Environment-friendly Finance

As the awareness of consumers towards a corporation’s social and environmental responsibilities increase, the demand for eco-friendly products and services as well as interest towards the eco-friendly management of a company are steadily increasing. Such change is bringing about new opportunities rather than threats.

Also, the environment in terms of operation and system is changing as sustainable management is being promoted by the government with the announcement of ‘The Third Sustainable Development Plan (2016~2035)’ along with the support for construction work to improve a building’s energy performance with the ‘Green Building Development Support Act’, and the fuel tax refund system for light vehicle owners with the ‘Tax Reduction and Exemption Control Act’.

Shinhan Financial Group has responded to such market changes by creating new business opportunities while resolving social issues through the development of eco-friendly products and services, vitalization of green finance in partnership with public institutions, and operation of SRI funds. And furthermore, it has been taking the leading role in expanding environmental management throughout society.
Eco-friendly Products and Services for Accelerated
Conversion to a Low Carbon Economy

Shinhan Bank offers the New Green Corporate Loan which provides economical interest rate to companies that are proven superior in terms of environmental management or companies that are entering the green industry in order to vitalize the green industry and to protect the environment. Also, the Green Remodeling Interest Subsidy Loan and the Green Energy Factoring are offered to support the funds necessary to replace old energy equipment and to improve performance in order to contribute to the reduction of energy usage.

Meanwhile, Shinhan Bank also participates in various renewable energy markets both at home and abroad such as solar power, turbine power, and biomass and it has arranged the financing and provided consultation on financing for the solar power generation project (56,793 MW in power generated) worth KRW 181.5 billion that spread across 4 regions in Japan in 2016. Also, it has financed KRW 180.8 billion and KRW 55.8 billion respectively to 2 clean energy fuel cell power generation projects to fulfill the strategy of expanding newly emerging energy industry backed by the government. These fuel cell power generation projects will produce 280,000 MW of electricity to contribute to supplying clean energy within the region.
Shinhan Investment has put together a fund that is worth KRW 350 billion in partnership with other large financial institutions in Korea in order to support companies that are launching solar power generation projects and other eco-friendly projects in Korea. Also, Shinhan Bank and Shinhan BNP Paribas Asset Management supply the initial investment for equipment through PF and funding to solar power and other renewable energy development projects both domestically and abroad to lead the way to prevent global warming through financing in the international market.

Shinhan Life Insurance operates variable insurance products that invest in SRI funds and other relevant funds which invest in companies that are sustainable and competitive from perspectives of both financial and non-financial factors such as environment and society.

Shinhan Paribas BNP Asset Management operates an SRI fund that reviews financial factors as well as non-financial factors such as eco-friendly management, socially responsible management, and quality economic management when selecting a company for investment. Companies that score high in terms of social responsibility and ethics have created sustainable development over the long term and recorded a high yield rate compared to a regular fund. We are creating a virtuous cycle of coexistence as we improve customer investment yield rate through SRI fund management, society’s health through investment in socially responsible companies (eco-friendly, society restoration, social welfare, etc.), and company profitability from an increase of managed assets due to an increased yield rate.

Shinhan Card has been operating the ‘Reimbursement Card for Light Vehicle Fuel Taxes’ program since 2008 with the government policy having been implemented. It is the only one of its kind within Korea amongst card companies which refunds fuel taxes to light vehicle owners in order to relieve the burden of fuel cost for civilians as well as reducing the air pollution and increasing energy efficiency.

### Structure of Japanese Solar Power Generation Project

- **Shinhan BNPP Fund No. 1**
  - Equity investment
  - Guarantee of overall system efficiency (For 20 years after operation)
  - Payment for electricity FIT

- **Mid-size firm in Korea**
  - EPC and O&M
  - Responsible for construction + Operation for 20 years

- **Local business owner at Japan**
  - 1. Equity investment
  - 2. Transfer of business license

- **SPC (Landowner)**
  - Payment for electricity FIT
  - Guarantee of overall system efficiency (For 20 years after operation)

- **Japanese electricity company Off-taker, 20y Fixed**
  - 1. EPC and O&M
  - 2. Responsible for construction + Operation for 20 years

- **Senior creditors (SBJ, etc.)**
  - Repayment of principal and interest
  - Subordinated loan

- **Shinhan BNPP Fund No. 2**
  - Repayment of principal and interest
  - Sale of electricity
  - Dividend yield
  - Senior loan
## List of Eco-friendly Products

<table>
<thead>
<tr>
<th>Category</th>
<th>Name of Product</th>
<th>Product Details</th>
<th>Billings (Unit: Million KRW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>New Green Corporate Loan</td>
<td>Contributes to vitalization of the green industry which is a new growth market through supplying loans to companies that operate within the green industry or companies that are trying to enter the green industry</td>
<td>144,429 (Balance as of end of 2016)</td>
</tr>
<tr>
<td>Loans</td>
<td>Green Remodeling Interest Subsidy Loan</td>
<td>Loan to building owner or business owner for funding energy performance improvement construction and the Green Remodeling Creation Center established by the Ministry of Land, Infrastructure, and Transport supplies a portion of the loan interest</td>
<td>11,652 (Balance as of end of 2016)</td>
</tr>
<tr>
<td>Loans</td>
<td>Green Energy Factoring</td>
<td>When a party desires to replace or to fix the old energy usage facility, it yields a sale credit equivalent to construction cost to the bank and the bank supports the yielded sale credit in the form of factoring and the borrower repays the factoring funds later on</td>
<td>4,854 (Balance as of end of 2016)</td>
</tr>
<tr>
<td>Assets</td>
<td>Green+ Installment Savings</td>
<td>Provides prime rate to customers that saves resources by using non-face-to-face channels and saves energy by using public transportation and reducing consumption in electricity/gas/water</td>
<td>259,829 (Balance as of end of 2016)</td>
</tr>
<tr>
<td>Funds</td>
<td>Shinhan BNPP Private Equity Green Energy Special Asset Investment Trust</td>
<td>Fund that invests (Equity and loan) in solar power and turbine power generation business in Korea</td>
<td>105,113 (Assessment as of End of 2016)</td>
</tr>
<tr>
<td>Funds</td>
<td>Shinhan BNPP Japanese Solar Power Special Asset Investment Trust</td>
<td>Fund that invests (Equity and loan) in solar power generation business in Japan</td>
<td>93,358 (Assessment as of End of 2016)</td>
</tr>
<tr>
<td>Funds</td>
<td>Shinhan BNPP Global Solar Energy Private Equity Special Asset Investment Trust</td>
<td>Fund that invests (Equity and loan) in solar power generation business around the world</td>
<td>40,916 (Assessment as of End of 2016)</td>
</tr>
<tr>
<td>Funds</td>
<td>Shinhan BNPP Private Equity SRI Securities Investment Trust No. 1</td>
<td>Mainly invests in stocks of Korean companies that are deemed competitive in terms of sustainability after analysis of both financial factors and non-financial factors such as environment and society</td>
<td>13,575 (Assessment as of End of 2016)</td>
</tr>
<tr>
<td>Funds</td>
<td>Shinhan BNPP Tops Beautiful SRI Securities Trust</td>
<td>Mainly invests in stocks of Korean companies that are deemed competitive in terms of sustainability after analysis of both financial factors and non-financial factors such as environment and society</td>
<td>5,371 (Assessment as of End of 2016)</td>
</tr>
<tr>
<td>Cards</td>
<td>Reimbursement Card for Light Vehicle Fuel Taxes</td>
<td>Refunds fuel tax for owners of light vehicles to reduce the burden of fuel purchasing for civilians, to reduce air pollution, and to increase energy efficiency since 2008</td>
<td>2016 Accumulated new accounts 118,363 Accounts Number of new accounts for 2016 - Credit : 19,083 Cards - Check : 23,078 Cards</td>
</tr>
</tbody>
</table>
Vitalization of Green Financing to Expand the Partnership with Environment-Related Public Institutions

Shinhan Financial Group is expanding its partnership with environment-related public institutions in order to contribute to decreasing environmental effects through vitalization of green financing.

Shinhan Bank has been seeking a partnership plan for vitalization of green financing with the Korea Environmental Industry and Technology Institute, a subsidiary public institution of the Ministry of Environment (Shinhan Bank’s partner institution for Green Remodeling Interest Subsidy Loan in 2014).

Green Financing Support Corporate Evaluation System

Expansion of Eco-friendly Tasks and Services

Shinhan Bank has expanded the scope of its paperless tasks by conducting financial transactions through digital kiosks and tablet PCs. The digital kiosks have been implemented for a year as of this year, and they have been renamed as the ‘Smart Lounge,’ and its range of tasks has been expanded greatly. 107 tasks which are equivalent to 90% of the trades made over the counter are available, and over 430,000 trades have been conducted without paper for the year. If we saved 1 sheet of A4 (4.37g) per trade, this is equivalent to saving about 2 tons of paper. Currently, the number of branches with digital kiosks stand at 21 and it is expected that this service can continue to reduce environmental impact as the number of its users is growing with the number now exceeding 10,000.