and increasing the proportion of ESG investment in our investment assets. As a result, the return of ESG-related funds managed by Shinhan Asset Management is expected to increase, and the expected return of investors such as Shinhan Life insurance, Shinhan Bank, and Shinhan Investment Corp. is also expected to improve.</p> <p>To take advantage of this related opportunity, alternative investment products such as Shinhan Green Sunshine Dream General Private Equity Special Asset No. 1, Daegu Green Power Combined Heat and Power General Private Equity Special Asset, Japan Solar Power Project General Private Equity Special Asset No. 3, Green New Deal Energy General Private Equity Special Asset No. 2, WTE (Waste To Energy) General Private Equity No.1, and SRI (Socially Responsible Investment) fund products such as SOL Global Carbon Emissions Futures IHS Special Asset Listed Index, SOL Europe Carbon Emissions Futures S&P Special Asset Listed Index and Global Carbon Neutral Solution have been developed and are operating. In 2020, Shinhan Asset Management incurred about 900 million KRW (assigned 9 employees for a year, average salary at 100,000,000 KRW/employee) as labor cost for managing climate change and ESG-related funds. Other product-related sales commission was included in the total operational costs.</p>