



Enhancing Credibility by Strengthening Ethical Management

The ethical standards of the global society is becoming stricter as seen from the enactment of the ethics charter and the code of ethics in the finance sector by domestic finance associations as well as the establishment of ISO 26000(Social Responsibility International Standard) and OECD Anti-Bribery Convention. Walking in step with the changes in the management environment in the era of information and global competition, the management scope and area for ethical management are expanding into areas such as customer information leakage and embezzlement by employees. Due to the widespread corruption in the financial industry, the efforts to recover the trust of stakeholders through ethical management practices that adhere to the laws are crucial.

Also, legal regulations on corporate ethics are growing more stringent inside and outside the country, as witnessed by reinforcement of the Foreign Corrupt Practice Act of the US, enforcement of Anti-Corruption and Bribery Prohibition Act of Korea(scheduled to be enforced starting on September 28th, 2016), and amendment to Capital Market and Financial Investment Business Act.

Accordingly, with the goal of becoming a high-class ethical corporation as demanded by its stakeholders, Shinhan Financial Group is consistently upgrading the group's level of practicing ethical management, such as upgrades to education on legal ethics compliance and to monitoring activities, so that all employees in the group can promptly respond to the reinforced legal regulations.

Reinforcement of Education on Activities Disturbing Market Order

Shinhan Financial Group encourages its employees to have thorough understanding on the amended Capital Market and Financial Investment Business Act, which aims to control activities disturbing market order, and is strengthening relevant education and monitoring activities in each company in order to prevent any violations.

Shinhan Bank is conducting examination on 'Reporting accounts and sales description for financial investment products' in order to prevent unfair trade activities such as usage of undisclosed important information and to prevent conflict of interest with investors. The company reclassified departments which have a high possibility of acquiring undisclosed information among the departments conducting relevant work in 2015, and expanded the scope of examination to employees of 15 HQ departments and RM(Retail manager) and sub-managers of all financial centers, 12 times a year. Shinhan Bank also conducted education on such information through a monthly Compliance Letter, and visited 5 major departments among the departments subject to examination on 'Reporting accounts and sales description for financial investment products' to provide on-site education.

Shinhan Investment Corp. conducted education on major contents regarding prohibition of activities disturbing market order to all employees through company broadcasts, conducted group education for 150 employees in relevant HQ departments, and posted relevant case examples 17 times on the bulletin board. This helped to inform employees about activities disturbing market order so that employees will have thorough understanding on such information.

Keeping pace with the reinforced regulation on activities disturbing market order, employees of Shinhan BNP Paribas Asset Management proclaimed their willingness not to engage in unfair transactions and received four relevant training sessions. Also, Shinhan BNP Paribas Asset Management has incorporated information regarding activities disturbing market order into internal company regulations, and is monitoring to prevent unfair trade activities in order to promote stringent legal compliance. In addition, the company is applying a more stringent standard for internal control by expanding the subject of reporting policy on employees' transactions of financial investment products to not only employees of relevant departments but also the spouse and underage children of the employees.

Ethical Management Framework

Shinhan Financial Group enacted its 'Shinhan Financial Group Code of Ethics to internalize the concept of ethical management into the corporate culture, and is emphasizing compliance with basic principles in order to improve employees' ethical awareness. Shinhan Financial Group has also enacted and operated its 'Employee Code of Conduct' in an effort to improve normative behaviors by establishing ethical standards in performing tasks, and has enacted individual ethical norms according to characteristics and business practices of financial tasks by each group affiliate in order to ensure practical effectiveness.

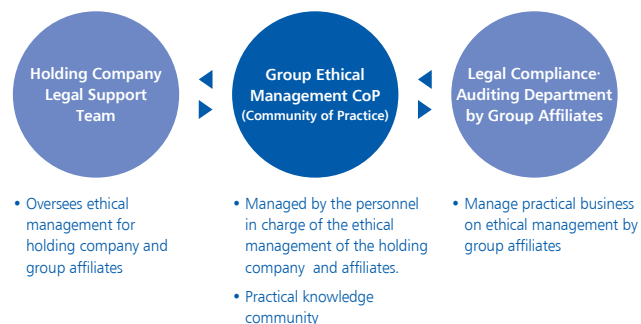
Employee's Participation in Ethical Management

Shinhan Financial Group is striving to create a clean organizational culture trusted by customers by having all employees comply with its 'Shinhan Financial Group Code of Ethics' and 'Ethical Practice Oath' in order to ensure sincere fulfillment of employee code of conduct. Notably, in 2015, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., and Shinhan BNP Paribas Asset Management made an amendment to the oath by including such information in Ethical Compliance Oath for overseas employment, in compliance with Foreign Corrupt Practices Act of the US. Moreover, Shinhan Financial Group strictly blocks acts of illegitimate support within the group by conducting quarterly monitoring on internal transactions of group affiliates, and by prohibiting exchange of holiday gifts as bribery between employees of group affiliates.

Results of Employee's Participation in Ethical Management

Division	Practices	Achievements in 2015
Shinhan Bank	Ethical Practice Pledge	All employees practiced (first half & second half).
	Self-Checking of ethical standards and legal compliance	An average of 12,940 employees participated each month (10 times throughout one year).
	The Fair Trade Autonomous Compliance Program	A total of 79 employees participated (2 times, first half & second half).
	Monitoring Employees' Transactions of Financial Investment Products	RM examinations of employees of 15 departments and all financial centers (12 times total)
Shinhan Card	The Fair Trade Autonomous Compliance Program	Examinations conducted (once in the first half of the year) 2,810 individuals and 80 departments (headquarters/branches) practiced (once a year)
	Self-diagnosis on Legal Compliance	Renewal of information protection pledge for all employees and safe storage through BPR processing
	The Campaign to Keep Personal Information Private	A total of 3,950 participants received education(520 times per year)
Shinhan Investment Corp.	The Righteous Business Pledge	All employees practiced
	Monitoring Employees' Transactions of Financial Investment Products	All employees practiced(once a year)
Shinhan Life Insurance	Security Oath and Legal Compliance Oath	For employees(22 times) For planners(39 times)
	Compliance education(group education)	Reflect on performance reward system for executives who are superior to the director in order to prevent financial accidents and moral hazards
	Operate assessment indicators of fulfillment of internal control management	For 252 institutions, a total of 597 items under management(monthly)
	Monitoring on self-examination	Examination of all employees and preliminary report upon transaction (once a month)
Shinhan BNP Asset Management	Monitoring Employees' Transactions of Financial Investment Products	Receipt pledge from all employees in the entrance stage
	Legal Compliance Pledge	100% participation by all employees in the online education on the Code of Observing Ethics
	Online education on ethical standards and legal compliance	

Administrative Organization on Shinhan Financial Group Ethical Management



In addition, Shinhan Financial Group is conducting education on ethical compliance according to work characteristics of each group affiliate in order to promote employees' awareness on ethical compliance. Shinhan Financial Group operates group-wide online education on ethical compliance to employees of all group affiliates. Starting in 2014, it has produced pop-up educational videos on workplace etiquette to be shared by all employees. Furthermore, Shinhan Financial Group is conducting self-education on ethical compliance according to task characteristics of each group affiliate in an effort to upgrade employees' awareness on ethical compliance.

Shinhan Card is reinforcing employees' awareness on ethical compliance by having each department conduct education on strengthening the capabilities of the legal compliance monitoring officer, conducting education on legal compliance for newly recruited and experienced employees, strengthening monitoring to promote the culture of upright business practice and to eliminate incomplete sales, and by having employees conduct self-diagnosis on legal compliance.

Shinhan Investment Corp. is distributing 'AML(Anti Money Laundering) Letter,' an educational material for preventing money laundering, to all branches three times a month in order to reinforce employees' compliance on ethical management.

Shinhan Life Insurance is accompanying education on ethical compliance while conducting educational curriculum by company task or position, and has performed a total of 22 forms of group education for employees, and 39 forms of group education for planners per year. Shinhan Life Insurance also strives to improve the awareness of the leading group on ethical compliance by inviting external lecturers to educate executives and department heads.

Shinhan BNP Paribas Asset Management is strengthening regulations on illegitimate sales activities by examining transaction histories of financial products and conducting online education for all employees.

Insider Reporting System(Whistle Blowing)

Shinhan Bank is operating Shinhan Keeper, a whistle blowing system, in order to prevent accidents and increase of losses by encouraging self-reporting on violations of employees on laws, regulations, and ethical charters. The company is operating a communication channel on the website so that not only employees but also suppliers and customers can participate, in addition to multiple channels such as email, fax, lettercards, and mobile. Shinhan Bank stipulates regulations on protecting the reporter's identity through operation guidelines on Shinhan Keeper, and has clearly stated the assurance of confidentiality for reporters through the website. Also, by having statutory auditors to receive and investigate the case and to notify the result, the confidentiality of the reporter is further ensured. Furthermore, in an effort to attract more attention to the insider reporting system, Shinhan Bank is conducting activities such as posting promotional cartoons on corporate bulletin boards, sending quarterly emails on Shinhan Keeper to all employees, and promoting the policy upon on-site audit assessment.

Along with its insider reporter system, Shinhan Card and Shinhan Investment Corp. is increasing access of employees by making quarterly announcements on the reporting system to all employees and by utilizing intranet banners. Through active protection of identity by ensuring anonymity, they are facilitating the expression such as complaints or dissatisfaction.

By providing Sinmungo, an online bulletin board for posting complaints anonymously, previously operated through the corporate intranet, on the website, Shinhan Life Insurance expanded the scope of users to external stakeholders, and is making efforts to activate the reporting system by promoting the facility of anonymous reporting and the policy itself when conducting education on compliance.



Poster of Shinhan Keeper System

Reinforcement of the Internal Control System

In accordance with the amendment to Best Practices for Internal Control and Compliance Officer of Banks on September 2015, Shinhan Bank transferred self-inspection and regular monitoring tasks, previously performed by the department of audit, to department of legal compliance support in order to reflect the position of the government. Also, it carried out 32 accident prevention-training sessions in 2015 to approximately 2,000 employees. Various forms of media have been introduced for accident prevention education by creating an online education course for employees who have difficulty in participating in accident prevention education and by producing cases of complaints and accidents in branches, in the form of cartoons to be shared with employees. In 2015, audits on HQ department/overseas branches and thematic audits have been conducted for a total of 49 times(140% higher than the original goal). Also, on-site audits on branches were increased, reducing the average length of non-examination by approximately 7 months, in order to reinforce examinations on on-site offices.

Establishing the Organizational Culture of Mutual Respect

Shinhan Financial Group has announced the 'Shinhan Financial Group Declaration of Human Rights' in an effort to protect individual rights of employees and to establish a sound organizational culture of mutual respect. Shinhan Financial Group strives to promote business etiquette in the workplace and in offices by enacting 'Rules for Business Etiquette in the Workplace'. Shinhan Financial Group is also producing a relevant animated film to be watched by the group employees, and is making active response to follow-up management by operating separate counseling channels.

Plans

In order to present a standard for a rational decision-making process and behavioral expectations in situations of ethical dispute, Shinhan Financial Group has been distributing educational videos regarding ethical compliance Q&A cases every month since April 2016. The company also plans to develop a diagnosis tool for self-diagnosing the level of progress for internal control of the group affiliate so that each group affiliate can improve its level of internal control(including ethical management).