

# Shinhan Bank

**Type of Engagement:** Annual Review

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## Introduction

In April and October 2021, Shinhan Bank (the “Bank”) issued two sustainability bonds<sup>1</sup> aimed at financing or refinancing, in whole or in part, existing or future projects that contribute to a low-carbon economy and pollution control in South Korea and generate positive social impacts through employment generation. In 2022, Shinhan Bank engaged Sustainalytics to review the projects funded through the issued 2021 sustainability bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Shinhan Bank Sustainable Development Goals Financing Framework<sup>2</sup> (the “Framework”). Sustainalytics has provided a second-party opinion on the Framework in December 2018<sup>3</sup>.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 sustainability bonds based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs<sup>4</sup>.

**Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs**

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Renewable Energy</b>	Finance construction, production, transmission of renewable energy projects, such as: <ul style="list-style-type: none"> <li>• Solar</li> <li>• Wind</li> <li>• Hydro (run of river facility or small hydro with maximum 25 MW of capacity)</li> <li>• Geothermal (projects with direct emissions above 100 gCO<sub>2</sub> / kWh are excluded).</li> <li>• Fuel Cell (not related to fossil fuel activities)</li> <li>• Biomass, not derived from feedstock suitable for food production</li> <li>• Ocean Energy</li> </ul>	<ul style="list-style-type: none"> <li>• Annual renewable energy generation (MWh or GJ)</li> <li>• Annual GHG emissions reduced/avoided (metric tonnes of CO<sub>2</sub> equivalent)</li> </ul>

<sup>1</sup> The issuance is in the form of Senior Unsecured Sustainability Bond

<sup>2</sup> The Shinhan Bank Sustainable Development Goals Financing Framework is available in Shinhan Bank Pricing Supplement, Page no. 10 -19 : <https://links.sgx.com/FileOpen/Shinhan%20Bank%202021%20GMTN%20Takedown%20-%20Pricing%20Supplement%2004.14.21.ashx?App=Prospectus&FileID=51808>

<sup>3</sup> Sustainalytics Second Party Opinion is available at Shinhan Bank’s website at : [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/shinhan-bank-sdg-bond-second-party-opinion-14012019.pdf?sfvrsn=a114a742\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/shinhan-bank-sdg-bond-second-party-opinion-14012019.pdf?sfvrsn=a114a742_3)

<sup>4</sup> The Framework consists of 8 categories of Green Use of Proceeds and 3 categories of Social Use of proceeds, of which the Company has allocated to 1 Green and 2 Social Use of proceeds category for the current issuance

<b>Employment Generation</b>	<ul style="list-style-type: none"> <li>• Provide financing support for SOHO<sup>5</sup> (small office and home office, which are enterprises operated by individuals and households) and SMEs<sup>6</sup> such as Tech Credit bureau, Loans for the promotion fund of the small entrepreneur market</li> <li>• Comprehensive and customized solutions for SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Number of SME loans granted</li> <li>• Number of beneficiaries</li> <li>• Number of loans granted to healthcare industry participants</li> </ul>
<b>Socio-Economic Advancement</b>	Support the Shinhan DoDream Project <sup>7</sup> : funding support to companies with commitment to youth employment and job creation as well as investing in innovative companies	<ul style="list-style-type: none"> <li>• Number of SME loans granted</li> <li>• Number of beneficiaries</li> </ul>

## Issuing Entity's Responsibility

Shinhan Bank is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Shinhan Bank's Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Shinhan Bank employees and review of documentation to confirm the conformance with the Sustainable Development Goals Financing Framework.

Sustainalytics has relied on the information and the facts presented by Shinhan Bank with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Shinhan Bank.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>8</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Shinhan Bank's Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sustainable Development Goals Financing Framework. Shinhan Bank has disclosed to Sustainalytics that the proceeds of both the sustainability bonds were fully allocated as of 31 December, 2021.

<sup>5</sup> SOHO refers to individual business operators or companies with a total asset size of KRW 2 billion (USD 1.6 million) or less

<sup>6</sup> SMEs are defined in accordance with Article 2 of South Korea's Enforcement Decree of the Framework Act on Small and Medium Businesses

<sup>7</sup> 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.

<sup>8</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the sustainability bonds in (April and October) 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Sustainable Development Goals Financing Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the sustainability bonds in (April and October) 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Sustainable Development Goals Financing Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

## Appendices

### Appendix 1: Allocation Reporting by Eligibility Criteria

In April and October 2021, Shinhan Bank issued two sustainability bonds with a total value of USD 550 million. As of December 2021, Shinhan Bank has allocated 100% of the net proceeds. Of the eligible categories, 59% of the allocated net proceeds were used to finance new projects, while 41.% were used to refinance existing projects. The tables below provide a detailed breakup of the allocation of net proceeds project wise.

**Table 3: Allocation and Impact Reporting<sup>9</sup> for Green Eligible Assets**

Use of Proceeds Category	Green Assets	Amount Allocated (USD mn) <sup>10</sup>		Impact	
		USD 500 mn	USD 50 mn	Exp Energy Generation (MWh/year)	Exp CO <sub>2</sub> Avoided (ton/year)
Renewable Energy - Solar <sup>11</sup>	Quang Binh Solar Power (Vietnam)	18.6		28,336	13,970
	Hakone Solar Power (Japan)	-	21.5	7,220	3,234
	Yufuin Solar Power (Japan)	5.9		1,905	853
	Suki Solar Power (Japan)	12.2		6,907	3,095
	Yokkaichi Solar Power (Japan)	48.8		19,150	8,579
	Tanakura Solar Power (Japan)	28.6		10,743	4,813
Renewable Energy - Wind	Stockyard Hill Wind Power (Australia)	18.1		43,705	28,977
	Gyeongju Wind Power (Korea)	14.3		14,832	7,015
Renewable Energy - Biomass <sup>12</sup>	Viridor WTE Biomass (UK)	33.7		11,715	51,265
	Canvest Environment WTE Biomass (China)	19.2		10,302	74,856
<b>Total Green</b>		<b>199.5</b>	<b>21.5</b>	<b>154,815</b>	<b>196,657</b>

<sup>9</sup> Shinhan Bank follows European Investment Bank Project Carbon Footprint Methodology to assess the carbon impact of renewable energy projects. More details at : [https://www.eib.org/attachments/publications/eib\\_project\\_carbon\\_footprint\\_methodologies\\_2022\\_en.pdf](https://www.eib.org/attachments/publications/eib_project_carbon_footprint_methodologies_2022_en.pdf)

<sup>10</sup> USDKRW = 1185.5 as of Dec 31, 2021

<sup>11</sup> Shinhan Bank has confirmed that solar power projects funded through the sustainability bonds generate at least 85% electricity from solar energy sources

<sup>12</sup> Shinhan Bank has confirmed that the funded waste to energy projects (source – Municipal waste) ensured that majority of recyclables especially plastic and metals were segregated before energy conversion

**Table 4: Allocation and Impact Reporting for Social Eligible Assets**

Use of Proceeds Category	Social Asset	Amount Allocated (USD mn) <sup>13</sup>		Impact SMEs financed
		USD 500 mn	USD 50 mn	
<b>Employment Generation<sup>14</sup></b>	Secondary financial support loans for small business owners	290.9	-	18,349
	Support for small business growth	-	28.5	1,234
<b>Socioeconomic Advancement and Empowerment<sup>15,16</sup></b>	Do Dream Loan for social enterprises/ innovative start-ups	9.7	-	75
<b>Total Social</b>		<b>300.5</b>	<b>28.5</b>	<b>19,658</b>

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

<sup>13</sup> USDKRW = 1185.5 as of Dec 31, 2021

<sup>14</sup> Shinhan Bank has confirmed that the small business owners funded under employment generation projects faced significant economic impact due to Covid – 19 pandemic

<sup>15</sup> Shinhan Bank has confirmed that social enterprises/ innovative start-ups funded under SAE are SMEs as defined in accordance with Article 2 of South Korea's Enforcement Decree of the Framework Act on Small and Medium Enterprises]

<sup>16</sup> Shinhan Bank has confirmed that the social enterprises/ innovative start-ups are SMEs. These are classified by Korea SMEs and Startups Agency, one of the entity under Ministry of SMEs and Startups.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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