

Shinhan Bank

Type of Engagement: Annual Review

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Introduction

Shinhan Bank (the “Bank”) issued three social bonds¹ (the “Social Bonds”) between 2022 and 2023 under the Shinhan Bank Sustainable Development Goals Financing Framework 2022 (the “Framework”)² to finance and refinance projects that aim to generate positive social impacts by providing access to essential services in South Korea. In 2023, the Bank engaged Sustainalytics to review the projects financed with proceeds from the Social Bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework. Sustainalytics provided a Second-Party Opinion on the Framework in March 2022.³ This is Sustainalytics’ third Annual Review of instruments issued under the Framework, following previous reviews in July 2022⁴ and June 2023.⁵

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the Social Bonds based on whether they:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category of the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs⁶

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Access to Essential Services (e.g. health, education and vocational training, healthcare, financing and financial services)	<ul style="list-style-type: none"> • Support low-income⁷ individuals/families in obtaining loans to reduce financial inequalities such as New Hope Spore Loan, mid-interest rate loan for the working class, etc. • Microfinance support (compliant with the criteria set by the ‘Korea Inclusive Finance Agency’) 	<ul style="list-style-type: none"> • Number of SME loans granted • Number of beneficiaries

¹ The issuances are in the form of senior unsecured social bonds.

² Shinhan Bank, “Shinhan Bank Sustainable Development Goals Financing Framework”, (2022), at: <https://www.shinhan.com/en/index.jsp#300405010000>

³ Sustainalytics, “Second Party Opinion: Shinhan Bank Sustainable Development Goals Financing Framework”, (2022), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/shinhan-bank-co.-ltd.-sustainable-development-goals-financing-framework-second-party-opinion.pdf?sfvrsn=2336ff4f_1

⁴ Sustainalytics, “Annual Review: Shinhan Bank”, (2022), at:

https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/shinhan-bank-annual-review-2022.pdf?sfvrsn=1775aea4_1

⁵ Sustainalytics, “Annual Review: Shinhan Bank”, (2023), at:

https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/shinhan-bank-annual-review-2023.pdf?sfvrsn=38c8688d_1

⁶ The Framework covers eight green and three social use of proceeds categories. The Annual Review covers the proceeds that have been allocated towards one social use of proceeds category, and Table 1 enlists the same.

⁷ Low-income individuals are determined by the Korean Ministry of Health and Welfare’s (MOHW) and Ministry of Education’s (MOE) classifications, which are based on household income.

Issuer’s Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the Bank’s Social Bonds. The work undertaken as part of this engagement included collection of documentation from the Bank and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by the Bank. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by the 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁸ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. The Bank has disclosed to Sustainalytics that the proceeds of the Social Bonds were fully allocated as at September 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the Social Bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the Social Bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁸ Sustainalytics’ limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation Reporting by Use of Proceeds Category

Between 2022 and 2023, Shinhan Bank raised a total of KRW 1.32 trillion through the issuance of the Social Bonds, of which 47.7% were allocated towards financing eligible projects, while the remaining 52.3% of the proceeds were used towards refinancing.

Table 3: Allocation as per Use of Proceeds Category

Use of Proceeds Category	Proceeds Description	Project Description	Net Proceeds Allocation (KRW billion) ⁹	Total (KRW billion)
Access to Essential Services (e.g. health, education and vocational training, healthcare, financing and financial services)	JPY 32 bn Triple-tranche Social Bonds	New Hope Spore Loan	143.0	303.4
		Ssol Easy New Hope	54.9	
		Sunshine Loan	105.5	
	AUD 400 mn FRN Social Bond	New Hope Spore Loan	79.7	357.3
		Ssol Easy New Hope	64.8	
		Sunshine Loan	212.8	
	USD 500 mn Gender Equality Social Bond	New Hope Spore Loan	347.2	659.8
		Ssol Easy New Hope	131.6	
		Sunshine Loan	181.0	
Total Proceeds Allocated (KRW billion)				1320.5
Total Proceeds Raised (KRW billion)				1320.5
Total Unallocated Amount (KRW billion)				0

Appendix 2: Impact Reporting by Use of Proceeds Category

Table 4: Reported Impact as per Use of Proceeds

Project Description		No. of Borrowers Financed
JPY 32 bn Triple-tranche Social Bonds	New Hope Spore Loan	15,387
	Ssol Easy New Hope	6,296
	Sunshine Loan	10,937
AUD 400 mn FRN Social Bond	New Hope Spore Loan	7,221
	Ssol Easy New Hope	7,181
	Sunshine Loan	24,902
USD 500 mn Gender Equality Social Bond	New Hope Spore Loan	40,268
	Ssol Easy New Hope	14,659
	Sunshine Loan	18,608

⁹ Currency exchange rate used: USD 1 = KRW 1,319.50 as of 12 April 2023; AUD 1 = KRW 893.35 as of 16 November 2022; JPY 1 = KRW 9.4811 as of 20 October 2022

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