

Second-Party Opinion

Shinhan Bank Sustainable Development Goals Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Shinhan Bank Sustainable Development Goals Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021 Green Loan Principles 2021 and Social Loan Principles. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 8, 9, 10, 11 and 14.



PROJECT EVALUATION / SELECTION Shinhan Bank has established a Sustainable Development Goals Financing Working Group (SFWG) which is comprised of senior representatives from various departments. Different business units will be responsible for evaluating and selecting eligible projects and submitting to the SFWG for approval. Shinhan Bank will undertake a loan review process which is applicable to all allocation decisions. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Shinhan Bank's Treasury Department will be responsible for the management and allocation of proceeds using a register in Shinhan Bank's internal information system. Pending allocation, proceeds will temporarily be held in cash or cash equivalents in accordance with Shinhan Bank's liquidity policy. This is in line with market practice.



REPORTING Shinhan Bank intends to report on the allocation of proceeds on its website on an annual basis until full allocation. The allocation report will include the amount of net proceeds allocated to eligible projects, a selection of brief investment or financing descriptions and the share of financing versus refinancing. In addition, Shinhan Bank is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views Shinhan Bank's allocation and impact reporting as aligned with market practice.

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Issuer Location	Seoul, South Korea

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¹ Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention and Control, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change, Terrestrial and Aquatic Biodiversity Conservation, Access to Essential Services, Employment Generation and Socio-economic Advancement and Empowerment.

Introduction

Shinhan Bank Co., Ltd. (“Shinhan Bank” or the “Bank”) is a subsidiary of Shinhan Financial Group Co., Ltd. (“Shinhan Financial Group” or the “Group”). The Bank was founded in 1982 and is headquartered in Seoul, South Korea. The Bank offers private and commercial banking services including loans, investments, trust funds, foreign exchange transaction, credit cards and internet banking services. As of December 2020, the Group has a global network of 242 touch points across 20 countries, employs approximately 30,000 people and has consolidated total assets of KRW 605 trillion (USD 490 billion).²

Shinhan Bank has developed the Shinhan Bank Sustainable Development Goals Financing Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and other debt instruments and use the proceeds to finance or refinance, in whole or in part, existing or future projects aimed at contributing to a low-carbon economy and pollution control in South Korea and to positive social impacts through employment generation.

The Framework defines green eligibility criteria in eight green categories:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Pollution Prevention and Control
5. Clean Transportation
6. Sustainable Water and Wastewater Management
7. Climate Change
8. Terrestrial and Aquatic Biodiversity Conservation

The Framework defines social eligibility criteria in three categories:

1. Access to Essential Services
2. Employment Generation
3. Socio-economic Advancement and Empowerment

Shinhan Bank engaged Sustainalytics to review the Shinhan Bank Sustainable Development Goals Financing Framework, dated March 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)³ Green Loan Principles 2021 (GLP) and Social Loan Principles (SLP).⁴ The Framework will be published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;

² Shinhan Financial Group, Finance for Impact: 2020 ESG Report, (2020), at:

http://www.shinhangroup.com/kr/common/download/commonDownload.jsp?actionValue=PDF&pathKey=CSRREPORT&fileName=SFG_2020_ESG_Report_eng.pdf

³ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The Green and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/>

⁵ The Shinhan Bank Sustainable Development Financing Framework is available on Shinhan Bank’s website at: <https://www.shinhan.com/en/#300405010000>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Shinhan Bank's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Shinhan Bank representatives have confirmed that: (1) they understand it is the sole responsibility of Shinhan Bank to ensure that the information provided is complete, accurate or up to date; (2) they have provided Sustainalytics with all relevant information; and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Shinhan Bank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Shinhan Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Shinhan Bank Sustainable Development Goals Financing Framework

Sustainalytics is of the opinion that the Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of the Shinhan Bank Sustainable Development Goals Financing Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention and Control, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change, Terrestrial and Aquatic Biodiversity Conservation, Access to Essential Services, Employment Generation Socio-economic Advancement and Empowerment – are aligned with those recognized by the GBP SBP, GLP and SLP.
 - Sustainalytics notes that the Framework allows for the financing of projects that contribute to the eligible categories and SDGs. Shinhan bank has confirmed to Sustainalytics that all such projects will be required to meet the eligibility criteria included in the Framework.
 - Under the Framework, Shinhan Bank intends to use part of the proceeds for project-based lending and part for general purpose loans for pure play businesses as well as facilities. Shinhan Bank has confirmed to Sustainalytics that it will limit financing to pure-play companies that derive at least 90% of revenues from activities identified in the eligible categories. Sustainalytics

acknowledges that the GBP, SBP and SBG favour project-based lending and financing, which provide more transparency in general than non-project-based lending, but notes that financing pure play companies through green and social bonds is commonly accepted in the market as an approach which can generate positive impact.

- Sustainalytics notes that Shinhan Bank has not established a look-back period under the Framework. The Bank has confirmed that refinancing will be limited to capital expenditures, which Sustainalytics considers to be aligned with market practice.
- Under the Renewable Energy category, Shinhan Bank may finance solar, wind, hydropower, geothermal, fuel cell, biomass and ocean energy projects according to the following eligibility criteria:
 - Shinhan Bank has confirmed to Sustainalytics that for concentrated solar heat & power generation (CSP) projects, it will limit financing to projects that generate at least 85% electricity from solar energy sources, which is aligned with market practice.
 - Hydropower projects will be limited to small-scale hydro below 25 MW or run-of-river facilities without artificial reservoir. Sustainalytics encourages the Bank to favour projects with an estimated reservoir emissions intensity below 50 gCO₂e/kWh and to report, where feasible, on such intensity in order to avoid proceeds from being directed to hydro projects with potentially significant negative environmental impacts. Shinhan Bank has confirmed to Sustainalytics that for all new hydropower projects, the Bank will require an environmental and social impact assessment by a credible body and is also committed to ensuring the absence of significant risks and controversies associated with the projects financed.
 - Geothermal energy projects with life cycle emissions below 100 gCO₂e/kWh.
 - Shinhan Bank has confirmed to Sustainalytics that fuel cells financed under the Framework will be limited to projects using hydrogen produced through electrolysis powered by renewables. Sustainalytics notes that the Framework excludes financing of fuel cells when the hydrogen has been produced from fossil fuels which Sustainalytics considers to be aligned with market practice.
 - Shinhan Bank has clarified to Sustainalytics that bioenergy projects may use one of the following: i) waste feedstock including forestry and agricultural residues, and ii) non-waste feedstock certified under Roundtable on Sustainable biomaterials, ISCC EU, 2BSvs, BONSUCRO, Roundtable on Responsible Soy, FSC and PEFC. Furthermore, Shinhan Bank has confirmed to Sustainalytics that bioenergy projects will be limited to those with life cycle GHG emissions intensity lower than 100 gCO₂e/kWh.
 - Shinhan Bank has confirmed to Sustainalytics that for ocean thermals, fossil fuel back-up will be limited to power monitoring, operating and maintenance equipment, as well as resilience or protection measures and restart capabilities. This is aligned with market practice.
- Under the Energy Efficiency category, Shinhan Bank may finance the installation of energy efficient equipment that leads to an energy efficiency improvement of 15% compared to the baseline. Project examples include energy storage systems, efficient heating, insulation and lighting, and smart grid components. Shinhan Bank has confirmed the exclusion of energy-efficient technologies intended for processes that are inherently carbon intensive or primarily powered by fossil fuels, and production processes in heavy industries. Sustainalytics notes that the Framework allows for allocation to smart grid investments. While noting the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the Bank to select projects that are clearly anticipated to deliver tangible efficiency improvements. Furthermore, Shinhan Bank has confirmed to Sustainalytics that in case of power-to-gas storage systems, hydrogen-to-gas will be obtained through electrolysis powered by renewables and power-to-gas will exclude CO₂ sourcing from fossil fuel operations. This is aligned with market practice.
- Under the Green Buildings category, the Bank may finance commercial and residential buildings that have received or are expected to receive green building certifications such as LEED (Gold or above) or BREEAM (Excellent or above). Sustainalytics views the selected certification schemes as credible and their selected levels to be aligned with market practice. Sustainalytics

notes that it is market expectation to specify all eligible schemes and encourages Shinhan Bank to report on any other schemes it intends to use.

- Under the Pollution Prevention and Control category, Shinhan Bank may finance projects aimed at reducing GHG emissions and air emissions, including air purification units, waste-to-energy plants, the processing of recyclable waste and monitoring systems. Sustainalytics notes the following:
 - Regarding the financing of waste-to-energy projects, Shinhan has confirmed that the majority of recyclables, especially plastics, will be segregated. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low emissions intensity, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that, due to current constraints of recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends Shinhan to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Shinhan Bank has confirmed to Sustainalytics that in the case of plastic recycling, chemical recycling of plastic will be excluded.
 - Shinhan Bank has confirmed to Sustainalytics that technologies and equipment financed under the Framework will exclude their application in fossil fuel operations hard-to-abate sectors and fossil fuel powered assets.
- Under the Clean Transportation category, Shinhan Bank may finance electric and low-carbon transportation assets and supporting infrastructure, including bicycles, private passenger vehicles, passenger rail, freight rail, non-motorized and multimodal vehicles. Shinhan Bank has confirmed to Sustainalytics that it will rely on the following thresholds for selecting eligible assets: (i) hybrid passenger vehicles below 50 gCO₂/p-km, (ii) passenger rail below 50 gCO₂/p-km, and (iii) freight rail below 25 gCO₂/t-km. Sustainalytics notes that the Framework excludes investments in rail used for the transportation of fossil fuel. These investments are aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, Shinhan Bank may finance projects related to infrastructure for clean drinking water, water recycling, water treatment systems, flood prevention, water distribution, sewer systems and natural disaster response systems. The Bank has confirmed that investments related to flood prevention and urban drainage systems would be based on vulnerability assessments and adaptation plans in response to identified risks. The Bank has also confirmed the exclusion of business-as-usual renovations and the treatment of wastewater from fossil fuel operations. This is aligned with market practice.
- Under the Climate Change category, Shinhan Bank may finance climate and weather observation and early warning systems, as well as climate change impact evaluation and adaptation studies. Sustainalytics considers these investments to be aligned with market practice.
- Under the Terrestrial and Aquatic Biodiversity Conservation category, Shinhan Bank may finance projects related to the protection of marine environments. Shinhan Bank has explained to Sustainalytics that intended projects include artificial coral reef structures and mangroves for the conservation of coastal areas and biodiversity conservation such as protection and monitoring of endangered species, habitats and ecosystems in environmental protection areas.
- Under the Access to Essential Services category, Shinhan Bank may provide loans to low-income individuals⁷ and families, and those in the “working class”,⁸ as defined according to the criteria set out by the Korea Inclusive Finance Agency⁹. Examples of loan products provided under the

⁷ For the definition of low-income, Shinhan Bank will rely on classifications provided by the Korean Ministry of Health and Welfare and Ministry of Education.

⁸ For the definition of working class, Shinhan Bank aligns with the criteria set out by the Korea Inclusive Financial agency: (i) those with annual income of KRW 35 million (USD 28,800) or below, (ii) annual income of KRW 45 million (USD 37,000) or below, and with credit rating of 6 or lower.

⁹ Sustainalytics notes that the monthly median income of four-person household is KRW 4.75 million (USD 3,990) as of 2021 according to the Statistics Korea.

Framework include New hope spore loans¹⁰, Mid-interest rate loans¹¹ and microfinance support.¹² Sustainalytics notes that the loans extended by Shinhan Bank under these schemes are regulated by the Korean Government to ensure access and affordability to these products by low-income populations.

- Under the Employment Generation category, Shinhan Bank will provide loans or finance the provision of third-party support services for businesses in South Korea. Shinhan Bank has confirmed to Sustainalytics that such financing will focus on small and medium-sized enterprises (SMEs)¹³ and small office and home enterprises (SOHO)¹⁴ that are: (i) located in underdeveloped or disadvantaged regions¹⁵ within South Korea, or (ii) majority owned by disadvantaged groups¹⁶, or (iii) face significant economic or social adversities as a result of an event in the nature of force majeure such as national emergency, calamity, war, natural disaster or pandemic. This is aligned with market practice.
- Under the Socio-economic Advancement and Empowerment category, Shinhan Bank will finance innovative businesses and companies through the Bank's DoDream¹⁷ project. Shinhan Bank has confirmed to Sustainalytics that innovative businesses and companies will be limited to SMEs defined in accordance with Article 2 of South Korea's Enforcement Decree of the Framework Act on Small and Medium Enterprises. In addition, financing will be limited to SMEs that qualify for job creation programmes based on the criteria determined by the Ministry of Employment and Labor, Ministry of SMEs and Startups, and Korea Technology Finance Corporation. This is aligned with market practice.
- Project Evaluation and Selection:
 - Shinhan Bank' has established an SDG Financing Working Group (SFWG) which will be coordinated by the Treasury Department and consist of senior representatives from cross-functional departments, including: Treasury, ESG Strategy, Corporate Social Responsibility, Retail Banking, Corporate Banking, Infrastructure, Energy and Real Estate Project Financing, Investment Banking, Strategic Planning and Business Innovation.
 - The Bank has implemented a multi-step assessment process. Shinhan Bank's various business units will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The SFWG will then review and approve shortlisted projects.
 - Shinhan Bank has established an internal loan committee that comprises members from the following departments: Credit Analysis and Assessment, Risk Management, Treasury and other related project teams.
 - Shinhan Bank has implemented a loan review process under which the internal loan committee identifies and addresses environmental and social risks associated with all eligible projects. This process will be applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, see Section 2.
 - Based on the cross-functional membership of SFWG and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Shinhan Bank's Treasury team will be responsible for the management and allocation of proceeds. The proceeds will be tracked using a project register through the Bank's internal information system.

¹⁰ New Home Spore loan is a product intended for the working class and customers with low credit ratings and low income.

¹¹ Mid-interest rate loan is defined as a loan for individuals and businesses with income certificates, backed by Seoul Guarantee Insurance's guarantee as collateral.

¹² Through Shinhan Bank's microfinance business the Bank targets borrowers with: (i) credit rating of 6 and below (Including those with no credit rating), (ii) recipient of national basic livelihood guarantees (the lowest income class), or (iii) classified as second lowest income class (those who live within 120% of the minimum cost of living, (iv) those that fulfill requirements for employment subsidies.

¹³ SMEs are defined in accordance with Article 2 of South Korea's Enforcement Decree of the Framework Act on Small and Medium Businesses.

¹⁴ SOHO refers to individual business operators or companies with a total asset size of KRW 2 billion (USD 1.6 million) or less

¹⁵ Shinhan Bank has clarified to SMEs located in regions with unemployment above the national average or located in regions where income is below national average

¹⁶ Shinhan Bank has clarified to Sustainalytics that disadvantaged groups include women or individuals with disabilities or impairments.

¹⁷ The DoDream project includes loan products for job creation companies which are certified by or receive a guarantee from the government or from government-related entities, including but not limited to the Ministry of Employment and Labor, Ministry of SMEs and Startups, and Korea Technology Finance Corporation.

- Shinhan Bank intends to allocate all proceeds within three years of issuance on a best-effort basis. Pending allocation, proceeds will be invested temporarily in cash or cash equivalents in accordance with Shinhan Bank's liquidity management policy.
- Based on the use of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Shinhan Bank has committed to provide annual allocation and impact reporting in its annual report, which will be published on its website.
 - Allocation reporting will include relevant transaction data, such as the allocated amount per project, the allocated loans based on relevant eligible green or social categories, the aggregate amount allocated to eligible projects and the share of financing versus refinancing.
 - Impact reporting will reference the ICMA Harmonized Framework and include: (i) environmental impact metrics, such as annual energy savings or annual GHG emissions reduced; number of certified buildings funded, and number and type of clean transportation assets acquired, and (ii) social impact metrics, such as the number of SME loans granted, number of loans granted to healthcare industry participants and number of people benefitted.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Shinhan Bank Sustainable Development Goals Financing Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 1: Sustainability Bond Program External Review Form.

Section 2: Sustainability Performance of Shinhan Bank

Contribution of Framework to Shinhan Bank's sustainability strategy

Sustainalytics is of the opinion that Shinhan Bank demonstrates a commitment to sustainability by integrating ESG considerations into its lending portfolio and adopting a Group-level ESG Strategy Framework which focuses on the following five areas: (i) achieve carbon neutrality by reducing carbon emissions and expanding green investment, (ii) create an innovative ecosystem in South Korea through partnerships with stakeholders (iii) provide inclusive finance, (iv) reduce social inequality and eliminate discrimination, and (v) strengthen product governance and financial education.¹⁸

To further its commitment to carbon neutrality and reduce its environmental footprint, the Group has set a target to achieve carbon neutrality by 2050 in alignment with the 2°C scenario as per the Science-Based Targets Initiative's (SBTi) Sectoral Decarbonization Approach.¹⁹ To achieve its long-term net-zero target, the Group is committed to reducing its emissions by 46.2% by 2030, 88.2% by 2040, and to zero by 2043 while also reducing its asset portfolio's aggregate carbon emissions by 38.6% by 2030, 69.6% by 2040, and to zero by 2050.²⁰ In line with this objective, the Group has committed to invest KRW 30 trillion (USD 24.46 billion) in green financing by 2030. As of 2020, it had already invested USD 2.18 billion in green loans and investments. To further support this ambition, the Group has introduced various initiatives, including the launch of an ESG evaluation-based financial product, the introduction of determination criteria for ESG investments and the development of Group-level ESG principles and strategies.²¹

In line with the Group's targets and climate ambitions, Shinhan Bank has committed to eliminate the financing of coal-fired power projects in and outside South Korea and not underwrite bonds issued to fund coal-fired power plants. In addition to this commitment, Shinhan Bank participates in various international environmental and social sustainability initiatives. The Bank became a signatory to the Carbon Disclosure Project (CDP) in 2007, through which it discloses information related to carbon risks and opportunities. The Bank also joined the Principles for Responsible Banking under the United Nations Environment Programme

¹⁸ Finance for Impact: 2020 ESG Report, Shinhan Financial Group, (2020), available at: http://www.shinhangroup.com/kr/common/download/commonDownload.jsp?actionValue=PDF&pathKey=CSRREPORT&fileName=SFG_2020_ESG_Report_eng.pdf

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

Finance Initiative in September 2019. In 2021, the Bank became a member of the Net-Zero Banking Alliance which aims to align the lending and investment portfolios of banks to achieve net zero emissions by 2050.²²

In addition to its environmental commitment, the Group also focuses on initiatives that have a positive impact on small businesses and low-income populations in South Korea. The Group's main ambition is to establish an innovative growth ecosystem in South Korea through its financing and initiatives.²³ In 2018, the Group created an integrated mid-interest rate loan platform that allows low-income households to compare various mid-interest rate loan products and help them make an educated decision as to the ceiling and interest rates. As of 2020, the Group had already lent mid-interest rate loans worth USD 2.95 billion to low-income households. To support the Group-wide objective, Shinhan Bank has introduced dedicated consulting services to aid start-ups in the establishment of partnerships and help them in their growth. Specific to COVID-19 relief measures, Shinhan Bank introduced tailored education programmes to support small businesses with tax, legal affairs and business district analyses, as well as strategies for post-pandemic recovery.²⁴

Sustainalytics is of the opinion that the Framework is aligned with the Group's overall sustainability strategy and initiatives and will further enhance the Group's and Shinhan Bank's action on their key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land use change and biodiversity loss, worker's health and safety in construction projects, human rights, impact on local communities, and misrepresentation of asset quality. While Shinhan Bank plays a limited role in the development of the individual projects and assets financed, it is exposed to risks associated with companies or projects it may finance by offering lending and financial services. Additionally, Sustainalytics considers business ethics and product governance to be material issues for financial institutions and highlights the need for strong policies and procedures to ensure that these risks are sufficiently mitigated.

Sustainalytics is of the opinion that Shinhan Bank is able to manage or mitigate potential risks through implementation of the following Group policies:

- The Group has a dedicated Risk Management Committee and a comprehensive Environmental and Social Risk Management Policy Framework, identifying the following 12 areas in line with IFC guidelines as potentially harmful.²⁵ The Environmental and Social Policy Framework outlines key environmental and social factors that must be considered in financing these areas, including environmental impact, GHG emissions, human rights and impact on local communities. According to the guidelines, the Group and the Bank conduct a due diligence of portfolios involved in the identified areas.²⁶
- The Group has implemented its Code of Ethics related to business ethics, compliance with laws and regulations, anti-money laundering and overall corporate responsibility.²⁷ The Code also outlines the procedure to report any violation to the Compliance and Internal Audit teams. The Bank has also developed its Code of Ethics for Business Conduct which provides guidelines on the protection of consumer rights, compliance with applicable laws and regulations and accurate representation of products, among others.²⁸
- Shinhan Bank became a signatory to Equator Principles in September 2020, under which the Bank has adopted the Equator Principles Screening Process, which restricts financial support in case a

²² Shinhan Financial Group, Finance for Impact: 2020 ESG Report, (2020), at:

http://www.shinhangroup.com/kr/common/download/commonDownload.jsp?actionValue=PDF&pathKey=CSRREPORT&fileName=SFG_2020_ESG_Report_eng.pdf

²³ Ibid.

²⁴ Ibid.

²⁵ Industries covered under the Group's Environmental and Social Risk Management Policy include large-scale agricultural and food crop production, forestry, mining; drift-net fishing, crop production, tobacco, coal processing, oil refining, power generation, infrastructure, arms and ammunitions, chemicals, and waste and wastewater.

²⁶ Shinhan Financial Group, Environmental and Social Risk Management Policy, at:

http://www.shinhangroup.com/en/common/download/commonDownload.jsp?actionValue=PDF&pathKey=GRI&fileName=SFG_ES_RM_Policy_Framework_Brochure.pdf

²⁷ Shinhan Financial Group, "Code of Ethics", at: <http://www.shinhangroup.com/en/etc/ethics.jsp>

²⁸ Shinhan Bank, "Code of Ethics for Business Conduct", at:

http://www.shinhangroup.com/en/common/download/commonDownload.jsp?actionValue=PDF&pathKey=GRI&fileName=Shinhan%20Bank%20Code%20of%20Ethics%20for%20Business%20Conduct_en.pdf

large development project has the potential to cause environmental or social issues, such as negatively impacting the environment or violating human rights.²⁹

- Shinhan Bank's has implemented an ESG screening process which involves the following four steps: i) Pre-screening – the potential customer submits an environmental and social risk assessment; ii) Risk categorization – the Bank categorizes projects in grade A, B and C based on the risk identifies during the pre-screening stage; iii) Environmental and Social Impact Assessment – the potential customer submits an evaluation sheet for environmental and social risks associated with projects falling in grades A and B; and iv) Post-transaction monitoring – the Bank monitors environmental and social issues on an ongoing basis.³⁰
- Shinhan Bank has incorporated ESG parameters in its Credit Evaluation Model and evaluates various governance factors for its portfolio companies including labour disputes, industrial safety, customer satisfaction, turnover rate, employee benefits, social contribution, accounting transparency, managerial morality and reputation.³¹ In 2020, the Bank established a Shinhan Ombudsman, which is a team of five sector experts and an investment product-specializing company that are together responsible for the certification and improvement of consumer policies.
- Shinhan Bank is also a signatory to the UN Global Compact Principles, which provides guidelines on upholding human rights, eliminating unfair labour practices and promoting environmental sustainability.
- In addition to the above, Sustainalytics notes that financing under the Framework will take place primarily in the South Korea, which is categorized as a Designated Country under the Equator Principles, indicating the presence of strong environmental and social governance legislation systems and institutional capacity to mitigate common environmental and social risks.³²

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Shinhan Bank has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 11 use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on two categories below where the impact is specifically relevant in the local context.

Importance of fostering clean transportation and associated infrastructure in South Korea

The transportation sector is the final consumer of 32% of all the fossil fuels used in South Korea as of 2017.³³ The growing number of vehicles, expanded road networks, and freight logistics tripled total GHG emissions from South Korea's transportation sector between 1990 and 2017, responsible for 16% of the country's total CO₂ emissions.³⁴ On-road vehicles such as passenger cars, trucks and buses accounted for 96% of total emissions from South Korea's transportation sector in 2017.³⁵

South Korea has committed to reduce GHG emissions by at least 40% by 2030 from 2018 levels.³⁶ To reduce GHG emissions in the transportation sector by 2050, the South Korean government has established the following four strategies as part of the 2050 vision for the transportation sector: (i) scaling up deployment of eco-friendly vehicles, (ii) increasing low-carbon fuel use, (iii) advancing maritime, aviation and railroad

²⁹ Shinhan Financial Group, Environmental and Social Risk Management Policy, at: http://www.shinhangroup.com/en/common/download/commonDownload.jsp?actionValue=PDF&pathKey=GRI&fileName=SFG_ES_RM_Policy_Framework_ork_Brochure.pdf

³⁰ Shinhan Financial Group, Environmental and Social Risk Management Policy, at: http://www.shinhangroup.com/en/common/download/commonDownload.jsp?actionValue=PDF&pathKey=GRI&fileName=SFG_ES_RM_Policy_Framework_ork_Brochure.pdf

³¹ Shinhan Financial Group, Finance for Impact: 2020 ESG Report, (2020), available at: http://www.shinhangroup.com/kr/common/download/commonDownload.jsp?actionValue=PDF&pathKey=CSRREPORT&fileName=SFG_2020_ESG_Report_eng.pdf

³² Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

³³ Government of the Republic of Korea, "2050 Carbon Neutral Strategy of the Republic of Korea: towards a Sustainable and Green Society", (2020), at: https://unfccc.int/sites/default/files/resource/LTS1_RKorea.pdf

³⁴ Climate Transparency, "Brown to Green: The G20 Transition to a Low-carbon Economy – South Korea", (2018), at: https://www.climate-transparency.org/wp-content/uploads/2019/01/BROWN-TO-GREEN_2018_South_Korea_FINAL.pdf

³⁵ Government of the Republic of Korea, "2050 Carbon Neutral Strategy of the Republic of Korea: towards a Sustainable and Green Society", (2020), at: https://unfccc.int/sites/default/files/resource/LTS1_RKorea.pdf

³⁶ Climate Tracker Action, "South Korea", March 2022, at: <https://climateactiontracker.org/countries/south-korea/>

transportation, and (iv) managing transportation demand and optimizing vehicle operation.³⁷ The government aims to achieve one-third of new vehicle sales from electric and hydrogen vehicles, specifically 3 million units of EVs and 0.85 million units of hydrogen vehicles by 2030.³⁸

Given the importance of decarbonizing the transportation sector to mitigate climate change, Sustainalytics is of the opinion that Shinhan Bank's investments in clean transportation and associated infrastructure under the Framework have the potential to contribute to help South Korea's shift to a low-carbon economy.

Importance of SME financing in South Korea

SMEs are the backbone of the South Korean Economy as they represent 99% of total enterprises and provide 83% of all business sector employment in Korea, as of 2019.³⁹ In this context, the Government of South Korea provides various types of support for SMEs, including measures to boost financing through venture capital investment funds and other measures related to reducing costs with labour, social insurance premiums, credit card fees, taxes, debt and rent.^{40,41}

In comparison with large companies, SMEs in South Korea face productivity and working conditions issues related to long working hours and lower levels of skill.⁴² Macro trends in digitalization and globalization add to the pressure as technology adoption is low among South Korean SMEs.⁴³ Compounding these issues, limited access to funding remains a major obstacle in the growth path of small and medium-sized enterprises and start-ups in South Korea,⁴⁴ including limited internal funds, low credit rates, short history and lack of tangible collaterals.⁴⁵ In this scenario, measures to accelerate SMEs' take-up of new technology and increase their participation in international trade, including providing more financial support to SMEs, are expected to boost productivity and stimulate inclusive growth.⁴⁶

Considering the above, Sustainalytics is of the opinion that Shinhan Bank's investments under the Framework have the potential to increase access to funding for SMEs in Korea and further contribute to socio-economic advancement and empowerment.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the Shinhan Bank Sustainable Development Goals Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

³⁷ Government of the Republic of Korea, "2050 Carbon Neutral Strategy of the Republic of Korea: towards a Sustainable and Green Society", (2020), at: https://unfccc.int/sites/default/files/resource/LTS1_RKorea.pdf

³⁸ WWF, "NDC Checklist – The Republic of Korea Analysis", at:

https://www.fint.awsassets.panda.org/downloads/ndcs_we_want_checklist_south_korea.pdf

³⁹ Government of the Republic Korea, Ministry of SMEs and Start-ups, "Status of Korean SMEs", (2021), at:

<https://www.mss.go.kr/site/eng/02/20202000000002019110610.jsp>

⁴⁰ OECD, "Economic Survey of Korea", (2018), at: <http://www.oecd.org/eco/economic-survey-korea.htm>

⁴¹ OECD, "Enhancing Dynamism in SMEs and Entrepreneurship in Korea", (2018), at:

[https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2018\)58&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2018)58&docLanguage=En)

⁴² OECD, "Enhancing Training Opportunities in SMEs in Korea", (2020), at: <https://www.oecd.org/publications/enhancing-training-opportunities-in-smes-in-korea-7aa1c1db-en.htm>

⁴³ Ibid.

⁴⁴ OECD, "Enhancing Dynamism in SMEs and Entrepreneurship in Korea", (2018), at:

[https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2018\)58&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2018)58&docLanguage=En)

⁴⁵ Ibid.

⁴⁶ Ibid.

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Pollution Prevention & Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	<p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>
Climate Change	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
Terrestrial & Aquatic Biodiversity Conservation	14. Life Below Water	14.2 Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Access to Essential Services	10. Reduced Inequality	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Employment Generation	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Socio-economic Advancement and Empowerment	8. Decent Work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Conclusion

Shinhan Bank has developed the Shinhan Bank Sustainable Development Goals Financing Framework under which it may issue sustainability bonds and other debt instruments and use the proceeds to finance or refinance green and social projects in the following areas: Renewable Energy, Energy Efficiency, Green

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Buildings, Pollution Prevention and Control, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change, Terrestrial and Aquatic Biodiversity Conservation, Access to Essential Services, Employment Generation and Socio-economic Advancement and Empowerment. Sustainalytics considers that the projects funded by the green, social or sustainability bond proceeds are expected to provide positive environmental and social impact.

The Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Shinhan Bank to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds are expected to contribute to the advancement of the UN Sustainable Development Goals 6, 7, 8, 9, 10, 11 and 14. Additionally, Sustainalytics is of the opinion that Shinhan Bank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Shinhan Bank is well positioned to issue sustainability bonds and that that Shinhan Bank Sustainable Development Goals Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021) and Social Loan Principles (2021).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Shinhan Bank Co., Ltd.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Shinhan Bank Sustainable Development Goals Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 24, 2022
Publication date of review publication:	
Original publication date <i>[December 31, 2018]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds⁴⁷ are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 8, 9, 10, 11 and 14.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socio-economic advancement and empowerment |

⁴⁷ Renewable Energy, Energy Efficiency, Green Buildings, Pollution Prevention and Control, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change, Terrestrial and Aquatic Biodiversity, Access to Essential Services, Employment Generation and Socio-economic Advancement and Empowerment.

- ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP
 ☐ Other (please specify):

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Shinhan Bank has established a Sustainable Development Goals Financing Working Group (SFWG) which is comprised of senior representatives from various departments. Different business units will be responsible for evaluating and selecting eligible projects and submitting to SFWG for approval. Shinhan Bank will undertake a loan review process which is applicable to all allocation decisions. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Shinhan Bank's Treasury Department will be responsible for the management and allocation of proceeds using a register in Shinhan Bank's internal information system. Pending allocation, proceeds will temporarily be held in cash or cash equivalents in accordance with Shinhan Bank's liquidity policy. This is in line with market practice.

Tracking of proceeds:

- ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other (please specify):

Additional disclosure:

☐ Allocations to future investments only

☒ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☐ Allocation to a portfolio of disbursements

☒ Disclosure of portfolio balance of unallocated proceeds

☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Shinhan Bank intends to report on the allocation of proceeds on its website on an annual basis until full allocation. The allocation report will include the amount of net proceeds allocated to eligible projects, a selection of brief investment or financing descriptions and the share of financing versus refinancing. In addition, Shinhan Bank is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views Shinhan Bank's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Sustainability Bond financed share of total investment

☐ Other (please specify):

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): number of certified buildings funded, number and type of clean transportation assets acquired, number of loans granted to healthcare industry participants. |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Shinhan Bank's corporate website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been

implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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