



———— ESG Powerhouse of Korea ————

Shinhan Asset Management ESG Investment **Blueprint**

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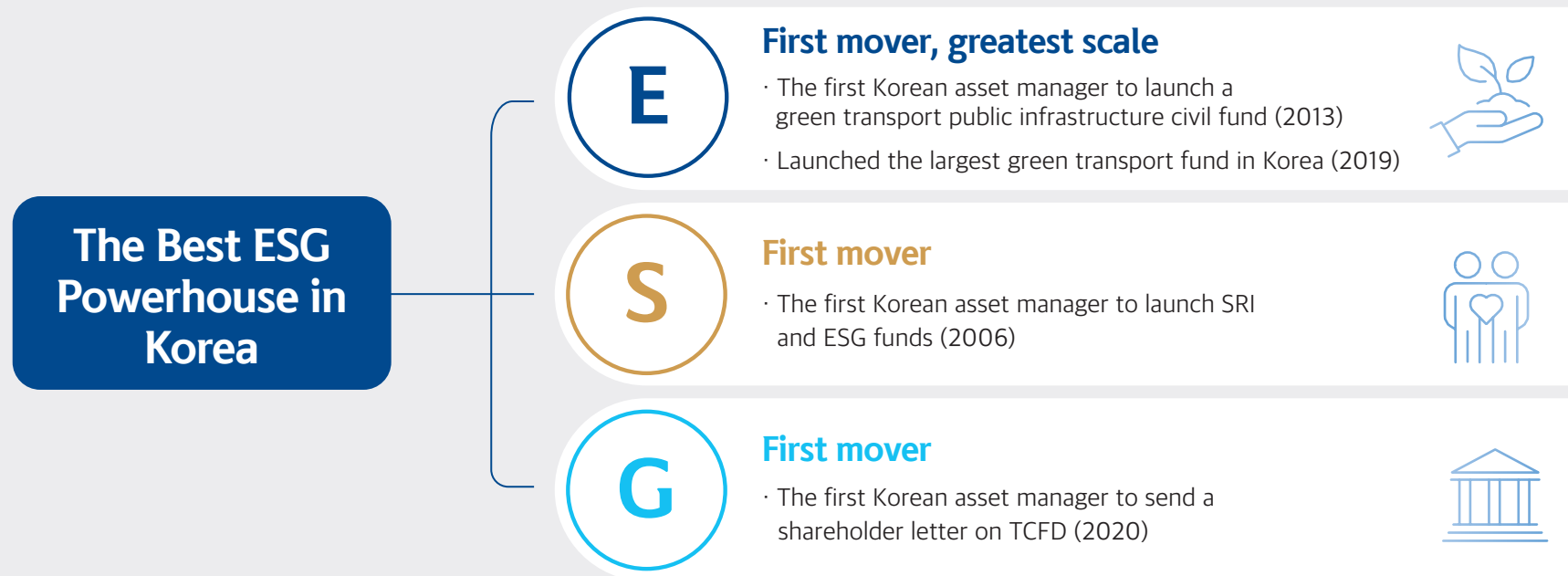
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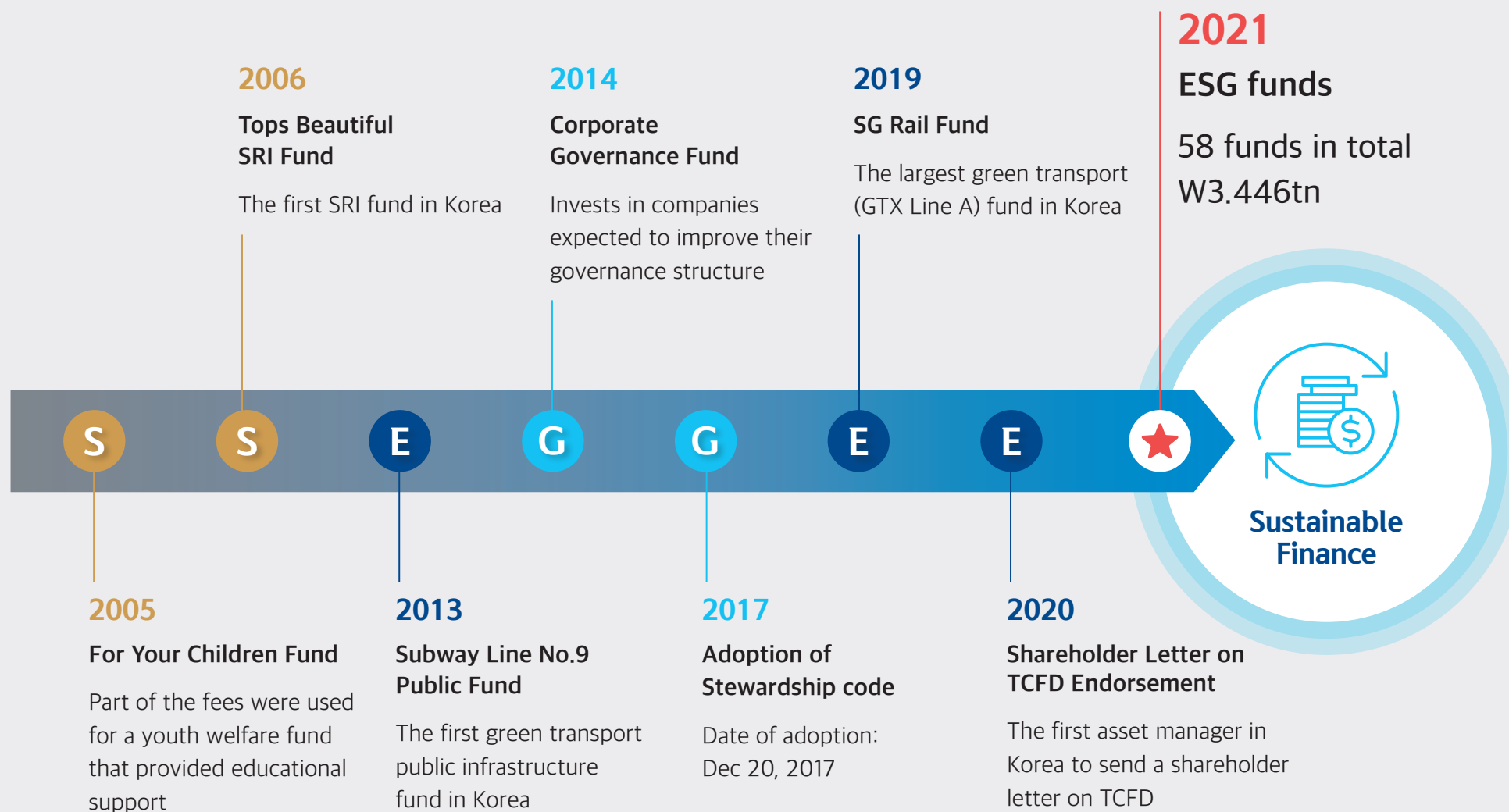
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Shinhan Asset Management: ESG Powerhouse of Korea

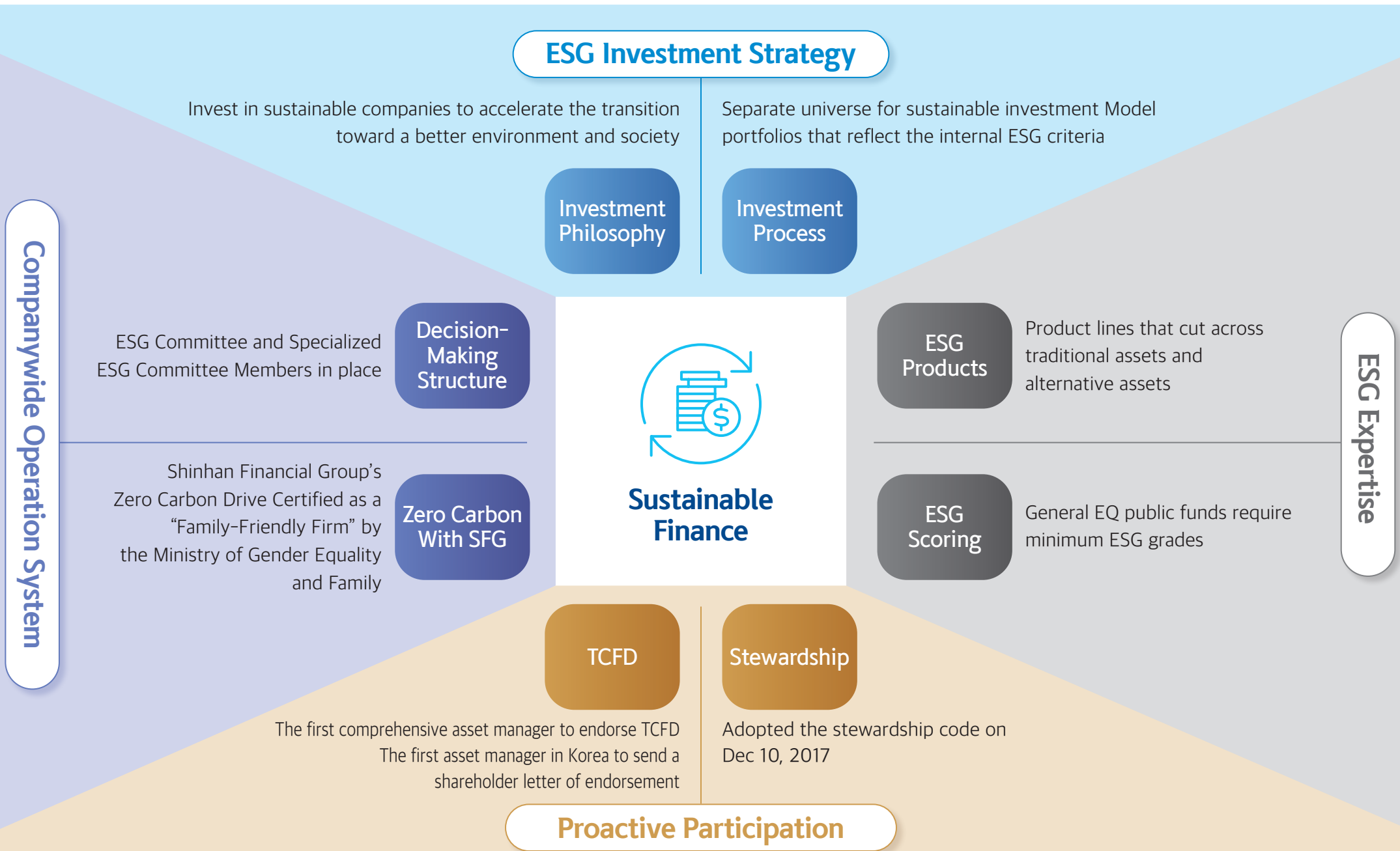
Shinhan Asset Management's differentiated concept of sustainable finance (ESG) not only covers the investing process but also unleashes the positive financial impact that bolsters the sustainability of all stakeholders.



Shinhan Asset Management's ESG Milestones



Shinhan Asset Management's Companywide ESG Integration



ESG Investment Strategy: Investment Philosophy

We pledge stable returns to our customers through sustainable and responsible investing.



Shinhan Asset Management's Investment Philosophy

- 1 Reduce risk and achieve higher long-term returns by investing in sustainable companies
- 2 Encourage CSR (Corporate Social Responsibility) activities by making socially responsible investments
- 3 Become a proactive investor by exercising voting rights and align our practice with global standards

ESG Competitiveness

Through finance (our main business)
<creative finance>

Make proactive portfolio adjustments based on the ESG prospects of each company

- Increase the weight of companies with great ESG potential in terms of eco-friendliness, social welfare and governance
- Create a portfolio with long-term competitiveness by taking into account the analyses on each company's ESG potential before making investment decisions

ESG Engagement

A better world
<virtuous cycle of co-prosperity>

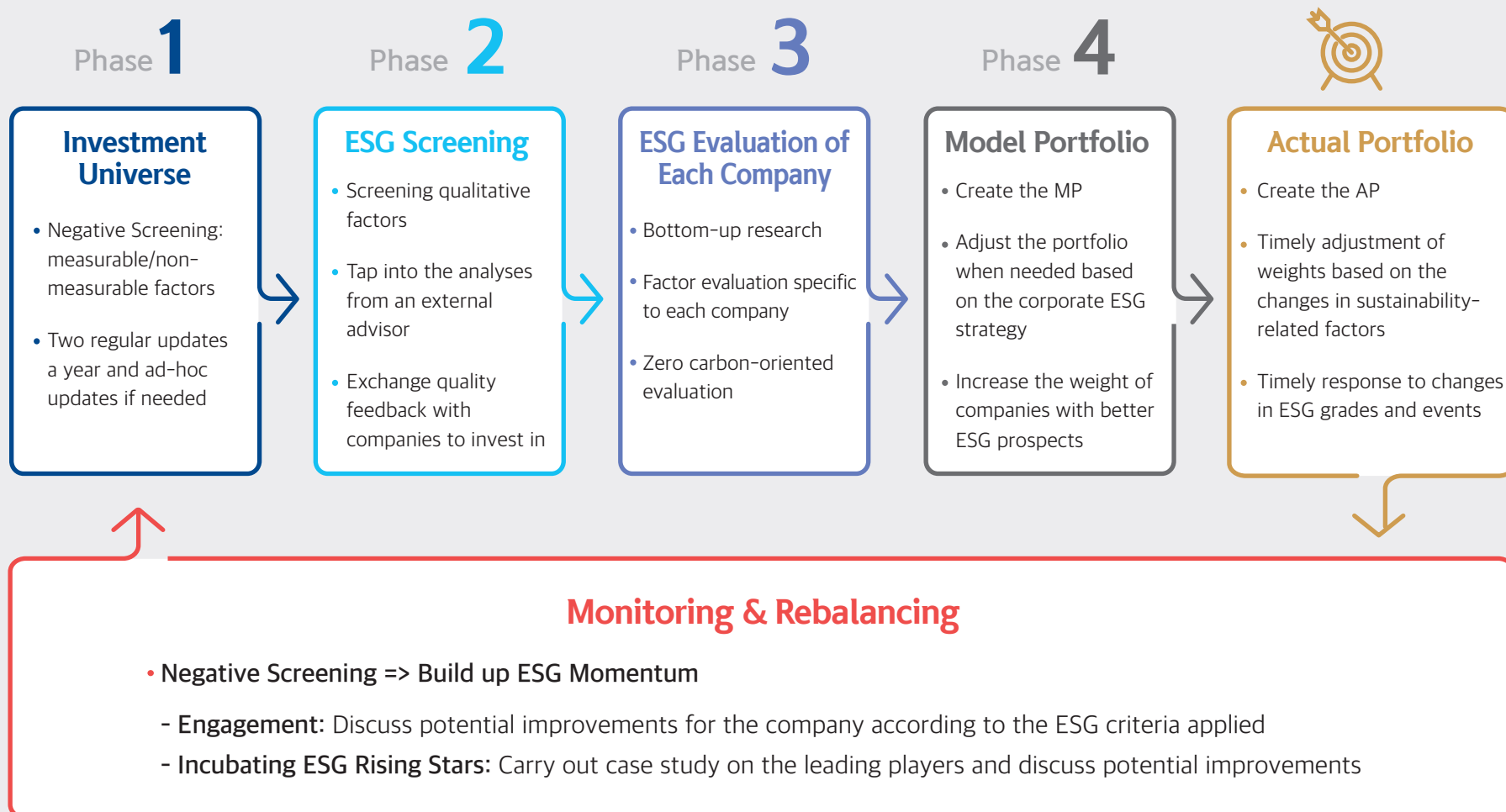
Contribute to “heart-warming finance” by encouraging the integration of ESG into the business management process

- Create an environment for stakeholder-friendly management by proactively exercising the voting rights
- Contribute to establishing a corporate culture centered on eco-friendliness/social contribution/transparency through proactive engagement with companies to invest in

ESG Investment Strategy: Investment Process

Shinhan Asset Management's ESG Investing Principles

The weight of companies rated BB or higher shall be at least 70% in general EQ funds (BM: KOSPI) among public EQ funds
To be applied to other types of funds as more companies receive ESG grades



Operation system: decision-making structure

ESG Committee

Dep. CEO in charge of investment (Chairman of the Committee)

Members

- Dep. CEO in charge of cooperate management (SFG executive in charge of ESG)
- Head of EQ Investment Division, Head of FI Investment Division, Heads of EQ and FI research, Head of Alternative Asset Division, Head of Infrastructure Investment Center, Head of Product Strategy Center, and Compliance Officer
- * Head of Corporate Management Division attends when decisions are made related to HR/organization/budget

Matters to deliberate and resolve

- Matters regarding the ESG investment philosophy, definition and investment direction related to SRI
- Matters regarding the evaluation and reflection of ESG factors in the investment process
- Matters regarding the R&R of ESG-related investment/research duties as well as utilization of internal capabilities
- Selection of external ESG advisor
- Matters regarding the operation and delegation of ESG Specialized Committee



ESG specialized members Committee

Members

- Consisted of ESG working-level employees of the investment/research teams
- * Specialized members are registered/replaced in the ESG Committee

Matters to deliberate and resolve

- Establish the directions and standards for ESG integration
- Prepare the selection standards for the ESG universe
- Construct the ESG evaluation system
- Establish the standards for the composition of the SRI model portfolio

Operation system: SFG's ESG cooperation

SFG is implementing the **Three Strategic Directions** of “Eco-friendliness,” “Win-win,” and “Trust,” along with **the Five Impact Tasks**, so as to attain the goals of **Zero, Ten, and Hundred**. As the concept of ESG is becoming a key business indicator to judge and evaluate a company's sustainability, SFG is pursuing a strategic task of integrating ESG factors into business management.

| Strategic direction | Eco-friendliness | Win-win | Trust |
|---------------------|--|--|--|
| Five Impact Tasks | 1. Zero Carbon Drive <ul style="list-style-type: none"> Increase support for & investment in eco-friendly finance <ul style="list-style-type: none"> Increase new & renewable energy-related investment/loan Increase investment in eco-friendly technologies, etc. Establish a carbon emissions management system for asset portfolios <ul style="list-style-type: none"> Establish a monitoring and ceiling management system Preempt eco-friendly initiatives in an ongoing manner | 2. Triple-K (Innovative Finance) <ul style="list-style-type: none"> Materialize a specialized innovative ecosystem Support overseas expansion Support fostering of K-unicorns | 4. Pursue social diversity <ul style="list-style-type: none"> Foster female leaders/expand the pool of talents Expand the family-friendly organizational culture Expand support for the disabled/multi-cultural families |
| | 3. Hope Together SFG (Hope Society) <ul style="list-style-type: none"> Foster healthy financial consumption companies Financial stability for financially vulnerable people Resolution of the issues of local communities | 5. Protection of financial consumers <ul style="list-style-type: none"> Integrated financial education for all generations Strengthen the monitoring of protection of assets Sophisticate internal control/protection of consumers | |
| Goal | Reduce the carbon emissions of SFG's asset portfolios to zero 0 Carbon | Make 10 unicorn companies by discovering/fostering innovative companies 10 Unicorn | Satisfy all the people 100% together with SFG 100% Satisfaction |

What is a Zero-carbon Drive?

An eco-friendly strategy declared by SFG in Nov 2020 in order to proactively participate in the global cooperation for the response to climate change for the first time as a financial group in East Asia. It is an upgraded strategy of the “Eco-transformation 20·30” which is SFG's eco-friendliness target established in 2018.

- ▶ Reduce the carbon emissions by 38.6% in SFG's asset portfolios by 2030 (pursue “zero” by 2050)
- ▶ Post accumulated performance of W30tn for eco-friendly finance by 2030

Certified as a “Family-friendly Company” & Running Young Leaders



· In Dec 2020, the Ministry of Gender Equality and Family granted the “Family-friendly” certification as an exemplary company operating the **family-friendly schemes***

(*Support for childbirth and parenting, flexible working hours, establishment of a family-friendly workplace culture, etc.)



· Pursuing ESG business management such as by implementing the disposable cup-free campaign led by the “Young Leader,” an organization that seeks for changes within the Company

ESG expertise: ESG rating

In-house Research

ESG 분석

| 종목명 | 외부전문사 ESG Score | | | | SHENPP | | | | |
|--------|-----------------|----|------|----|--------|-----|------|----------|-----|
| | 환경 | 사회 | 지배구조 | 종합 | 환경 | 사회 | 지배구조 | Thematic | 종합 |
| LG생활건강 | 98 | 94 | 86 | 98 | 4.0 | 4.5 | 3.0 | 3.0 | 3.6 |

1. 환경(4)

(1) 기후변화대응(4.5)
 온실가스 배출을 제외하고는 탄소배출 목표관리제 대상이 아닌.
 법인별로 에너지 사용량 및 온실가스 배출량을 분리하여 관리하고 있음.
 절대량 기준으로 온실가스 배출량이 높지는 않으나 지속적으로 배출량 단절 설정 및 감축활동 실시(매일 회수시스템, 변압기 조정 등)

| 구분 | 국내 | 해외 | 2017 | | | 2018 | | | 2019 | | |
|-----|---------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | 단위 | 2017 | 2018 | 2019 | 단위 | 2017 | 2018 | 2019 | |
| 배출량 | 온실가스 | 단위 | 46,385 | 51,931 | 48,654 | 46,385 | 51,931 | 48,654 | 46,385 | 51,931 | 48,654 |
| 원단위 | 온실가스 | 톤 CO2e/제품 | 0.295 | 0.315 | 0.32 | 0.295 | 0.315 | 0.32 | 0.295 | 0.315 | 0.32 |
| 배출량 | 국가별 배출량 | 톤 CO2e | 46,324 | 46,436 | 46,938 | 46,324 | 46,436 | 46,938 | 46,324 | 46,436 | 46,938 |
| 원단위 | 온실가스 | 톤 CO2e/제품 | 0.07 | 0.069 | 0.065 | 0.07 | 0.069 | 0.065 | 0.07 | 0.069 | 0.065 |
| 배출량 | 해외 | 톤 CO2e | 31,424 | 35,345 | 36,191 | 31,424 | 35,345 | 36,191 | 31,424 | 35,345 | 36,191 |
| 원단위 | 온실가스 | 톤 CO2e/제품 | 0.064 | 0.067 | 0.066 | 0.064 | 0.067 | 0.066 | 0.064 | 0.067 | 0.066 |
| 배출량 | 합계 | 톤 CO2e | 124,113 | 133,413 | 131,791 | 124,113 | 133,413 | 131,791 | 124,113 | 133,413 | 131,791 |
| 원단위 | 온실가스 | 톤 CO2e/제품 | 0.075 | 0.081 | 0.079 | 0.075 | 0.081 | 0.079 | 0.075 | 0.081 | 0.079 |



External advisors

| 구분 | 사명 | 연도 | 평가 항목 | | | | | | | | | | 평가 결과 | | | | | |
|-----|------|------|-------|-------|------|------|-------|-------|------|------|-------|-------|-------|------|-------|-------|------|------|
| | | | 환경 | 사회 | 지배구조 | 총합 | 환경 | 사회 | 지배구조 | 총합 | 환경 | 사회 | | 지배구조 | 총합 | | | |
| 배출량 | 온실가스 | 2017 | 4.0 | 4.5 | 3.0 | 3.6 | 4.0 | 4.5 | 3.0 | 3.6 | 4.0 | 4.5 | 3.0 | 3.6 | 4.0 | 4.5 | 3.0 | 3.6 |
| 원단위 | 온실가스 | 2017 | 0.295 | 0.315 | 0.32 | 0.31 | 0.295 | 0.315 | 0.32 | 0.31 | 0.295 | 0.315 | 0.32 | 0.31 | 0.295 | 0.315 | 0.32 | 0.31 |



Environmental

- Manage greenhouse gases and introduce renewable energy
- Manage waste
- Eco-friendly manufacturing, distribution, and services

Social

- Employment equality and employment security
- Labor productivity and brand value
- Fair transaction and win-win cooperation

Governance

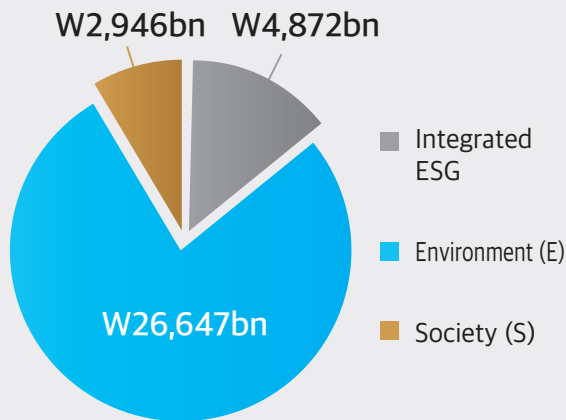
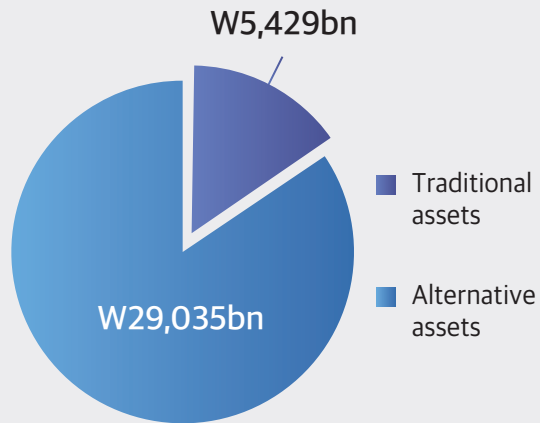
- Shareholder-friendly policies
- Guarantee the rights of shareholders
- Independence of the BoDs and audit organization

ESGTheme

- Green New Deal
- Social networking
- Engagement

ESG expert: ESG products

Data: Shinhan AMC, as of end-Feb 2021



58 funds in total
W3.446tn

| Integrated ESG | Environment | Society |
|---|---|---|
| <p>Domestic EQ 4 W246.1bn Beautiful SRI Green New Deal, etc.</p> <p>Domestic FI 3 W237.4bn Sustainable Business Management ESG Mid to Long Term FI, etc.</p> <p>Overseas hybrid 1 W3.6bn Global Sustainable Business Management ESG</p> | <p>Clean energy 3 W400.2bn Daegu Green Power Cogeneration Development, etc.</p> <p>Domestic New & Renewable Energy 13 W752.9bn Green Energy Professional Private, etc.</p> <p>Eco-friendly transportation 9 W672.1bn SG Rail Professional Private, etc.</p> <p>Overseas New & Renewable Energy 18 W839.5bn Japan Solar PV Loan Professional Private, etc.</p> | <p>Domestic EQ 1 W54.7bn For Your Children RSP</p> <p>Overseas EQ 2 W1.1bn For Your Children Emerging Star, etc.</p> <p>Venture Capital 4 W238.8bn Venture Capital Professional Private, etc.</p> |
| <p>8 funds in total W487.2bn</p> | <p>43 funds in total W2.665tn</p> | <p>7 funds in total W294.6bn</p> |

Shinhan AMC's principles of the Stewardship Code

1. Disclose a clear policy for faithful implementation of the fiduciary duties and resolution of the related issues of conflict of interests
2. Prepare an internal guideline on the timing, processes and methods for the periodic inspection on investable companies and implementation of fiduciary duties
3. Disclose the guidelines, processes and specific standards on the exercise of voting rights and periodically report to the beneficiaries on the specific details and reasons of the exercise of voting rights
4. Enhance the necessary capabilities and expertise for proactive and effective implementation of fiduciary duties

Shareholder Letter

기후 관련 재무정보 공시 협의체(TCFD) 권고안에 따른
신한BNP파리바자산운용 주주서한

CEO님께,

신한BNP파리바자산운용은 고객들과 자산을 관리 및 운영하는 수탁자로서, 신의성실의 의무를 지는 자산관리자로서 맡겨진 책무를 충실히 이행하기 위해 이 서신을 보냅니다. 우리는 책임투자를 통해 고객과 모든 이해관계자들의 편익을 구현하며, 회사의 파트너로서 귀사 자산의 장기적인 가치를 높이는데 깊은 사명감을 갖고 있습니다.

코로나19 이후 장기적 또는 단기적으로 귀사의 가치에 영향을 줄 수 있는 중요한 변수는 기후변화입니다. 기후변화에 따른 극심한 자연재해가 자산가격과 생산성에 직접적인 영향을 미치고 있으며, 전세계적인 규제는 막대한 비용과 손실로 이어질 수 있습니다. 이미 글로벌 자산운용사들은 기후변화에 따른 리스크를 투자에 반영하며, 기후변화에 약영향을 주는 기업을 투자대상에서 제외하고 있습니다. 세계 주요 자산운용사들은 올해 초 글로벌 CEO들에게 보내는 주주서한을 통해 기후 리스크 및 지속가능성 관련 공시와 전략의 이행을 촉구해 왔습니다.

신한금융그룹은 기후변화와 관련된 광범위한 역할과 책임을 중대하게 고려하고 있으며, 2018년 10월 22일 "ECO Transformation 20-20" 전략에 이어 2019년 12월 20일 "그린 기후변화 대응전략"을 선포하였습니다. 그리고 신한BNP파리바 자산운용은 2020년 9월 18일 통합자산운용사 최초로 "기후영향평가 선언문(TCFD)"을 선포하였습니다. 신한BNP파리바 자산운용은 앞으로 포트리오 구축과 리스크 관리에 기후변화 요소를 반영하고, 녹색금융을 통한 사회책임 투자를 강화하는데 더욱 힘을 쏟을 것입니다.

- Sent the TCFD Shareholder Letter for the first time as an AMC in Korea (Oct 14, 2020)
- Sent a questionnaire on response to climate change (e.g. greenhouse gas emissions)
- Target: 22 sectors, 242 companies in total
- Respondents: 20 sectors, 101 companies in total

