

Shinhan Bank Co., Ltd.

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON TRANSPORTATION CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: March 2022

Approved verifier: Sustainalytics

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Scope and Objectives

Shinhan Bank Co., Ltd. (“Shinhan Bank”, the “Bank”, or “the Issuer”) has engaged Sustainalytics to review and verify that Shinhan Bank’s projects funded under the green bond meet the requirements under the Low Carbon Transportation criteria of the Climate Bonds Standard.

Shinhan Bank is a subsidiary of Shinhan Financial Group Co., Ltd. The Bank was founded in 1982 and is headquartered in Seoul, South Korea. Shinhan Bank offers private and commercial banking services including loans, investments, trust funds, foreign exchange transaction, credit cards and internet banking services. Shinhan Bank demonstrates a commitment to sustainability by integrating ESG considerations into its lending portfolio and adopting a Group-level ESG Strategy Framework which among others focuses on achieving carbon neutrality by reducing carbon emissions and expanding Shinhan Bank’s green investment portfolio.

Shinhan Bank intends to issue a green bond to refinance existing interurban rail projects namely the Seoul Metro Line 9 and the Great Train eXpress (GTX) Line A. The two projects are expected to advance Seoul’s and South Korea’s commitments to provide low-carbon transportation solutions and achieve South Korea’s net zero emission target by 2050.

Climate Bonds Standard Criteria

Pre-issuance requirements under Version 3.0¹:

- Low Carbon Transportation²
 - Passenger rail rolling stock
 - Rail transport networks
 - Infrastructure for low carbon transport

Issuing Entity’s Responsibility

Shinhan Bank was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects
- The details of the Nominated Projects
- The management systems for internal processes and controls for Nominated Projects, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

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 green bond, issued to refinance existing interurban rail projects, and provided an independent opinion informing Shinhan Bank as to the conformance of the green bond with the Pre-Issuance requirements and Low Carbon Transportation criteria of the Climate Bonds Standard.

¹ Climate Bonds Standard, Climate Bonds Standard Version 3.0. See more, at:

https://www.climatebonds.net/files/files/Climate%20Bonds_Standard_Version%203_0_December%202017.pdf

² Climate Bonds Standard, Low Carbon Transport Criteria under the Climate Bonds Standard. See more, at:

<https://www.climatebonds.net/standard/transport>

Sustainalytics has relied on the information and the facts presented by Shinhan Bank with respect to the Nominated Projects & Assets. 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 makes 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 bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant Shinhan Bank employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Shinhan Bank's green bond with the Climate Bonds Standard Version 3.0;
- Conformance with the Low Carbon Transportation Technical Criteria;
- Conformance with the Internal Processes & Controls requirements;
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that Shinhan Bank's green bond meets the requirements of the Climate Bonds Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Shinhan Bank will ensure compliance with Climate Bonds Standards requirements.

Conclusion

Shinhan Bank intends to issue a green bond and use its proceeds to refinance existing interurban rail projects that have an overall positive impact on the environment and promote the transition to a low carbon economy in South Korea. Based on the limited assurance procedures conducted of Shinhan Bank's green bond under the Low Carbon Transportation criteria of the Climate Bonds Standard, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, Shinhan Bank's green bond is not in conformance with the Low Carbon Transportation of the Climate Bonds Standard's Pre-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Projects and Assets

Project Name	Asset Category	Description	Date of original financing	Amount (USD million)
BTO Project of GTX Line A	Rail transport networks Infrastructure for low carbon transport	<p>Construction section:</p> <ul style="list-style-type: none"> Extension of Construction section: 42.635km (From Unjeong in Gyeonggi-do to Northern side of Samseong station) Stations: 5 stations (Unjeong, KINTEX, Daegok, Yeonsinnae, Seoul station) <p>Operation section:</p> <ul style="list-style-type: none"> Extension of Operation section: 79.955km (From Unjeong station to Dongtan station) Stations: 10 stations (Unjeong, KINTEX, Daegok, Yeonsinnae, Seoul stations, Samseong, Suseo, Seongnam, Yongin, Dongtan) 	2019	400
BTO Project of first section (Upper Part) of Seoul Metro Line 9	Passenger rail rolling stock Infrastructure for low carbon transport	<ul style="list-style-type: none"> Stations: 38 stations (1st section: 25, 2nd -3rd section: 13) Vehicle Depot: 1 depot (Gimpo vehicle depot) Vehicles: 216 vehicles: 36 vehicles per 6 carriages 	2009	100

Schedule 2A: Pre-Issuance General Requirements

Sustainalytics has conducted this verification using the following Pre-Issuance Requirements under Climate Bonds Standard Version 3.0:

<p>1. Use of Proceeds</p>	<p>1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the Bond.</p> <p>1.2 The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.</p> <p>1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>1.3.1 Distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments; or,</p> <p>1.3.2 The existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p>
<p>2. Process for Evaluation and Selection of Projects & Assets</p>	<p>2.1 The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:</p> <p>2.1.1 A statement on the climate-related objectives of the Bond;</p> <p>2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>2.1.3 The Issuer's rationale for issuing the Bond;</p> <p>2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.</p> <p><i>Note to 2.1: A wide variety of climate-related objectives are possible. These can vary from increasing the installed capacity of low carbon assets, such as solar power facilities, to having a specific objective focused on the operations or indirect effects of the projects & assets, such as emissions reductions.</i></p> <p><i>The climate-related objectives of the Bond, as stated by the Issuer, have implications for the reporting requirements under the Climate Bonds Standard. See Clauses 2.3, 5.2, 5.8, 6.1.1 and 8.4.</i></p> <p>2.2 The Issuer should include under Clause 2.1 further aspects of the decision-making process, including:</p> <p>2.2.1 Related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material</p>

	<p>environmental, social or governance risks associated with the Nominated Projects & Assets;</p> <p>2.2.2 Any green standards or certifications referenced in the selection of Nominated Projects & Assets.</p> <p>2.3 The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.</p>
<p>3. Management of Proceeds</p>	<p>3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p> <p>3.1.1 Tracking of proceeds: The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p> <p>3.1.2 Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.</p> <p>3.1.3 Earmarking funds to Nominated Projects & Assets: An earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p>
<p>4. Reporting</p>	<p>4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:</p> <p>4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.;</p> <p>4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement;</p> <p>4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2;</p> <p>4.1.4 Information on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.</p> <p>4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1;</p> <p>4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding;</p> <p>4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, as provided in Clause 9.1, and</p>

	<p>the Issuer shall provide an explanation of why detail on Nominated Projects & Assets is limited;</p> <p>4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.</p> <p><i>Note: Issuers are encouraged to disclose as much information as possible with respect to Nominated Projects & Assets. However, in many cases it is not possible for the Issuer to disclose detailed information about specific projects & assets prior to the issuance of the Bond. This limitation may be due to confidentiality arrangements with owners of projects & assets, the dynamic nature of the project portfolio, competitive considerations, or other legal provisions which limit the disclosure of detailed information.</i></p> <p>4.2 The Issuer shall include in the Disclosure Documentation:</p> <p>4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall;</p> <p>4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3;</p> <p>4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements;</p> <p>4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents;</p> <p>4.2.5 The Climate Bonds Initiative Disclaimer provided in the Certification Agreement.</p> <p><i>Note to 4.2.4: Issuers are encouraged to provide their Update Reports through existing reporting channels for the bond markets, such as the Electronic Municipal Market Access (EMMA) website for the US Municipality sector.</i></p>
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Schedule 2B: Conformance to the Pre-Issuance Requirements

Details of Shinhan Bank's internal processes and controls as per the Pre-Issuance Requirements are provided below:

Procedure Performed	Factual Findings	Error or Exceptions Identified
1. Use of Proceeds	<p>1.1 Shinhan Bank has developed a list of proposed Nominated Projects & Assets which comply with the Low Carbon Transportation sector criteria of the Climate Bonds Standard. Shinhan Bank intends to keep the nominated projects updated with all the financed projects that fall within the scope of Shinhan Bank's green bond program and Framework. The proposed Nominated Projects and Assets include the construction and operation of zero direct emissions urban rail transit lines, the construction of dedicated infrastructure and the purchase of zero direct emissions urban rail transit rolling stock:</p> <ul style="list-style-type: none"> • BTO Project of GTX Line A • BTO Project of 1st section (Upper Part) of Seoul Metro Line 9 <p>1.2 Shinhan Bank's management confirms that the net proceeds of the future bond will not be greater than the total investment exposure to the proposed Nominated Projects & Assets.</p> <p>1.3 Shinhan Bank's management confirms that the Nominated Projects & Assets will not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instrument, green bonds, green loans or other labelled instruments unless it is demonstrated by Shinhan Bank that distinct portions of the Nominated Projects & Assets are being funded by different instruments or that the existing instrument is being refinanced via another labelled instrument.</p>	None
2. Process for Evaluation and Selection of Projects & Assets	<p>2.1.1. The Shinhan Bank's Sustainable Development Goal (SDG) Financing Framework states that the intention of the green bonds are to support the development of low carbon transport and further the objectives of the United Nation Sustainable Development Goals and the Paris Agreement.</p> <p>2.1.2. Shinhan Bank's environmental objectives are summarized in the Shinhan Bank SDG Financing Framework.</p> <p>2.1.3. Shinhan Bank's rationale for issuing a green bond is to support green finance investing in clean transportation as the Bank recognizes its role as a financial institution in driving capital to more sustainable investments.</p> <p>2.1.4. The Shinhan Bank SDG Financing Framework includes a process for project evaluation and selection. Shinhan Bank has established a Sustainable Development Goals Finance 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 SBWG for approval.</p>	None

	<p>2.2.1. Shinhan Bank has sufficient measures in place to manage and mitigate environmental and social risks that are commonly associated with the eligible category.</p> <p>2.2.2. Shinhan Bank SDG Financing Framework adheres to the ICMA Green Loan Principles 2021.</p> <p>2.2.3. Shinhan Bank's SBWG will verify that all proposed Nominated Projects and Assets conform to the Climate Bond taxonomy and Low Carbon Transportation sector criteria.</p>	
3. Management of Proceeds	<p>3.1.1 The Shinhan Bank SDG Financing Framework outlines a process by which proceeds will be tracked.</p> <p>3.1.2 Issuer will manage unallocated net proceeds in accordance with Shinhan Bank's liquidity management policy in cash or cash equivalent.</p> <p>3.1.3 The Shinhan Bank SDG Financing Framework details the process Shinhan Bank will use to allocate and manage green bond proceeds. Shinhan Bank intends to use all of the net proceeds for refinancing.</p>	None
Reporting Prior to Issuance	<p>4.1.1. Bonds issued under the Shinhan Bank SDG Financing Framework are intended to align with the Climate Bonds Standard.</p> <p>4.1.2. The Shinhan Bank SDG Financing Framework indicates that green bond proceeds will be used, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.</p> <p>4.1.3. The Shinhan Bank SDG Financing Framework provides detail on its decision-making process, which is overseen by the SBWG.</p> <p>4.1.4. Shinhan Bank's Nominated Projects & Assets will conform with the Low Carbon Transportation sector criteria. Shinhan Bank may report on the following impact metrics: number and type of clean transportation assets acquired and annual GHG emissions reduced or avoided in tonnes of CO₂ equivalent.</p> <p>4.1.5. Shinhan Bank will manage unallocated net proceeds in accordance with Clause 3.1</p> <p>4.1.6. Shinhan Bank will report on the allocation of proceeds on its website on an annual basis until full allocation.</p> <p>4.1.7. Shinhan Bank's Nominated Projects & Assets fall under Low Carbon Transportation sector criteria. Shinhan Bank will report on the investment areas which the Nominated Projects & Assets fall into by providing investors with both allocation and impact reporting annually. This will include details on the amount of net proceeds allocated to eligible projects, a selection of brief investment or financing descriptions and the share of financing versus refinancing.</p> <p>4.1.8. Shinhan Bank has disclosed to Sustainalytics that 100% of proceeds will be used for refinancing activities. Shinhan Bank has not defined an estimated look-back period.</p> <p>4.2.1. Shinhan Bank's Nominated Projects & Assets will conform with the Low Carbon Transportation sector criteria.</p>	None

	<p>4.2.2. The intended types of temporary investment instruments for the management of unallocated Net Proceeds are in accordance with Clause 7.3 of the Climate Bonds Standard.</p> <p>4.2.3. Shinhan Bank has confirmed that an approved third-party verifier will conduct periodic assurance within a year to reaffirm conformance of the bond with the Low Carbon Transportation criteria of the Climate Bonds Standard.</p> <p>4.2.4. Shinhan Bank will report how the bond proceeds are allocated and share information on projects financed by the bond, which will be made available on its website. The report will include information on the allocation of proceeds and relevant impact metrics.</p> <p>4.2.5. Sustainalytics notes that under the terms of its certification, Shinhan Bank must include the CBI Disclaimer provided in the Certification Agreement in disclosure documentation.</p>	
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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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

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