

Credit Assessment ESG Screening Policy

Shinhan Bank is reflecting the ESG evaluation scores in the process of credit assessment for the judgment of corporate loans from the viewpoint of socially responsible corporate management. ESG stands for Environmental, Social, and Governance, and we reflect ethical management, environmental issues, product liability (PL), job creation performance, reputation, etc. to the decision of corporate credit rating. This credit assessment model was prepared according to the standards of the Basel Convention and with the approval of the Financial Supervisory Service.

- Target: Individual business and corporate body
- Evaluation system (6 levels in all): *A (Excellent)-B (Good)-C(Average)-D (Poor)-E (Bad)-F (Very bad)*
- Evaluation standards (5 categories in all)

[Ethical management]

- ◎ The representative's morality and will for ethical management
- ◎ Establishment and actual operation of the code of ethics of the company
- ◎ Existence of unfair transaction or violation of ethical management by a large shareholder including illegitimate bequeathing/giving, bribery, and tax evasion

[Environmental issues]

- ◎ Occurrence of civil complaint about environmental pollution
- ◎ Status of possession and level of pollution prevention facilities

[Product Liability (PL)]

- ◎ Existence of a department dedicated to PL (consultation on civil complaints, recall system, etc.) and degree of risk management
- ◎ Education of executives and staff members and level of preparation of regulations and guidelines
- ◎ Subscription to product liability insurance and insurance coverage

[Job creation performance]

- ◎ Reflection of increase in the number of employees to the management policy
- ◎ Increase/Decrease in the number of employees for the past one year

[Reputation]

- ◎ Image of the company kept in customers' minds
- ◎ Maintenance of smooth relationships with partner companies
- ◎ Existence of a lawsuit that may have a bad influence on the company