

Governance Structure

External Directors and CEO

Procedure and criteria for appointing external directors | External directors are appointed from shareholders' meetings under the recommendation of the Recommendation Committee on External Director Candidates. The company tries to ensure that external directors with conditions for autonomy set by relevant legislation and with financial history and expertise from various fields will be included in candidates recommended by the External Director Recommendation Committee. Conditions for appointing external directors with professionalism and insight include Δwhether the candidate possesses sufficient practical experience or professional knowledge on areas needed for business, such as finance, economy, management, accounting, and legislation, Δwhether the candidate can conduct his or her tasks fairly to ensure profits for all shareholders and financial consumers without being tied by certain interests, and Δwhether the candidate possesses a sense of ethics and responsibility appropriate for conducting the business. Under a fair and transparent procedure, the External Director Recommendation Committee assesses whether the candidates satisfy conditions set by relevant legislation and norms, and recommends them as candidates for external directors. If necessary, it utilizes recommendations from outside the company, such as shareholders, stakeholders, and external consulting institutions, as much as possible.

Monitoring and Supervising Conflicts of Interest | Article 4 Clause 1 No. 6 of the internal norm grants 'monitoring activities regarding conflict of interest between the company and dominant shareholders, employees, etc.' under the authority of the board of directors. Article 10 Clause 1 No. 7 of the board of directors' regulation stipulates 'approval on transactions between directors and the company' as a matter to be decided by the board of directors. In the current board of directors, the chairman of Shinhan Bank resides as a non-executive director. Consequently, a transaction occurring between Shinhan Financial Group and Shinhan Bank implies that a transaction is occurring between a director of Shinhan Financial Group and Shinhan Bank. In order to monitor such activities regarding conflict of interest, the voting right of the chairman of Shinhan Bank, the non-executive director, is restricted for the relevant case, and the decision is made through a special decision-making process, which requires approval by over 2/3 of present directors.

Assessment and Compensation | The Compensation Committee and the board of directors decide the reward system for internal directors. A variable amount of compensation is determined by reflecting the group's annual performance as well as long-term outcome. The board of directors determines compensation for external directors, and the amount of compensation varies according to the degree of participation in the board of directors and subcommittees. The annual limit for directors' compensation is approved at the shareholders' meeting every year, and the board of directors makes decisions on the details within the limit. For internal directors, a Compensation Committee solely consisting of external directors makes additional assessment on the details of the system for compensating the group's management board, including internal directors. In 2015, the ratio of the annual total compensation for the CEO to the median annual total compensation for all employees is 18.

CSR Committee

In 2015, Shinhan Financial Holding Company newly launched the CSR Management Committee, a subcommittee under the board of directors, in a bid to fulfill its social responsibility as a corporate citizen by actively responding to demands of internal and external stakeholders, including customers, shareholders, and local community, and to actualize the group's mission 'Compassionate Finance, Your Companion for the Future' in a proactive and systematic manner. Although Shinhan Financial Group had discussed issues related to the group's CSR management through the 'Group Social Contribution Committee' consisting of the group chairman and twelve CEOs of group affiliates, it newly created the CSR Management Committee under the board of directors, the highest decision-making organization, in order to make decisions regarding the group's CSR management in a more objective and rational perspective(The 'Group Social Contribution Committee' has been renamed as 'Socially Responsible Management Council' and remains as a council for CSR management among CEOs of group affiliates). Socially Responsible Management Council evaluates and resolves resolutions on matters delegated by board of directors, establishes the direction of the company on socially responsible management, and makes decisions on the relevant issues. The CSR Management Committee, which consists of four people, three external directors and one internal director, discusses major CSR issues in economic, environmental, and social areas to set the direction of CSR management that the group needs to fulfill, amends existing regulations regarding the group's CSR management, assesses and decides enactment of new regulations, publishes the CSR report, and receives reports on fulfillment of CSR management.

Activities | The first CSR Management Committee in 2015 appointed Chairman Lee, Man-woo as its chairman, and received reports on the foundation of CSR Management Committee and on major performance and fulfillment of CSR management in 2014. The second CSR Management Committee in 2015 received reports on the outcome of the external assessment of the group's CSR management in 2015, status on the fulfillment of 9 strategies, and major plans for CSR management in 2016. Chairman Lee, Man-woo emphasized prohibitions on activities that disrupt market order as regulated by Financial Investment Services and Capital Markets Act, encouraging the strengthening of the internal control system, educating group employees to have thorough understanding on the legislation, and reflecting the status of prevention education in the next CSR report. Accordingly, our company made reports on monitoring transaction histories of employees on financial investment products and the status of employee education on activities that disrupt market order.