

ASSESSMENT

12 May 2023


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Shinhan Bank

Second Party Opinion – SDG Financing Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (very good) to Shinhan Bank's Sustainable Development Goals (SDG) Financing Framework dated March 2022. Shinhan Bank has established its use-of-proceeds framework with the aim to finance projects across eight eligible green categories and three eligible social categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles 2021 (including June 2022 Appendix 1), Social Bond Principles 2021 (including June 2022 Appendix 1) and Sustainability Bond Guidelines 2021, and the Loan Market Association's (LMA) Green Loan Principles 2023 and Social Loan Principles 2023¹. The framework demonstrates a significant contribution to sustainability.

Sustainability quality score

SQS2


Alignment with principles USE OF PROCEEDS

Overall alignment



FACTORS



Contribution to sustainability

Overall contribution



Expected impact

Relevance and magnitude

ADJUSTMENTS

ESG risk management No adjustment

Coherence No adjustment

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Shinhan Bank's SDG Financing Framework, including the framework's alignment with the ICMA's Green Bond Principles 2021 (including June 2022 Appendix 1), Social Bond Principles 2021 (including June 2022 Appendix 1), and Sustainability Bond Guidelines 2021, and the LMA's Green Loan Principles 2023 and Social Loan Principles 2023. Under its framework, the bank plans to issue use-of-proceeds green, social, sustainability bonds, loans, asset-backed securities and any other similar debt instruments with the aim to finance projects across eight green categories and three social categories, as outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of Shinhan Bank's framework on March 2022, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework, as well as other public and non-public information provided by the bank.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Shinhan Bank is the second-largest bank in Korea in terms of consolidated assets, with a market share of 13.4% as of 30 June 2022. The bank reported total consolidated assets of KRW504.3 trillion (\$352.5 billion) as of 30 September 2022. Shinhan Bank provides banking and other financial products and services, including deposit accounts, loans, and treasury and wealth management products, to private individuals, small and medium-sized enterprises (SMEs), and companies. As of 30 September 2022, the bank operated through a domestic network of 751 branches and offices, and an overseas network of 14 branches.

Shinhan Bank was established in 1982 and was merged with Chohung Bank on 1 April 2006 (Chohung Bank was established through the merger of Dongil Bank and Hansung Bank in 1943). The merged entity was acquired by Shinhan Financial Group (SFG) in 2003. Shinhan Bank is a wholly owned subsidiary of SFG.

Shinhan Bank faces moderate environmental risks, specifically from carbon transition risk because of its slightly above-average loan exposure to the manufacturing and transportation sectors than peers. However, the risk is mitigated by Shinhan Bank's diversified portfolio and shifting business mix, which involves for example, reducing its asset portfolio related to carbon emissions. Shinhan Bank faces high social risks in the area of data security and customer privacy, similar to banks globally. Korea also has pro-consumer policies.

Strengths

- » Majority of the eligible social categories have well-defined target populations, with clear eligibility criteria set by the government
- » Several of the eligible green categories intend to finance activities that could make significant reductions in greenhouse gas (GHG) emissions in Korea
- » Clearly defined and relevant environmental and social objectives associated with all eligible categories
- » Regular monitoring of compliance of the selected projects with the eligibility and exclusion criteria

Challenges

- » Several eligible categories lack granular details on thresholds or specific assets to be financed
- » There is no commitment on the verification of both the allocation of proceeds and impact reporting
- » Although the framework is in line with current market practices, inclusion of general corporate purpose loans through pure-play companies constitutes a nonstandard use of proceeds susceptible to specific challenges in terms of asset-level adherence to sustainability objectives, allocation and traceability, impact reporting, and an increased risk of double counting

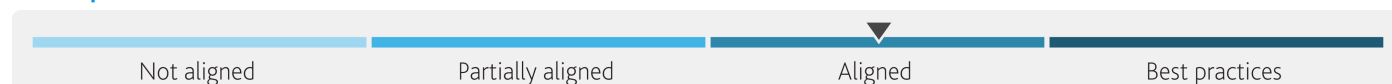
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Alignment with principles

Shinhan Bank's SDG Financing Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 (including June 2022 Appendix 1), Social Bond Principles 2021 (including June 2022 Appendix 1) and Sustainability Bond Guidelines 2021, and the LMA's Green Loan Principles 2023 and Social Loan Principles 2023.

- | | | |
|--------------------------------|--|--|
| ✓ Green Bond Principles (GBP) | ✓ Social Bond Principles (SBP) | ✓ Green Loan Principles (GLP) |
| ✓ Social Loan Principles (SLP) | ○ Sustainability-Linked Bond Principles (SLBP) | ○ Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible categories – **ALIGNED**

Shinhan Bank has clearly communicated the nature of the expenditures, the eligibility and exclusion criteria for most of the financed projects, and the target populations for the three social categories. The bank has identified the location of eligible projects as Korea for most green and social projects, while renewable energy projects will be distributed across geographical locations including Korea, Australia, Japan, China, the UK and Vietnam. The bank has articulated descriptions for a selection of projects to be financed and, for some of the project categories, the general definition includes references to the technical thresholds upon which the bank has defined project eligibility. Overall, the eligible categories with expected higher allocation of proceeds are well defined. Exclusion criteria are clear for the environmental and social categories.

The cornerstone of the ICMA's Green Bond Principles and Social Bond Principles is the full utilization of net bond proceeds to eligible projects with clear environmental or social benefits. The bank's framework includes a limited allocation of proceeds toward general corporate purpose loans to pure-play companies that derive at least 90% of their revenue from activities that adhere to the eligibility criteria in the framework. In the selection process for loans to such businesses, the bank will apply the exclusion criteria as defined in its framework, with loans going to businesses whose primary operations focus on eligible activities as defined in the framework. The bank anticipates that the selected green and social categories may include such general corporate purposes loans, although the proportion would be limited.

In our view, this represents a nonstandard use of proceeds that introduces certain challenges in terms of asset-level adherence to sustainability objectives, allocation and traceability, impact reporting, as well as an increased risk of double counting. However, with the expected limited allocation of proceeds to such loans and the 90% revenue threshold for pure-play eligibility, we consider the structure to be in line with current market practices.

Clarity of the environmental and social objectives – **ALIGNED**

The bank has clearly outlined the environmental and social objectives associated with all eleven eligible categories. All eligible categories are relevant to the respective environmental or social objectives to which they are aiming to contribute. The bank has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) in articulating the objectives of the eligible categories, and the objectives are coherent with these recognized international standards.

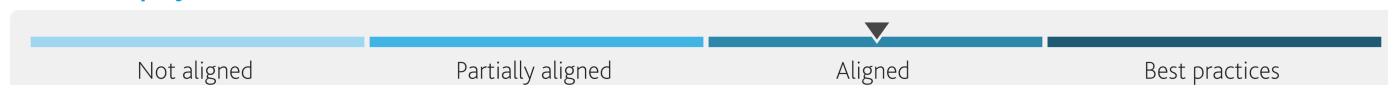
Clarity of expected benefits – **ALIGNED**

The bank has identified clear expected environmental or social benefits for all of the 11 eligible categories and these are relevant based on the projects likely to be financed under each category. The benefits are measurable for most project categories and the bank will report on these quantitative benefits in its annual reporting. The bank has communicated that it will strive on a best-effort basis to prioritize allocation towards new financing relative to refinancing on its use of proceeds with no look-back period.

Best practices identified

- » Commitment to transparently disclose the share of proceeds used for refinancing where feasible

Process for project evaluation and selection



Transparency and quality of process for defining eligible projects – ALIGNED

The bank's decision-making process for the selection and evaluation of projects is explicitly and comprehensively structured, and is outlined in its framework. Eligible green and social projects will be sourced from various business units, and will be selected by the bank's treasury department. The bank is launching a SDG financing working group (SFWG) with senior representatives of various departments. The SFWG will be responsible for validating project selection and the post-issuance reporting. The SFWG will review projects annually and projects will be signed off by all members.

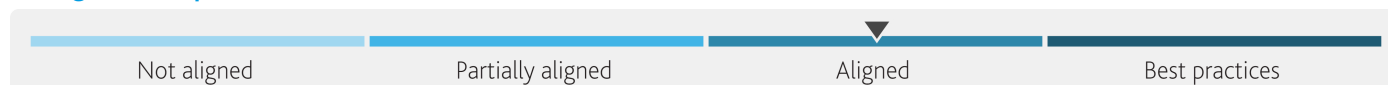
Environmental and social risk mitigation process – ALIGNED

The bank has a well-established and thorough screening and oversight process to minimize environmental, social and governance (ESG) risks. The bank has adopted an environmental and social risk management (ESRM) policy framework, and established a sector policy to select and manage environmentally important and controversial areas. Additionally, the bank conducts target selection, risk rating, and an environmental and social risk review procedure (ESRP) based on the Equator Principles.

Best practices identified

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » The process for project evaluation and selection is traceable

Management of proceeds



Allocation and tracking of proceeds – ALIGNED

The bank has defined a clear process for the management and allocation of bond/loan proceeds in its publicly available framework. Net proceeds from any bonds/loan issued under the framework will be deposited in the bank's general treasury account and earmarked for allocation using a project register through its internal information system. The project register will be reviewed annually to track how funds have been matched to eligible categories and projects, and this will be adjusted at least annually to match allocations to eligible projects made during the preceding year. Shinhan Bank intends to allocate all proceeds within 36 months of issuance on a best-effort basis – slightly longer than market best practices of 24 months or less.

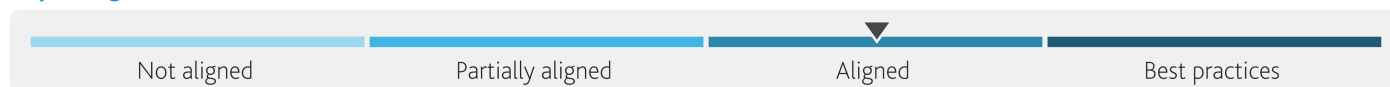
Management of unallocated proceeds – BEST PRACTICES

Following the bank's general liquidity management policies, the unallocated proceeds will be invested in cash or cash equivalents and the bank has a restriction list for eligible activities. In the event of a divestment or if an eligible project no longer meets eligible criteria, the bank has formalized in its framework that the funds will be reallocated to other eligible projects, following the project selection and evaluation process.

Best practices identified

- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – ALIGNED

The bank will report annually on the use of proceeds of bonds/loans under its framework until full allocation and this reporting will be made publicly available on the bank's website. In case of full allocation, the bank will report on a timely basis in the event of material developments. The bank has clearly communicated in the framework that reporting will cover details on specific projects, where feasible, including a list of projects and brief descriptions, and a breakdown of eligible assets by eligible category. Reporting will also cover the amount of proceeds allocated at the project level, the portion of financing and refinancing, sustainable benefits of the eligible assets.

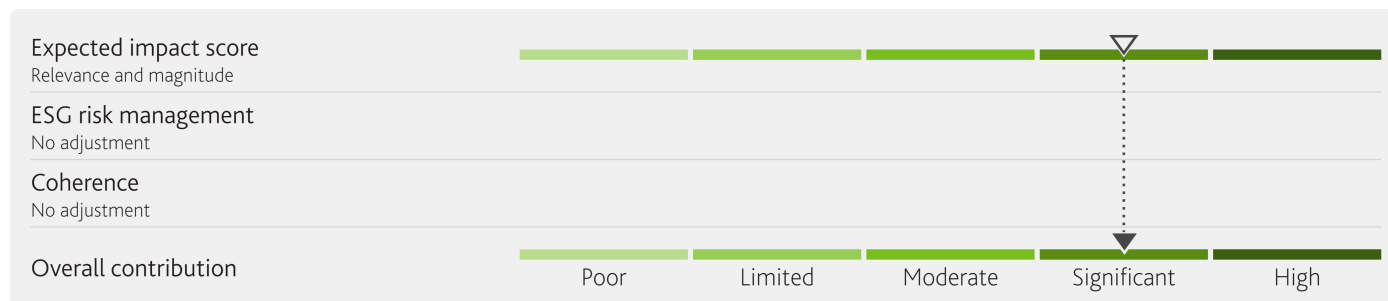
The bank has identified relevant environmental and social reporting indicators for most eligible categories and has clearly disclosed these indicators in its framework. However, impact indicators are not indicated for the pollution prevention, water, climate change and biodiversity categories. The methodologies and assumptions used to report on environmental and social impacts will be disclosed in the report. Although the bank is committed to conducting post-issuance reviews of its framework on a yearly basis, this does not constitute an independent audit of the tracking and allocation of funds nor a verification on reported environmental and social impact assessments.

Best practices identified

- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum

Contribution to sustainability

The framework demonstrates a significant overall contribution to sustainability.

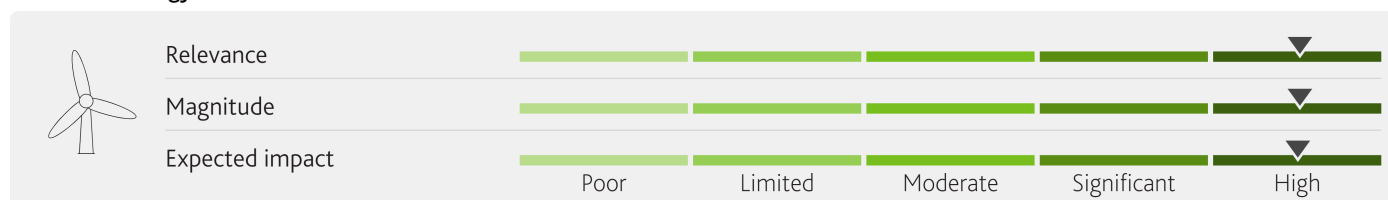


Expected impact

The expected impact of the eligible projects on environmental and social objectives is considered significant. Based on information provided by Shinhan Bank including allocation reporting from its previous sustainability bond issuance in 2021, we expect proceeds from forthcoming issuances to represent a higher proportion for the renewable energy and the three social categories. We have, therefore, assigned a higher weight to these categories in our assessment of the overall framework's contribution to sustainability.

A detailed assessment by eligible category is provided below.

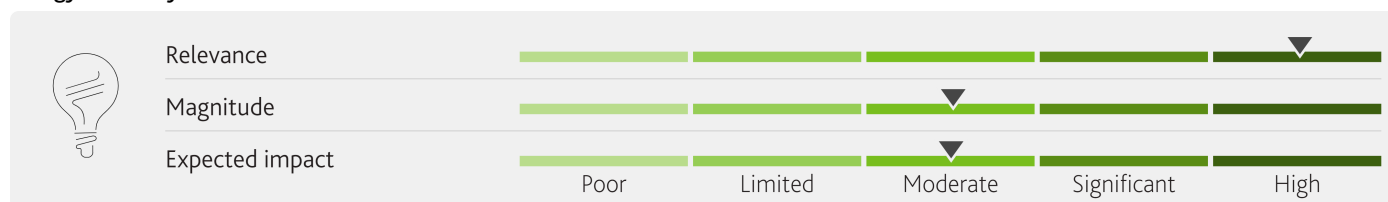
Renewable energy



The proposed renewable energy projects are highly relevant to the banking sector and project locations, especially since banks play a critical role in channeling capital to green activities for climate action and enable the decarbonization efforts of other industries. Projects will be undertaken in markets with a high dependence on fossil fuels within the energy mix — such as Australia, Korea, Japan, Vietnam, the UK and China — making the investments highly relevant and crucial for these countries to meet their respective nationally determined contribution (NDC) goals.

The category will have a high contribution to sustainability as most of the proceeds are likely to be allocated to financing and refinancing eligible solar and wind projects. Projects will use best available technologies in the market and have clearly defined technological thresholds to ensure positive long-term impact and minimize negative lock-in effects. Solar and wind projects are likely to have a high positive environmental impact which use best available technologies in the market and have clearly defined technological thresholds. For biomass projects, the bank has confirmed that it will follow the EU taxonomy technical criteria of 100gCO₂e/kWh life cycle emissions, as well as exclude all municipal solid wastes, woody mass, and algae. For hydropower projects, the bank has confirmed it will limit its financing to small-scale hydropower projects with less than 25MW capacity and keep the GHG intensity below 50gCO₂e/kWh in accordance with the EU taxonomy. The bank has also confirmed that eligible fuel cell projects will exclude all hydrogen sources derived from fossil fuels. Given the fact that green hydrogen technology is currently at a nascent stage and is not fully commercially viable, the bank has confirmed that they do not plan to allocate proceeds to such projects any time soon; rather, future investments will be considered once sourcing of green hydrogen is fully viable.

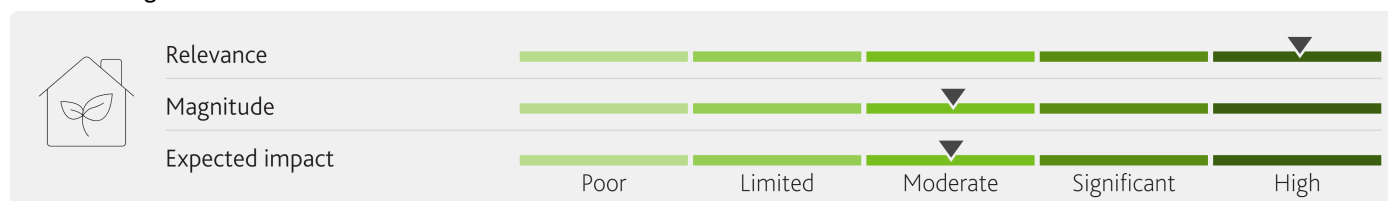
Energy efficiency



Eligible projects in this category are highly relevant to the banking sector and contribute to Korea's national GHG reduction target. Korea's NDC includes various initiatives related to energy efficiency across residential and industrial sectors, demonstrating that it is an integral part of the national strategy to reduce GHG emissions and meet the country's Paris Agreement goals.

Investments in this category are likely to have a moderate contribution to climate change mitigation because the stipulated threshold of 15% improvement is considered less ambitious than the industry-wide best practice of 30% – both the Climate Bonds Initiative (CBI) and EU taxonomies prescribe 30% energy performance in building renovation. Moreover, there is no time horizon specified to implement this improvement. Although we expect improvements that result from energy-efficiency measures, the category lacks specific details on the types of businesses and activities that will be financed, limiting visibility into the degree of impact.

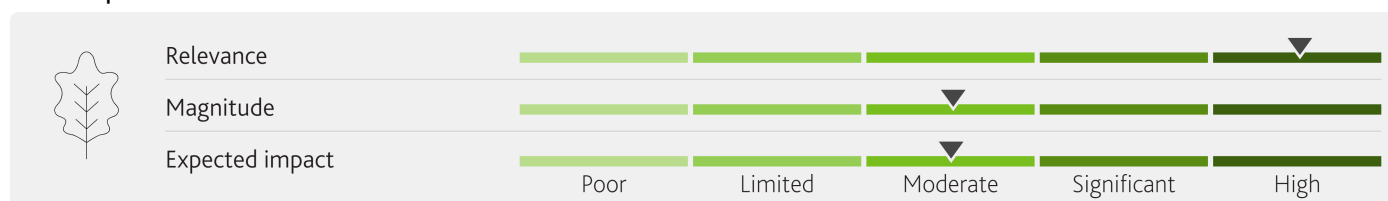
Green buildings



Financing activities under this category are considered highly relevant. Building sector decarbonization is critical to reduce overall GHG emissions because over one-third of global carbon emissions stem from the building sector. Given that the current energy mix in Korea is still heavily dominated by fossil fuels (70%) and that buildings contribute to about 25% of GHG emissions, financing buildings with better energy performance is considered highly relevant to the challenges faced in this sector.

The bank has selected 'LEED Gold and above' and 'BREEAM Excellent and above' as the eligibility criteria for this category, which are both well-recognized international certification schemes. LEED Gold and above is considered a relevant proxy of the low-carbon building standard under CBI. CBI further requires the LEED certificate to be augmented with appropriate energy improvement thresholds, such as 30% improvement above the levels in ASHRAE 90.1. However, because of limited visibility on the predicted proceeds allocation among the types of building activities – where newly constructed buildings tend to consume more energy and have more environmental and social risks associated with the construction process compared with existing building activities and refurbishment activities – the overall magnitude is considered moderate.

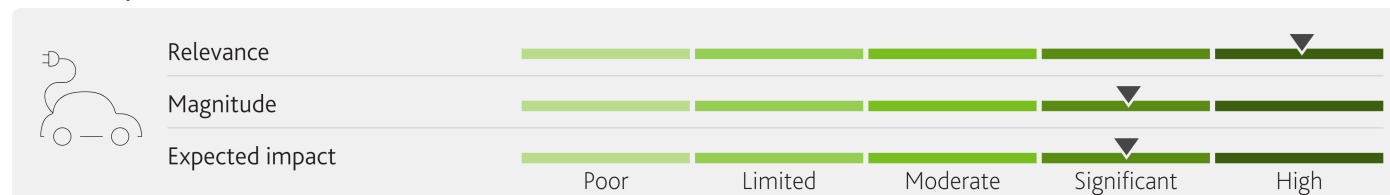
Pollution prevention and control



Tackling air pollution is a highly relevant environmental challenge faced in Korea, especially because air pollution is one of the most pressing health and social concerns in the country. In recent years, the level of fine particulate matter reached PM2.5 (double the recommended level by IQAir), and exposure to such matter and ground-level ozone has been particularly severe. Given the highly material and urgent need to finance air pollution mitigating technologies, the banking sector plays a critical role of channeling funds to aid the financing, development and implementation of such projects.

The category is likely to moderately contribute to sustainability. For example, the proposed recycling activities would have a positive impact by building feedback loops through a circular economy, and the bank has confirmed that most of the recyclables, especially plastics, will be segregated, while chemical recycling of plastic will be excluded. However, the lack of technical details for some of the projects makes it difficult to properly assess the magnitude of the projects' impact on the environmental objective. For example, in the case of waste-to-energy (WtE) plants, the absence of specific thresholds around plant efficiency and bottom ash recovery makes it difficult to assess associated environmental and social externalities.

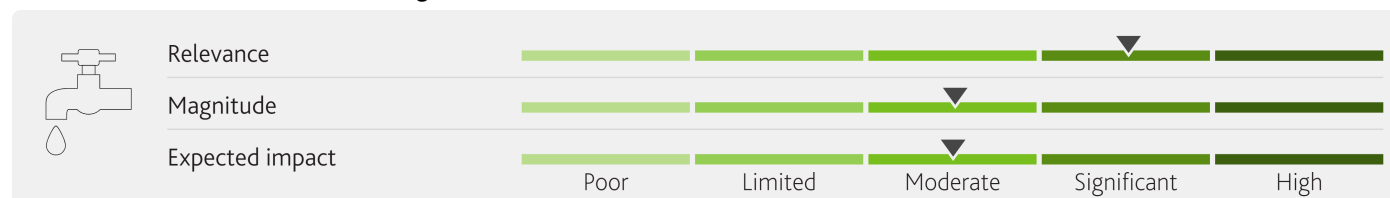
Clean transportation



The project category is highly relevant to the bank and in the context of Korea. The transportation sector has the highest reliance on fossil fuels of any sector and accounted for 37% of carbon dioxide (CO₂) emissions from end-use sectors in 2021². In Korea, the industrial, transportation and building sectors accounted for most of the emissions (54%) in 2018, with transportation representing the second-largest segment. Therefore, decarbonizing these sectors is highly relevant and will be crucial to achieving Korea's decarbonization ambition outlined in its national Carbon Neutral Strategy (CNS), according to which the two main scenarios for achieving its 2050 net-zero targets involve increasing the share of electric vehicles (EVs) in the overall country's transport fleet to more than 80%.

Investments in this category are expected to have a significant contribution to Korea's transition toward clean transportation and will have a long-term impact in terms of the overall GHG reduction through an increase in adoption of zero-tailpipe EVs. The bank will finance low-carbon land transport, including zero-tailpipe EVs, trains and public transportation vehicles. The bank has confirmed that it will rely on best market practice thresholds for selecting eligible assets, including passenger rail below 50 gCO₂/p-km and freight rail below 25 gCO₂/t-km. Although the bank has confirmed that it will comply with CBI's low carbon transport criteria of 50gCO₂/p-km for hybrid passenger vehicles, the category is expected to have a significant magnitude overall due to the inclusion of hybrids or fossil fuel modes.

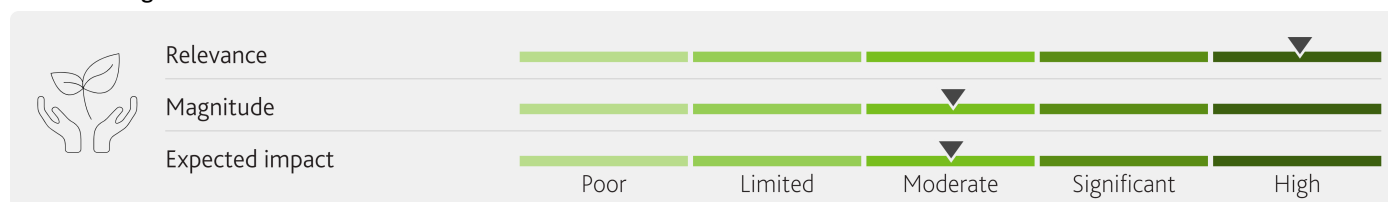
Sustainable water and wastewater management



The project category has significant relevance overall. While unmanaged water pollution problems are more prevalent among developing countries in the Asia-Pacific region, leading to a higher need for water treatment facilities, addressing concerns around water stress and frequent flooding are important for developed countries alike. According to the Organisation for Economic Co-operation and Development (OECD), Korea's population density and water scarcity are both the highest among OECD countries, with water in river basins being fully (or close to fully) allocated, which poses problems in terms of balancing the increase in both population and demand for water³.

The category is likely to have a moderate contribution to sustainability. While projects will include sewage infrastructure, waste water treatment, drainage systems, flooding mitigation and natural disaster response system (of which most of the allocation will go towards water and wastewater treatment), the category lacks details regarding the eligibility criteria and technical thresholds, which limits visibility on the associated environmental and social externalities and the extent to which projects can contribute to the environmental objective.

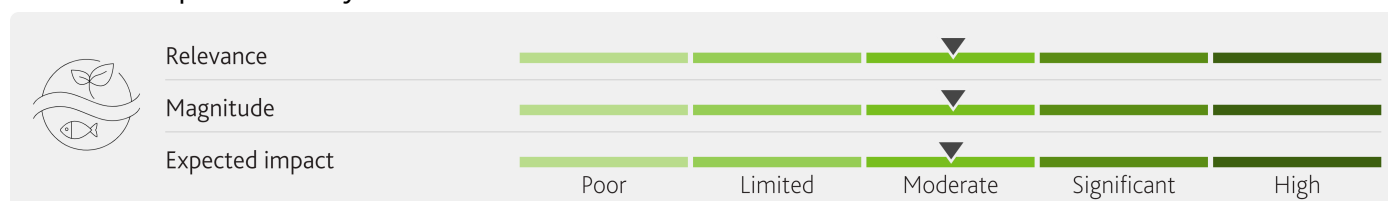
Climate change



The project category has high relevance overall as climate change is a highly critical issue globally, and because countries in the Asia-Pacific region, including Korea, are especially vulnerable to physical climate change risks and related natural disasters. Since commercialization of climate change adaptation and mitigation projects are viable, the banking sector plays a critical role in channeling capital to enable adaptation efforts and to mitigate further risks and damages stemming from climate change.

The category is likely to have a moderate magnitude. While projects under this category can contribute to the management of climate change impacts in Korea, the category lacks details regarding the eligibility criteria, technical thresholds, and types of activities to be financed, which limits visibility into the extent to which projects will contribute to the environmental objective.

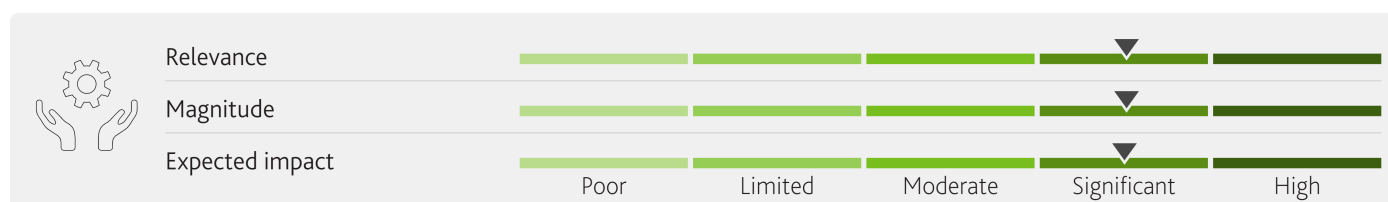
Terrestrial and aquatic biodiversity conservation



The project category has moderate relevance overall, mainly because the category is less relevant to commercial banks in the context of sustainable financing. Since terrestrial and aquatic biodiversity conservation projects are less commercially viable, it is not a pressing sustainability issue faced by the commercial banking sector. Nevertheless, we note that conservation of biodiversity is one of many important sustainability issues in Korea.

The category is likely to have a moderate magnitude in project locations. The category lacks details regarding the eligibility criteria, thresholds and types of activities to be financed, which limits the visibility into the extent to which projects can contribute to the environmental objective. While protecting marine environments can help generate long-term positive effects on marine and coastal ecosystems, the degree of impact will largely depend on the type of measures implemented.

Access to essential services



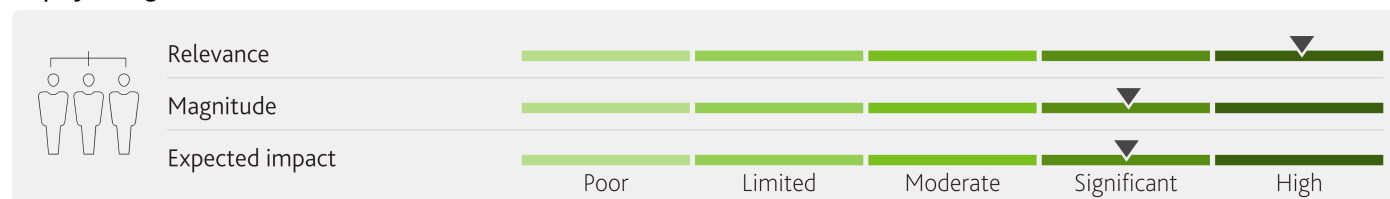
Korea has one of the highest household debt among OECD countries, recording 105.3% of GDP as of the third quarter of 2022, according to Bank for International Settlements (BIS). While banks have been providing credit to Korean households overall, individuals with limited collateral, low credit scores or low incomes are often not eligible for financial access to major commercial banks and are often subject to higher interest rates from smaller non-bank financial institutions or private predatory lending agencies. Therefore, banks play an essential role in channeling capital by providing financially-inclusive products and easy access to financial services to vulnerable populations. However, given financial inclusion is a more pressing social challenge for emerging market economies, as opposed to Korea where financial inclusion is nearly universal⁴, we have assigned significant relevance for this project category.

Projects in this category will have a significant impact on expanding financial inclusion and provide access to essential services for the vulnerable population. Under this category, the bank intends to channel capital to the targeted vulnerable populations through specific government-backed programs, such as those conducted by the Korea Inclusive Finance Agency (KIFA) — a government agency

that develops inclusive financial products for low-income and low-credit populations, in collaboration with major commercial banks. Providing financial assistance via loans or offering inclusive financial products for targeted low-income populations will help improve financial stability and promote financial inclusion for those who are not eligible from major commercial banks.

Most inclusive financial products have clearly defined target populations and eligibility criteria that properly take into account the financial status of the borrowers as set by the government. However, because in most cases the purpose of the loans under this category is not clearly specified, this makes it difficult to assess the end-use of proceeds to fully determine the extent of the projects' contribution to social objectives.

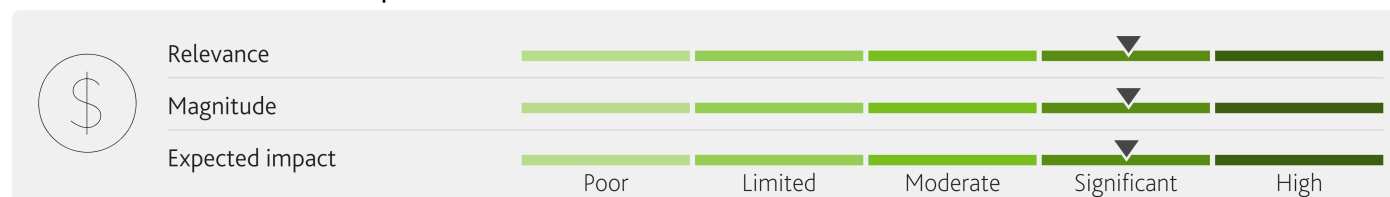
Employment generation



The projects in this category have high relevance. SMEs are the backbone of the Korean economy because they account for nearly all firms (99.9% of number of enterprises), 82% of total employment and 48% of exports. Still, SMEs lag behind large firms when it comes to productivity and working conditions. The productivity gap between large firms and SMEs in Korea is the largest among OECD countries. SMEs also offer lower wages, more unstable contracts and fewer career progression opportunities compared with large companies, which is the main reason why a large number of young workers are unwilling to work outside of Seoul, putting further strain on the city's soaring housing prices, resources and unemployment rate. Therefore, banks play an essential role in channeling capital to SMEs and startups not only to foster employment generation in general, but also to help attract and retain young talent in SMEs and cities outside the capital.

Investments under this project category would make a significant contribution to expanding access to financing for the target groups, including SMEs and small offices and home offices (SOHO), all of which follow definitions set by the government. As a financial intermediary, the bank is channeling capital to many targeted government-sponsored programs for those SMEs and SOHOs that possess "core" technologies that are especially important to promote innovation that can help spur economic development, but lack access to stable funding from major commercial banks in Korea. While the bank will finance clearly defined target companies with exclusionary criteria as set by the government, these are not considered the most vulnerable population in the context of Korea, hence, the magnitude remains at a significant level. The bank will take into account the financial status of the borrowers by limiting the maximum loan amount.

Socioeconomic advancement and empowerment



This project category has significant relevance. While the unemployment rate for Korea was below 3% as of January 2023 – lower than the OECD average of around 5% in the same period – the employment rate for the Korean youth (defined as those aged 15-29) is well below the OECD average. Youth unemployment and inactivity can potentially have long-term scarring effects that can negatively impact employability later in life and increase the chances of individuals becoming non-regular workers with low wages. It can also lead to adverse effects on the population's overall health and life satisfaction⁵. As a result, financing companies with youth employment will have long-term impact for the socioeconomic advancement and empowerment for this target population.

The projects in this category will have a significant impact on expanding financial inclusion and promoting socioeconomic advancement and empowerment for the younger generation via Shinhan's "Do Dream" projects. The projects include loan products for companies that are creating youth employment, with the eligibility criteria and target populations clearly defined by the government.

or the bank. The projects also include management consulting training to self-employed young people, providing courses on business management, tax, legal affairs and other business district analysis. However, in most cases the purpose of the loans under this category is not clearly specified. Additionally, the project category includes investing in innovative companies, which is unclear in terms of the underlying long-term benefits.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. As a financial institution that follows the Equator Principles, Shinhan Bank has combined ESG with risk management to recognize the ESG risk of loans and investments with adequate screening measures to exclude or minimize potential negative impacts. The bank has also adopted the ESRM and established the sector policy to select and manage environmentally important and controversial areas. Furthermore, the bank has launched an SFWG, with senior representatives from numerous departments, which will be responsible for validating project selection and the post-issuance reporting.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. Projects to be financed under the framework align with the bank's parent Shinhan Financial Group Co., Ltd's broad sustainability strategy. Investments in green categories will help support the group's "Zero-Carbon Drive," which supports the low-carbon transition of industrial processes, land-use, buildings, transportation, and other infrastructure to meet the Paris Agreement goals by committing to invest KRW30 trillion of green financing by 2030. Also Shinhan Bank is a member of the Net-Zero Banking Alliance and has set targets based on Science Based Target Initiative (SBTi) methodologies to reduce carbon emissions in accordance with the 1.5°C scenario of the Paris Agreement.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The eligible categories included in Shinhan Bank's framework is likely to contribute to one of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 1: No Poverty	Employment Generation Socioeconomic Advancement and Empowerment	1.4: Ensure all have equal rights to economic resources, access to basic services, property ownership and finance
GOAL 3: Good Health and Well-being	Access to Essential Services	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 4: Quality Education	Access to Essential Services	4.3: Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education
GOAL 6: Clean Water and Sanitation	Sustainable Water and Wastewater Management	6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
GOAL 7: Affordable and Clean Energy	Renewable Energy Energy Efficiency	7.2: Increase substantially the share of renewable energy in the global energy mix 7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	Employment Generation Socioeconomic Advancement and Empowerment	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs 8.5: Achieve full, productive employment and decent work for all women and men, and equal pay for work of equal value
GOAL 9: Industry, Innovation and Infrastructure	Employment Generation Energy Efficiency	9.3: Increase SMEs' access to finance, and their integration into value chains and markets, particularly in emerging markets 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 10: Reduced Inequality	Socioeconomic Advancement and Empowerment	10.2: Empower and promote the social, economic and political inclusion of all

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 11: Sustainable Cities and Communities	Renewable Energy	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
	Clean Transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
	Green Building	11.C: Support least developed countries, including through financial and technical assistance, in building sustainable buildings using local materials
	Pollution Prevention and Control	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 12: Responsible Consumption and Production	Pollution Prevention and Control	12.4: Achieve environmental management of chemicals and all wastes, and reduce their release to air, water and soil
GOAL 13: Climate Action	Climate Change	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
GOAL 14: Life Below Water	Terrestrial and Aquatic	14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

The UN's SDGs mapped in this SPO consider the eligible project categories and associated sustainability objectives/benefits documented in the bank's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 2 - Summary of eligible categories in Shinhan Bank's Framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable Energy	Finance construction, production, transmission of renewable energy projects, such as: <ul style="list-style-type: none"> - Solar - Wind - Hydro (run of river facility or small hydro with maximum 25 MW of capacity) - Geothermal (projects with direct emissions above 100 gCO₂ / kWh are excluded) - Fuel Cell (not related to fossil fuel activities) - Biomass, not derived from feedstock suitable for food production - Ocean Energy 	Climate Change Mitigation	<ul style="list-style-type: none"> - Annual renewable energy generation (MWh or GJ) - Annual GHG emissions reduced/avoided (metric tonnes of CO₂ equivalent)
Energy Efficiency	Investments to improve energy efficiency by a minimum of 15% compared to its baseline for buildings, machineries or factories such as: <ul style="list-style-type: none"> - Energy storage systems - Efficient heating, insulation and lighting - Smart Grid 	Climate Change Mitigation	<ul style="list-style-type: none"> - Annual energy conserved (MWh or GJ) - Annual GHG emissions reduced/avoided (metric tonnes of CO₂ equivalent)
Green Buildings	Properties that have received, or expect to receive locally or internationally recognized green certifications such as: <ul style="list-style-type: none"> - LEED Gold certification or above - BREEAM "Excellent" rating or above 	Climate Change Mitigation	<ul style="list-style-type: none"> - Number of green buildings funded - Annual energy conserved (MWh or GJ)
Pollution Prevention and Control	Projects aimed at reducing or capturing GHG emissions and harmful air particles such as: <ul style="list-style-type: none"> - Air purification units (not related to fossil fuel generation facilities) - Waste-to-energy plants - Recycling of resources - Harmful Matter Monitoring and Environmental Purification (not related to fossil fuel generation facilities) 	Climate Change Mitigation	
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, multi-modal environmentally friendly transportation - Bicycles 	Pollution Prevention and Control	<ul style="list-style-type: none"> - Number and type of clean transportation assets acquired - Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)
Sustainable Water and Wastewater Management	Finance projects associated with water and wastewater infrastructure such as: <ul style="list-style-type: none"> - Sustainable infrastructure for clean and/or drinking water - Waste water treatment - Sustainable land and urban drainage systems (sewage treatment and recycling, waste water recycling and hydro ecological restoration) - River training and other forms of flooding mitigation - Natural disaster response system 	Natural Resource Conservation	
Climate Change	<ul style="list-style-type: none"> - Climate Change Forecasts and Modeling - Climate Change Impact Evaluation and Adaptation - Weather Observation Equipment/Weather Forecast 	Climate Change Adaptation	
Terrestrial and Aquatic Biodiversity Conservation	<ul style="list-style-type: none"> - Protection of marine environments 	Climate Change Adaptation	
Access to Essential Services	<ul style="list-style-type: none"> - Support low-income 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') 	Access to Essential Services	<ul style="list-style-type: none"> - Number of SME loans granted - Number of beneficiaries
Employment Generation	<ul style="list-style-type: none"> - Provide financing support for SOHO2 (small office and home office, which are enterprises operated by individuals and households) and SMEs such as Tech Credit bureau, Loans for the - romotion fund of the small entrepreneur market - Comprehensive and customized solutions for SMEs 	Employment Generation	<ul style="list-style-type: none"> - Number of SME loans granted - Number of beneficiaries - Number of loans granted to healthcare industry participants
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> - Support the Shinhan Do Dream Project: funding support to companies with commitment to youth employment and job creation as well as investing in innovative companies 	Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> - Number of SME loans granted - Number of beneficiaries

Moody's related publications

Second Party Opinion analytical framework:

» [Framework to Provide Second Party Opinions on Sustainable Debt](#), October 2022

Topic page:

» [ESG Credit and Sustainable Finance](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

¹ The Sustainability-Linked Loan Principles are jointly published by Loan Syndications and Trading Association (LSTA), Loan Market Association (LMA) and Asia Pacific Loan Market Association (APLMA).

² <https://www.iea.org/topics/transport>

³ <https://www.oecd.org/about/impact/water-management-in-korea.htm>

⁴ <https://www.adb.org/sites/default/files/publication/173377/ewp-449.pdf>

⁵ <https://www.oecd-ilibrary.org/sites/63797b4a-en/index.html?itemId=/content/component/63797b4a-en>

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