

Second-Party Opinion

Shinhan Financial Group Sustainable Development Goals Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Shinhan Financial Group Sustainable Development Goals Financing Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018 and the Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Green Buildings (v) Clean Transportation (vi) Access to Essential Services and (vii) Affordable Housing are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and the Green Loan Principles. Sustainalytics considers the eligible Green and Social projects will contribute to the reduction of South Korea’s environmental footprint and support access to finance and healthcare and affordable housing. Sustainalytics views that the eligible Green and Social Projects will advance the UN Sustainable Development Goals 7, 8, 9, 10, 11, 12



PROJECT EVALUATION / SELECTION Shinhan Financial Group’s (SFG) project evaluation and selection process will be managed by a dedicated SFG Financing Working Group (“SFWG”) consisting of members from various corporate departments, after an initial pre-selection performed by relevant departments within SFG and its subsidiaries. A separate Corporate Social and Responsibility Committee (CSRC) comprised of members of the Board of Directors and independent Directors will work closely with the SFWG to review all Eligible Sustainable Financing Projects selected. This process is aligned with market practices.



MANAGEMENT OF PROCEEDS Proceeds from the sustainability transactions will be managed by SFG and the Eligible Subsidiaries through their internal tracking systems. SFG has access to all Eligible Subsidiaries’ tracking systems. Pending full allocation, the unallocated proceeds will be invested in cash or cash equivalent following SFG’s liquidity management policy. Sustainalytics views this process to be aligned with market practices.



REPORTING SFG may disclose annual allocation and impact reporting. The (i) allocation report will provide the amount allocated to each project, the share of financing and refinancing, and the amount allocated to each individual Eligible Subsidiary and the corresponding share. (ii) SFG states that it may report on relevant Environmental and Social impact metrics, where feasible, for their issuances. Sustainalytics considers the SFG’s reporting to be in line with market practice.

Evaluation date	June 2019
Issuer Location	Seoul, South Korea

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Introduction

Shinhan Financial Group (“SFG”, “Shinhan Financial Group”, “the bank” or “the company”) is a South Korean full-service banking group that provides financial products and services locally and internationally. The group operates six business segments: commercial banking services, credit financial services, including credit card and capital, securities brokerage services, life insurance services, asset management services and others, and provides various retail and corporate banking services such as home equity, mortgage, lending, real estate financing, development project financing and others. SFG was founded in 1982 and is headquartered in Seoul, South Korea.

SFG has developed the Shinhan Financial Group Sustainable Development Goals Financing Framework (the “Framework”) under which it intends to issue green, social, sustainability bonds, loans, in various formats and currencies and use the proceeds to finance or refinance, in whole or in part, existing and/or future projects with positive environmental and social outcomes, mostly in South Korea and internationally. The Framework defines eligibility criteria in seven areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Green Buildings
5. Clean Transportation
6. Access to Essential Services
7. Affordable Housing

SFG engaged Sustainalytics to review the Shinhan Financial Group Sustainable Development Goals Financing Framework dated June 2019 and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles (GBP),¹ Social Bond Principles (SBP),² Sustainability Bond Guidelines 2018 (SBG)³ and the Green Loan Principles.⁴ This Framework has been published in a separate document.⁵

As part of this engagement, Sustainalytics held conversations with various members of SFG’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 SFG’s Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Shinhan Financial Group Sustainable Development Goals Financing Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at:

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles--June-2018-140618-WEB.pdf>

² The Social Bond Principles are administered by the International Capital Market Association and are available at:

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Social-Bond-Principles--June-2018-140618-WEB.pdf>

³ The Sustainability Bond Guidelines 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 Loan Principles are administered by the International Capital Market Association and are available at:

https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

⁵ The Shinhan Group Financial Group Sustainable Development Goals Financing Framework is available on SFG’s website at:

<http://www.shinhangroup.com/en/index.jsp>

Sustainalytics' Opinion

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

Summary

Sustainalytics is of the opinion that the Shinhan Financial Group Sustainable Development Goals Financing Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and the Green Loan Principles. Sustainalytics highlights the following elements of SFG's Framework:

Use of Proceeds:

- The seven use of proceeds categories of the Framework are recognized as impactful by the Green Bond Principles, Social Bond Principles and the Green Loan Principles. Sustainalytics considers that SFG's intended use of proceeds can contribute to foster energy efficiency in buildings as well as GHG and pollution reduction in the transport and building sector, as well as contribute to access to healthcare and financial services for underserved groups. SFG limits refinancing of projects and loans to those financed 24 months prior to issuance.
- SFG's green buildings eligibility criteria are based on third-party certification standards such as LEED (Gold or above), BREEAM (Excellent and above), national equivalents such as G-SEED (2 or above). Sustainalytics has conducted an evaluation of the certifications and considers that the certification schemes are credible (See Appendix 1 for full assessment). In addition, SFG's framework includes financing support for the Green Remodeling Interest Payment Support Programme,⁶ a scheme established by the South Korea Ministry of Land, Infrastructure and Transport to provide loan interest and technical assistance for the improvement of energy efficiency standards in existing buildings in South Korea. The programme provides interest rate support up to 3% of interest on a loan depending on energy efficiency achieved.⁷ Given the minimum of 30% energy efficiency requirement to participate in the programme, Sustainalytics views the programme as a strong indicator for energy efficiency loans, in line with best market practices requirements.
- Similarly, Sustainalytics highlights that Shinhan's investments into energy efficiency improvement projects are restricted to upgrades of at least 30%, a threshold widely regarded as market best practice.
- SFG's social categories focus on the provision of access to healthcare, access to microfinancing, SME financing and affordable housing. Sustainalytics welcomes SFG's targeted approach limiting financing to:
 - Public healthcare services and facilities
 - Elderly care
 - Groups who have limited access to financial services, including microfinancing to low-rating, low income population and loans for low income population with low credit rating (See more details on Section 3).
 - Loans to public housing operators as defined by Special Act of Public Housing or approved by the Korean Housing Finance Association.⁸
- Sustainalytics highlights positively that SFG excluded financing of other green bonds. In addition, SFG confirmed to Sustainalytics that all its subsidiaries can issue bonds and loans under the framework except for Shinhan Bank as they have their own independent SDG Bond Framework. Thus, Shinhan Bank's assets cannot be tagged for financing by SFG, in order to avoid the possibility of double counting.

Project Selection and Evaluation Process:

- SFG's project selection process will be executed through a dedicated SFG Financing Working Group ("SFWG") comprising representatives from various departments within SFG and their relevant Eligible subsidiaries' departments (or teams) as follows: Treasury Department, Strategic Planning Department, Corporate Supporting Department, Corporate Social Responsibility Department, SOHO Division, Strategic Planning Team and Financial Management Team. A separate Corporate Social

⁶ More information on the Green Remodeling Information System available at: http://www.gris.or.kr/en/intro/sub7/index1_1.jsp

⁷ http://www.gris.or.kr/en/intro/sub7/index1_1.jsp

⁸ South Korea's Special Act on Public Housing regulates the national supply of public, social and affordable housing and is available here: https://elaw.klri.re.kr/kor_service/lawView.do?lang=ENG&hseq=45867&joseq=JO0004000

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and Responsibility Committee (CSRC) comprised of members of the Board of Directors and independent Directors will work closely with the SFWG to review all Eligible Sustainable Financing Projects selected. Sustainalytics views this process aligned with market practices.

Management of Proceeds:

- Sustainalytics assesses SFG's management of proceeds to be aligned with market practices. SFG confirmed that it will track sustainability transactions allocations through its internal tracking system and that it has access to all Eligible Subsidiaries' tracking systems. Pending full allocation, the unallocated proceeds will be invested in cash or cash equivalents in line with the company's normal liquidity management policy.

Reporting:

- SFG may disclose annual allocation and impact reporting.⁹ The (i) allocation report will be comprised of relevant transaction information on the list of Green and Social projects financed, the amount allocated to each projects, the portion of financing and refinancing and the amount allocated to each individual Eligible Subsidiary and equivalent split. (ii) SFG states that it may report on relevant Environmental and Social impact metrics, where feasible, for their issuances. Sustainalytics considers SFG's reporting to be aligned with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Shinhan Financial Group Sustainable Development Goals Financing Framework aligns to the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and the Green Loan Principles. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy and Performance of the Issuer

Contribution of Framework to Issuer's sustainability strategy and performance

Sustainalytics is of the opinion that SFG has indicated a strong intention to bolster its inclusive and responsible financing facilities. Although SFG has not set quantifiable targets for sustainable financing, the bank has demonstrated its commitment to positive impact-project financing and the promotion of sustainable finance, as demonstrated by the following:¹⁰

- SFG made a targeted commitment to provide KRW 6.3 trillion (around USD 5.3 billion) in financial support for working groups involved in the improvement of financial inclusion and another KRW 6.6 trillion (around USD 5.5 billion) to start-ups. Sustainalytics highlights that SFG partnered with the Korean Inclusive Finance Agency to become the first financing group providing microfinance services in South Korea and already provided 10,558 microfinance loans for financially disadvantaged groups, with a total value of KRW 138 billion (USD 117 million).¹¹
- SFG performed a materiality assessment based on stakeholder impact, and economic, social and environmental impacts and identified four material issues corresponding to sustainable financing and sustainable operations: (i) expansion of responsible investment, (ii) expansion of financing accessibility, (iii) management of non-financial risks such as climate change and social contribution for community development. While the three core materiality topics are typically addressed by the above-mentioned inclusive financing capabilities, Sustainalytics highlights that SFG has issued KRW 1.3 trillion (around USD 1 billion) in loans and investments in eco-friendly industries, such as renewable energy projects, wind power plants, biofuels, fuel cells or waste to energy projects. SFG has implemented a Green Management System including targets to reduce GHG emissions by 20% by 2030 compared to the 2012 baseline year 2030.¹² Sustainalytics highlights that SFG is well on track to meet its 2020 target and reached a 1.9% annual reduction in GHG emissions in 2017 compared to 2016.

⁹ The allocation and impact reporting will be disclosed on Shinhan Group Financial Group website <http://www.shinhangroup.com/en/index.jsp>

¹⁰ Information retrieved from the Shinhan Group Financial Group Social Responsibility Report available at: http://www.ShinhanGroupgroup.com/kr/common/download/commonDownload.jsp?actionValue=PDF&pathKey=CSRREPORT&fileName=2017_report_eng_download.pdf

¹¹ South Korea's Financial Supervisory Service website available at: <http://english.fss.or.kr/fss/eng/wpge/eng114.jsp>

¹² Compared to baseline year 2016, or 94.153 tCO_{2e}

- SFG demonstrated operational and climate leadership by becoming the first Korean financial company to have obtained 'Leadership A' by CDP and was recognized for having the best level of response system to climate change by CDP.¹³

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the eligible projects are recognized as impactful by market norms (Green Bond Principles 2018, Social Bond Principles 2018, Sustainability Bond Guidelines 2018, Green Loan Principles), Sustainalytics is aware that the projects could also lead to negative environmental and social outcomes. Some key environmental risks associated with the eligible green projects include unintended air, water and land discharge risks (dust, particulate, water and soil pollution) or biodiversity loss from large scale construction and renewable energy infrastructure projects. For the social use of proceeds categories, these risks may relate to accidentally exacerbating target population inequalities or offering lending and financial services to companies exposed to controversial business operations with negative social or environmental impacts.

However, Sustainalytics is of the opinion that, SFG has practices and procedures in place which will help mitigate environmental and social risks associated with financing businesses and projects qualifying under Eligible Green and Social Categories, including:

- An Integrated Environmental and Social Risk Management System through which SFG operates its loans and investments policies. SFG's Risk Management Council of each subsidiary oversees the assessment of environmental and social risks. Based on the International Finance Corporation (IFC)¹⁴ guidance, SFG has identified 12 risky areas and excluded them from financial support as per their policies. The excluded activities include forestry (water pollution/ecosystem destruction), mining (heavy metal water pollution), driftnet fisheries (destruction of marine ecosystem), agricultural production (soil and water pollution), tobacco (child labor and health), coal treatment (air pollution), oil refining (marine pollution), power generation (air pollution and radioactivity), infrastructure (air pollution and migration of indigenous people), weapon system and logistic (mass destruction), chemicals (hazardous substances), and waste water and solid waste (water pollution).
- SFG implemented an Environmental & Social Review Procedure (ESRP) based on the Equator Principles¹⁵ to evaluate the environmental and social risks of the projects financed. All potential projects undergo an environmental and social impact assessment segregating projects on a 3-level risk scale (Category A, B and C). SFG's ESG risk management is executed and overseen by a dedicated Group Risk Management Committee, thus ensuring that bank's ESG risk management system is enforced through relevant corporate governance structures.
- In addition of SFG's Code of Ethics¹⁶ and the Code of Conduct of Employees,¹⁷ SFG set up a Code of Conduct for Suppliers¹⁸ which mandates that SFG's partners strictly comply with all environmental, human rights and safety standards applicable in the countries where they operate.

Based on the above, Sustainalytics is of the opinion that SFG is well positioned to adequately mitigate environmental and social risks typically associated with the implementation of its Green and Social Projects funded through the sustainability transactions.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are recognized as impactful by the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and the Green Loan Principles. Sustainalytics has focused on three below where the impact is specifically relevant in local context of South Korea.

¹³ Carbon Disclosure Project website available at: <https://www.cdp.net/en>

¹⁴ International Finance Corporation website available at: https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home

¹⁵ The Equator Principles website is available at: <https://equator-principles.com/>

¹⁶ Shinhan Group Financial Group Code of Ethics available at: <http://www.Shinhan Groupgroup.com/en/etc/ethics.jsp>

¹⁷ Shinhan Group Financial Group Code of Conduct for Employees available at: <http://www.Shinhan Groupgroup.com/en/etc/ethics02.jsp>

¹⁸ Code of Conduct for Partner Companies available at: <http://www.Shinhan Groupgroup.com/en/etc/ethics03.jsp>

Contribution of waste management in South Korea

Parallel to the expansion of circular economy adapted products, South Korea emphasized its efforts to fully re-circulate waste streams and reached a total recycling rate of 58.1% as of 2014,¹⁹ and a total waste recovery of more than 80%, higher than many OECD countries.²⁰ As such, the South Korean Ministry of Environment enacted “The Promotion Law for Achieving a Resource Circulation Society”^{21,22} with a clear purpose to reach a zero-waste society and shift its economy from recycling towards upcycling. As part of the government’s new policy direction, it implemented a series of programs and regulations such as the “Volume-based Waste Fee System”, the “Waste Charging System”, the “Business Waste Reduction Program”, “A Waste Electrical & Electronic Product Recycling Target Management System”²³, a “Free Collection for Large Scale Household Appliances” system, along with an enhanced support for waste management and waste-to-energy facilities. Sustainalytics is of the opinion that SFG’s financing of waste management companies is aligned with the South Korean government’s circular economy policies. Sustainalytics views positively SFG’s support for such projects and considers that such financing will further enhance South Korea’s full transition from landfill-based waste treatment to a resource circulation system.

Impact of affordable housing in South Korea

The South Korean government has historically intervened to support the construction of housing units by providing land to developers, financing initiatives, various regulations, and the direct actions by state-owned corporations.²⁴ Public housing policies and interventions have largely been successful in ameliorating housing shortages and construction quality.²⁵ However, the ever-expanding urban population growth in Korea generates substantial housing affordability issues, in particular in major cities. Socioeconomic and systemic factors, such as demographic shifts and the decline of the traditional Jeonse rent system, have exacerbated the situation. For example, in the capital city of Seoul, purchase and rent prices continued to increase despite a 2.3-time growth in housing stock between 1990 to 2015, negatively affecting affordability particularly for tenants.²⁶ To address the issue, government policy transitioned towards more targeted programs for low-income earners and vulnerable groups.²⁷ Sustainalytics is of the opinion that the allocation of proceeds for social housing projects will generate positive social outcomes by increasing access to affordable and quality housing for low and medium-income earners, young people, aged people, disabled people, or other groups in vulnerable situations. Selection for target populations and public housing tenants’ management are regulated by the South Korean Ministry of Land, Infrastructure and Transport.^{28,29} Sustainalytics views affordable housing lending as an impactful use of proceeds category especially considering that SFG’s alignment of public housing operators with the governmental and Korean Housing Finance Corporation’s definitions.

Impact of access to financial services in South Korea

SFG intends to use part of the proceeds for microfinancing projects, SMEs and the financing of underprivileged individuals with low credit ratings in South Korea. SFG expanded its lending programme to include Sunshine Loans, government-guaranteed loans to low-income individuals with low-credit rating, Mid-Interest Rate Loans for low-income earners with low credit rating guaranteed by Seoul Guarantee Insurance Company³⁰ and Hug Loans to individuals with low-credit rating unable to access loans from major commercial and regional banks, or the “New Hope Spore Loan” by Jeju Bank. The publicly supported loan products for low-income households or individuals with low-credit scores were launched in June 2010 by the South Korean government as a means to bridge economic growth disparities between its citizens.³¹ South Korean financial regulators fixed the consumer lending rates for government-supported loans between 10.5% in annual interest

¹⁹ Factors influencing the recycling rate under the volume-based waste fee systems in South Korea, study and numbers available at: <https://www.sciencedirect.com/science/article/pii/S0956053X18300084>

²⁰ Environmental performance reviews Korea Highlights 2017, OECD document available at: <https://www.sciencedirect.com/science/article/pii/S0956053X18300084>

²¹ South Korea Legislates Towards a Zero Waste Society, document available at: <http://wastemanagementreview.com.au/south-korea-legislates-towards-a-zero-waste-society/>

²² Ministry of Environment Policy Direction of Resource Circulation, article available at: <http://eng.me.go.kr/eng/web/index.do?menuId=364>

²³ The electrical waste & electric product recycling target was set for 6.0 kg for 2018

²⁴ <https://www.asiapathways-adbi.org/2017/08/housing-policy-in-the-republic-of-korea/>

²⁵ <https://www.adb.org/sites/default/files/publication/183281/adbi-wp570.pdf>

²⁶ <http://global.si.re.kr/content/affordable-rented-housing-strategies-seoul>

²⁷ <https://www.retalkasia.com/news/2017/10/30/seoul%E2%80%99s-revitalisation-youth-housing/1509329098>

²⁸ Amendments set out by the Act No. 14333 from December 2, 2016

²⁹ Housing Dynamics in South Korea, Building Inclusive and Smart Cities, OECD report issued by https://read.oecd-ilibrary.org/social-issues-migration-health/housing-dynamics-in-korea_9789264298880-en#page8

³⁰ The Seoul Guarantee Insurance Company is a South Korea government-owned company providing credit insurance to individuals and corporations in South Korea. Detailed information on company website available at: https://www.sgic.co.kr/chp/iutf/en/main/en_main.mvc

³¹ <http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=2944465>

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rate to a maximum of 18-20%, considerably lower than the 24% collected by private lenders, as a way to provide financial incentives for these individuals to avoid borrowing from loan sharks.³² Sustainalytics views positively SFGs inclusion of government-supported loans into its lending services offering and is of the opinion that they ensure that individuals with reduced access to lending services are provided with improved access to finance and reasonably priced loan offerings. Similarly, Sustainalytics highlights that these products provide strong positive financial incentives for its beneficiaries to enhance their financial stability, leaving them less exposed to predatory lending practices.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy Energy Efficiency	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.
Pollution Prevention and Control	12. Responsible consumption and production	12.2 By 2030, achieve the sustainable management of living and natural resources. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, while increasing 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.
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
Access to essential services – healthcare, access to finance	8. Decent work and economic growth 10. Reduced inequalities	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services 10.1 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
Affordable housing	11. Sustainable cities and communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Conclusion

³² <http://www.koreaherald.com/view.php?ud=20181217000120>

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SFG has developed the Sustainable Development Goals Financing Framework under which the company and its subsidiaries intend to issue Green, Social and Sustainability Bonds and Loans in various formats and currencies to finance eligible projects seeking to deliver positive environmental and social outcomes in the following categories: (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Green Buildings, (v) Clean Transportation, (vi) Access to Essential Services and (viii) Affordable Housing.

Sustainalytics considers that the use of proceeds under the SFG Sustainable Development Goals Financing Framework are aligned with the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines and the Green Loan Principles. Sustainalytics positively highlights the alignment of the social use of proceeds definitions for target populations with the South Korean government's definitions.

Overall, Sustainalytics is of the opinion that SFG and its Eligible Subsidiaries are well positioned to issue bonds and loans and that the SFG Sustainable Development Goals Financing Framework is robust, credible and in alignment with the requirements of the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines and the Green Loan Principles.

Appendices

Appendix 1: Overview and Comparison of Real Estate Certification Schemes

	LEED ³³	BREEAM ³⁴	G-SEED ³⁵
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	G-SEED (Green Standard for Energy and Environmental Design) is a green building certification used in Korea. First implemented in 2002, and later expanded in 2016, G-SEED is administered by the Korean Government under the authority of the Green Building Act (2006).
Certification levels	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Green 4 Green 3 Green 2 Green 1
Areas of Assessment: Environmental Project Management	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> - Energy and atmosphere - Sustainable Sites - Location and Transportation - Materials and resources - Water efficiency - Indoor environmental quality - Innovation in Design - Regional Priority 	<ul style="list-style-type: none"> - Energy - Land Use and Ecology - Pollution - Transport - Materials - Water - Waste - Health and Wellbeing Innovation 	<ul style="list-style-type: none"> - Land Use & Transportation - Energy & Environmental Pollution - Materials & Resources - Water Management - Maintenance - Ecology - Indoor Environment - Innovative Design
Requirements	Prerequisites (independent of level of certification) + Credits with associated points. These points are then added together to obtain	Prerequisites depending on the levels of certification + Credits with associated points. This number of points is then weighted by item ³⁶	Prerequisites (independent of level of certification) + Credits with associated points. Individual credits are achieved in a number of

³³ More information on the LEED certification scheme at: <https://new.usgbc.org/leed>.

³⁴ More information on the BREEAM certification scheme at: <https://www.breeam.com/>.

³⁵ More information on the G-SEED certification scheme at (Korean): <http://gseed.greentogether.go.kr/sys/gms/selectGreenMain.do>.

³⁶ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item.

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	<p>the LEED level of certification.</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools- /Retail- /Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREAAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>categories, category scores are then weighted to achieve an overall grade.</p>
Performance display			
Accreditation	<p>LEED AP BD+C LEED AP O+M</p>	<p>BREEAM International Assessor BREEAM AP BREEAM In Use Assessor</p>	<p>Certification Bodies, appointed by the Ministry of Environment (MOE) and the Ministry of Land, Infrastructure and Transportation (MLIT) review and certifies projects.</p>
Qualitative considerations	<p>Widely recognized internationally, and strong assurance of overall quality.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (fewer minimum thresholds) than HQE and LEED certifications.</p>	<p>Widely used in Korea and aligned with government standards. Strong overall qualifications. Little international recognition.</p>

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Shinhan Financial Group
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Shinhan Financial Group Sustainable Development Goals Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</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 GBPs and SBPs:

- | | |
|--|--|
| <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)*:

Proceeds of the sustainability transactions will be used to finance or refinance, in whole or in part, future and existing Eligible Assets that promote positive environmental and social outcomes in the following use of proceeds categories: (i) Renewable Energy, (ii) Energy Efficiency, (iii) Pollution Prevention and Control, (iv) Green Buildings, (v) Clean Transportation (vi) Access to Essential Services – Healthcare, Microfinancing, SME Financing and the Underprivileged and (vii) Affordable Housing. The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, the Sustainability Bond Guidelines and the Green Loan Principles and they are expected to deliver positive environmental and social outcomes in addition to advancing the UN Sustainable Development Goals 7, 8, 9, 10, 11 and 12.

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 type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input 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 <i>(please specify)</i> . |

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 checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |

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- | | |
|--|--|
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Shinhan Financial Group's project selection process will be executed through a dedicated SFG Financing Working Group ("SFWG") comprising representatives from various departments within Shinhan Financial Group's subsidiaries, such as the Treasury Department, Strategic Planning Department, Corporate Supporting Department, Corporate Social Responsibility Department, SOHO Division, Strategic Planning Team and Financial Management Team. A separate Corporate Social and Responsibility Committee (CSRC) comprised of members of the Board of Directors and independent Directors will work closely with the SFWG to review all Eligible Sustainable Financing Projects selected. Sustainalytics views this process aligned with market practices.

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 type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input 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):

Sustainalytics assesses Shinhan Financial Group's management of proceeds to be aligned with market practices. Shinhan Financial Group confirmed that it will track sustainability transactions allocations through its internal tracking system and that it has access to all eligible subsidiaries' tracking systems. Pending full allocation, the unallocated proceeds will be invested in cash or cash equivalent in line with the company's normal liquidity management policy.

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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:

- | | |
|--|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

Shinhan Financial Group may disclose annual allocation and impact reporting. The (i) allocation report will comprise relevant transaction information on the list of Green and Social projects financed, the amount allocated to each project, the portion of financing and refinancing and the amount allocated to each individual Eligible subsidiary and equivalent split. (ii) Shinhan Financial Group states that it may report on relevant Environmental and Social impact metrics, where feasible, for their issuances. Sustainalytics considers the lack of impact indicators to be a limitation and recommends Shinhan Financial Group to disclose meaning full impact indicators on an annual basis.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other <i>(please specify)</i> : the portion of financing and refinancing and the amount allocated to each individual Eligible subsidiary and equivalent split | |

Shinhan Financial Group Sustainable Development Goals Financing Framework

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):

Frequency:

- Annual
 Semi-annual
 Other (please specify): where feasible

Information reported (expected or ex-post):

- | | |
|--|---|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): SFG will report on relevant environmental and social impact metrics where feasible, such as annual energy savings (in MWh), renewable energy production (in MWh), carbon emissions reduction (in tCO ₂ e), number of G-SEED 2 or above, LEED Gold or above, BREEAM Excellent or above, certified buildings funded, number of SME loans granted, number of loans granted to microfinance institutions, healthcare industry participants or number of beneficiaries of loan products. |

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): company website
 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.)

<http://www.shinhangroup.com/en/index.jsp>

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 (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialized research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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