

Increasing the Development of Environment-friendly Products

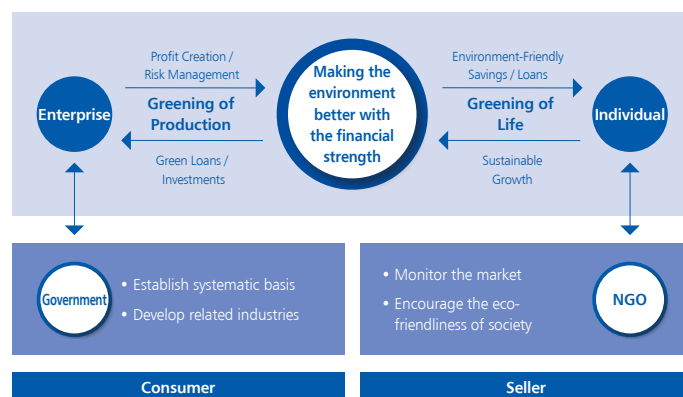
In order to satisfy the interests and demands for environmental management by internal and external stakeholders such as employees, customers, and the government, Shinhan Financial Group is introducing various financial products that encourage Environment-friendly life for customers, and support companies that lead Environment-friendly industries.

Shinhan Bank is making contributions to reduce inefficient energy use by providing preliminary support for LED replacement costs in apartments and public institutions and by developing 'Green Energy Factoring' for users, which enables payment of construction expenses by reduced electricity costs. The bank is also operating a loan product called 'Green Remodeling Interest Subsidy Loan' for customers planning to remodel their buildings with the purpose of improving energy efficiency. Under this project, the bank supports construction expenses and the government supports 2-4% of loan interest depending on the level of energy improvement. Furthermore, Shinhan Bank also provides 'Shinhan Green+ Installment Savings,' a deposit product which provides an additional interest rate up to 0.3% when fulfilling conditions for Green benefits by using public transportation and by saving electricity and gas expenses, thereby encouraging customers to practice energy reduction in their daily lives.

Shinhan Life Insurance and Shinhan BNP Paribas Asset Management are operating variable insurance products which make investments in companies with high sustainability through the SRI(Socially Responsible Investment) Fund, which invests in stocks related to society, environment, and energy reduction, as well as other relevant funds.

Through 'Small Car Oil Tax Refund Card', which returns a portion of oil tax to owners of compact cars, Shinhan Card is making contributions to reduce air pollution and improve energy efficiency by promoting the usage of small cars.

Shinhan Financial Group, Role of Green Finance



Resource Reduction Effect through Green Energy Factoring

Reduced Amount of Greenhouse Gases	5,694tCO ₂ eq
Reduced Energy Consumption	12,384MWh

Product Name	Product Explanation	Billings
Green Energy Factoring	The product supports the expenses used in replacing the LED light bulbs of underground parking lots to reduce energy costs, and the customers pay back the construction costs with the money saved from using less energy.	KRW 8,138 million (Total as of end of 2015)
Green+ Installment savings	The product provides preferential interest rates to green customers practicing energy conservation activities such as using public transportation, saving energy like electricity and gas and conserving resources by using non-face-to-face channels.	KRW 384,462 million (Total as of end of 2015)
Green Remodeling Interest Subsidy Loan	The product provides support for improving the energy efficiency of existing buildings and funding for construction, and ensures the government's support on 2-4% of the loan interest according to the level of improvements made	KRW 13,636 million (Total as of end of 2015)
New Green Corporate Loan	The product provides funding to green companies and new entrants in green industries in order to contribute to the vitalization of green industries.	KRW 201,563 million (Total as of end of 2015)
Shinhan BNPP Tops Beautiful SRI Securities Trust	The product invests mostly in equities where the underlying corporations fulfill their environmental, social, and economic responsibilities.	KRW 5,571 million (Assessment as of End of 2015)
Shinhan BNPP Private Equity SRI Securities Investment Trust No. 1	The product invests mostly in equities where the underlying corporations fulfill their environmental, social, and economic responsibilities.	KRW 4,541 million (Assessment as of end of 2015)
Tops SRI(combined, stock-type)	The product invests mostly in equities where the underlying corporations fulfill their environmental, social, and economic responsibilities.	KRW 23,347 million (Assessment as of end of 2015)
Shinhan BNPP Bonjour Clean World Securities Trust	The product invests mostly in equities that are related to the global environment, alternative energy, water resource processing, waste prevention, waste processing, etc. with funds from investment trusts and manages the equities.	KRW 226 million (Assessment as of end of 2015)
Shinhan BNPP Energy Index Plus Securities Trust	Fund that invests most of its assets from the collective investment scheme in bonds and energy-related derivatives that are traded in the market or in the OTC market to ensure long-term capital growth.	KRW 4,388 million (Assessment as of end of 2015)
Shinhan The Best Variable Universal Life Insurance	The product invests in companies that can implement environment-friendly CSR through SRI Funds.	KRW 461 million (New Deposits in 2015)
Reimbursement Card for Light Vehicle Fuel Taxes	Card for which the user receives a reimbursement for part of the fuel taxes paid. It has the effect of decreasing air pollution and increasing energy efficiency, due to the increased use of light vehicles.	Number of newly issued credit cards: 27,246 Number of newly issued debit cards: 35,800 (Number of new issuances in 2015)



External Cooperation for Developing Environment-friendly Products and Services

Shinhan Bank signed the 'Business Agreement for Activating Green Remodeling' with the Ministry of Land, Infrastructure, and Transport and launched 'Green Remodeling Interest Subsidy Loan' in 2014, contributing to the increase of Environment-friendly buildings by creating new values through such public-private partnership.

Introduction of Environment-friendly Business Services

In 2015, Shinhan Bank introduced Digital Kiosk and used it as a 'Digital Self-banking Counter', where most counter services, such as deposits, withdrawals, new account creation, and reporting can be processed in the advanced concept manless self-banking counter. Using this system, users can process banking services through simple identification without writing additional applications. This is expected to have a huge effect in reducing energy and usage of paper in the form of statements and certificates. Also, by expanding S-Force services where employees visit customers directly to process banking services, such as deposits, withdrawals, loans, and new electronic finance services, using tablet PCs, Shinhan Bank practices an Environment-friendly business service which considers customer satisfaction and environment at the same time.

Increasing Financial Support for Environment-friendly Companies

In response to the renewed interest on environmental pollution and depletion of fossil fuels, Shinhan Financial Group provided financial support for companies that conduct projects related to renewable energy.

Shinhan Bank and Shinhan Investment Corp. are supporting funds for constructing power plants for various renewable energies, such as wind power, bioenergy, solar power, and fuel cells, using various methods such as corporate loans, project financing, and investment shares through funds. Through such efforts, they are contributing to reducing national environmental effects by decreasing the usage of fossil fuels and increasing the number of facilities producing Environment-friendly energy.

Plans

As a company leading in green finance, Shinhan Bank recognizes the importance of financial industries in creating an Environment-friendly society. As a result, it plans to make consistent enhancements on Environment-friendly investments and to create an environment for promoting financial support for developing technologies on alternative energy.

Under the trends of low interest rates and low growth, Shinhan Life Insurance plans to enhance usage of funds that invest in ESG(Environment, Social, Governance), such as SRI Funds, from a long-term perspective, in order to strengthen the competitiveness of variable insurance and to improve long-term rates of return for customers.



Using Resources Efficiently and Reducing Environmental Impacts

Countries around the world are making multilateral efforts to prevent global warming, such as reduction of greenhouse gases and adaptation to climate change. South Korea is following such global trends by submitting a proposal to reduce greenhouse gas emissions by 37%(BAU, 850.6 million tons) at the 21st UN Climate Change Conference held in Paris in 2015. Accordingly, various methods to practice green growth in management activities of global companies are being discussed, and the level of disclosure of environmental information is increasing, along with strengthened legal regulations such as introduction of an emission trading system.

Shinhan Financial Group is aware of its responsibility in preserving nature, and is continuing Environment-friendly activities such as reduction of energy and waste, and making more active and effective responses to climate change, in order to protect nature and allow it to be safely inherited by our offspring. Shinhan Financial Group is also expanding its channels of communication and is strengthening internal policies regarding environment in order to respond to demands by stakeholders and to environmental policies designed to cope with constantly changing climate conditions.

Operation of Environment-friendly Green Buildings



Shinhan Bank is operating 'Shinhan Data Center' for green buildings, which incorporates an Environment-friendly, energy-saving system such as investments on solar power generation and devices with high-energy efficiency. As an acknowledgement to the effectiveness of its activities for reducing energy, such as an ice storage system which utilizes cold energy stored overnight for daytime refrigeration as well as BEMS(Building Energy management System), Shinhan Bank acquired Gold Grade in LEED, a US certification on Environment-friendly buildings and a Korean certification on green architecture (Top Grade). In 2015, the operation of the Environment-friendly data center had an effect of reducing a total of 2,048tCO₂eq of greenhouse gas emissions for one year, which is a reduction of approximately 8% of energy compared to the time before operating the Environment-friendly center.

Annual outcome of energy reduction



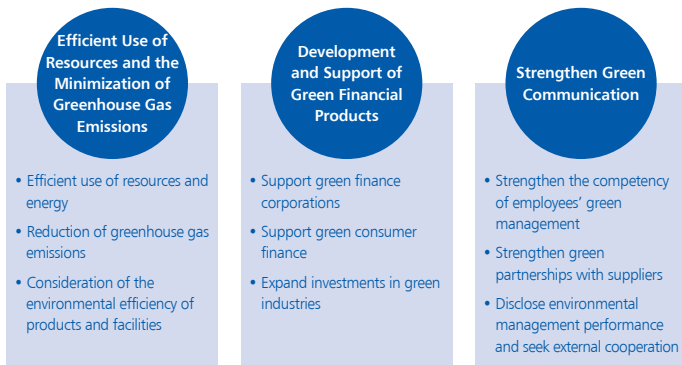
Total amount of electricity reduced

4,455,068kWh

Constructing an Environmental Management System

As a corporate citizen, Shinhan Financial Group is aware of its responsibility regarding environmental effects stemming from the group's management activities, and is making consistent reinforcement of efforts for minimizing greenhouse gas emissions, by recognizing that environmental issues are critical for sustainable development of the company. Notably, Shinhan Financial Group is carrying out company-wide environmental management of the group through 'CSR Committee', a subcommittee under the board of directors. Shinhan Financial Group also operates 'Integrated Green Management System' which measures and manages the amount of greenhouse gas emissions and energy usage in quantitative units for group affiliates, establishing systematic environmental policies by managing 12 environmental indicators. Furthermore, Shinhan Financial Group is making effective responses to demands by external stakeholders on disclosure of environmental information.

Shinhan Financial Group Environment Management Norm

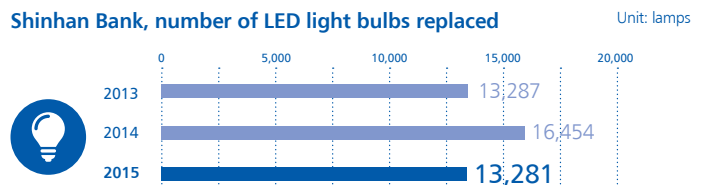
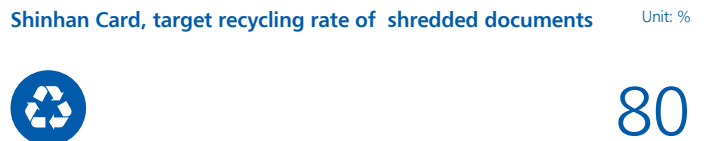
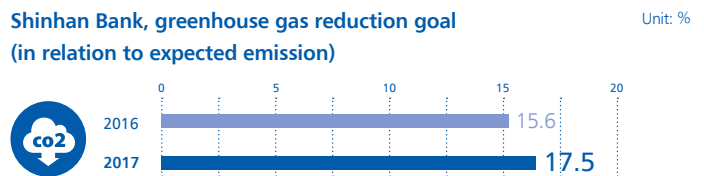
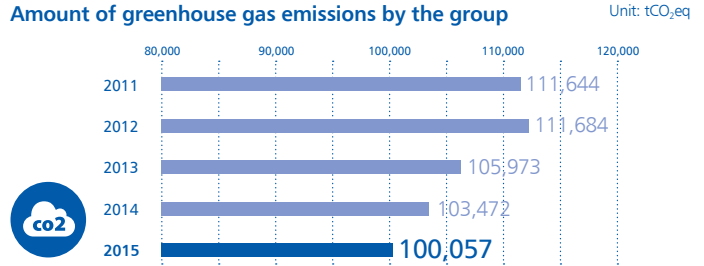


Shinhan Bank appoints the head of the management-planning group as the manager of energy management, and is regularly operating a working-level committee on energy management in order to make a company-wide effort for reducing energy usage. In a bid to reduce greenhouse gas emissions effectively, the bank acquired an international standard energy management system(ISO50001) for the first time in Korean banks and completed renewed certification in 2015. Furthermore, it regularly collects data on environmental outcome, such as energy usage, water usage, and distance of business trips, through a resource management system on the intranet and manages them through monthly delivery to the green management system.

Efforts for Reducing Energy

In accordance with the Framework Act on Low Carbon, Green Growth, Shinhan Bank was selected as the corporation to manage greenhouse gases/energy goals in 2012. It is establishing annual reduction goals for reducing 30% of energy compared to national greenhouse gas emissions(BAU) by 2020 and is reporting fulfillment plans and reduction performance to the government every year. In 2015, it was charged with the task of a reduction of 8.8% compared to expected emissions, and achieved 19% over the original target thanks to active reduction activities by all employees. Shinhan Bank achieved a reduction of 2,376 tCO₂eq in greenhouse gas emissions through activities for increasing energy efficiency of buildings, such as concentrated indoor temperature control during the summer and winter, replacement of LED lighting, and improvement of air conditioning and heating systems, and of 1,562 tCO₂eq through reduction of vehicle use by conducting video conferences instead of personal meeting. Apart from these, Shinhan Bank is making multidimensional efforts for low-carbon green growth by disseminating the agenda for energy reduction to branches, and conducting energy reduction activities using an energy reduction checklist according to each branch.

Shinhan Life Insurance is carrying out energy reduction campaign for its branches in summer and winter when there is high electrical demand, and is consistently making efforts for energy reduction such as indoor temperature control, electronic device power management, and installation of LED lights in the head office.



Waste Management

In order to ensure stringent waste management, Shinhan Bank is discharging the waste occurring from its offices through entrusted waste treatment companies that have officially received approval. Also, since the end of 2011, it has been operating the 'Sharing PC' program, a social contribution project designed to protect and preserve nature, by reusing resources from PCs for business use, which were previously sold or were lying unused. In 2015, Shinhan Bank regenerated a total of 5,046 PCs that were no longer being used (combined quantity of monitors, desktops, and laptops), and had an effect of supporting approximately KRW 38 million to social companies for PC regeneration.

Also, in 2014, it signed the 'Shinhan Green Love Social Enterprise Support Collaboration Agreement' with a resource recycling group, donating used furniture and computing devices for office use. Since 2015, Shinhan Bank has been promoting double-sided printing throughout the company, contributing to the reduction of the use of paper. Moreover, the bank is consistently reducing environmental effects by conducting waste sorting and emission management on 5 types of recycling waste in major buildings, including the head office.

Reinforcement of Green Management for Supply Network

Shinhan Financial Group has enacted the 'Group Environment Management Norm', in a bid to make priority purchases on green products with small environmental externalities which have environment mark, GR mark, and certification on high-energy efficiency. In 2015, it emphasized Environment-friendly management for compliance with environmental standards, prevention of environmental pollution, waste reduction, and efficient use of resources through discussion meetings designed to improve sustainability with suppliers of major affiliates such as Shinhan Bank, Shinhan Card, Shinhan Investment Corp., and Shinhan Life Insurance.

Shinhan Bank, Evaluation Criteria for Environment-Friendly Suppliers

Did the supplier acquire Environment-friendly and recycled products certification and social enterprise certification, and does it possess superior products/services?

Does it have certifications for energy consumption efficiency grading, superior standby power reduction, and high energy-efficiency equipment? Does it have products that have superior qualifications and energy efficiency?

Does it have a history of promoting energy management / green products / social enterprise?

With respect to the proposal, does it have certification of possessing superior technology?

Is it an excellent supplier that was designated by the bank for its IT superiority and has it received a certificate of gratitude from the bank?

Participation in UNEP Finance Initiative(UNEP-FI)

In 2008, Shinhan Bank joined UNEP Finance Initiative, making efforts to fulfill the environmental responsibilities of the financial company along with global financial institutions. On March 2015, the bank received a certificate of merit on sustainable finance from the Korea Sustainability Investing Forum in an acknowledgement of its efforts for conducting sustainable and socially responsible financial activities. Also, by participating in 'Joint Declaration by Financial Institutions for Supporting Energy Efficiency', it is consistently recognizing the active role of finance on activating investments regarding energy efficiency and is supporting relevant activities.

Reinforcement of Environment-friendly Awareness for Employees

Shinhan Bank is improving awareness of employees in practicing energy management by enacting guidelines and manuals on energy management. The bank is also conducting internal and external group education as well as online education for all employees every year in order to enhance capabilities on environmental management. Furthermore, it is promoting energy reduction activities of employees by monitoring energy reduction performance every month and awarding and announcing outstanding branches through its company bulletin board every quarter. Shinhan Bank installed an electronic energy scoreboard on major buildings such as the head office in order to monitor energy usage consistently, and is posting posters on energy reduction checkpoints in order to improve awareness on protecting the environment.



Shinhan Bank, online education on environmental management.