

Shinhan Bank

Type of Engagement: Annual Review

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Introduction

On 6 April 2022, Shinhan Bank (the “Bank”) issued the Basel III T2 Subordinated CBI Certified Notes (the “Basel III T2 Notes”) raising net proceeds of USD 500 million. The Basel III T2 Notes were intended to finance and refinance projects aiming to contribute to a low-carbon economy and pollution control in South Korea and generate positive social impacts through employment generation.

In 2023, Shinhan Bank engaged Sustainalytics to review the projects funded with proceeds from the Basel III T2 Notes (the “Nominated Projects”) and provide an assessment as to whether the Nominated Projects met the use of proceeds criteria and the reporting commitments in the Shinhan Bank Sustainable Development Goals Financing Framework 2022 (the “Framework”).¹ Sustainalytics provided a second-party opinion on the Framework in March 2022.² This is Sustainalytics’ second annual review of instruments issued under the Shinhan Bank Sustainable Development Goals Financing Framework following a previous review in July 2022.³

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether the projects:

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

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

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Clean Transportation	Eco-friendly vehicles and infrastructure that promote greener commuting such as: <ul style="list-style-type: none"> • Electric or hybrid cars • Public, rail (not used to transport fossil fuels), non-motorized, multimodal environmentally friendly transportation • Bicycles 	<ul style="list-style-type: none"> • Number and type of clean transportation assets acquired • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)

Issuer’s Responsibility

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

¹ Shinhan Bank, “Shinhan Bank Sustainable Development Goals Financing Framework”, (2022), at: <https://www.shinhan.com/en/index.jsp#300405010000>

² 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

³ Sustainalytics, “Annual Review”, (2022), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/shinhan-bank-annual-review-2022.pdf?sfvrsn=1775aea4_1

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the Basel III T2 Notes. The work undertaken as part of this engagement included collection of documentation from Shinhan Bank and review of said documentation to assess conformance with the Shinhan Bank Sustainable Development Goals Financing Framework.

Sustainalytics relied on the information and the facts presented by Shinhan 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 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects do not conform with the use of proceeds criteria and reporting commitments in the Shinhan Bank's Sustainable Development Goals Financing Framework. Shinhan Bank has disclosed to Sustainalytics that the proceeds from the Basel III T2 Notes were fully allocated as of 13 April 2022.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine if the Nominated Projects align with the use of proceeds criteria of the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact reporting followed the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁴ 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.

Appendix

Appendix 1: Allocation and Reported Impact

As of 31 December 2022, Shinhan Bank had allocated 100% of the net proceeds from the Basel III T2 Notes to refinance pre-existing transportation assets. Table 3 below provides a detailed breakdown of the allocation of net proceeds per project.

Table 3: Total allocation and reported impact of the Basel III T2 Notes' proceeds as of December 2022

Use of Proceeds Category	Project Name	Green Assets	Amount Allocated (USD mn) ⁵	Impact CO ₂ Avoided (tCO ₂ /year)
Clean Transportation	BTO Project of GTX Line A	Rail transport networks and infrastructure for low-carbon transport	400	150,090
	BTO Project of first section (Upper part) of Seoul Metro Line 9	Passenger rail rolling stock and infrastructure for low-carbon transport	100	154,537
Total			500	304,627

⁵ USDKRW = 1227.25 as of April 13, 2022 as provided by Shinhan Bank

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