

## 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.

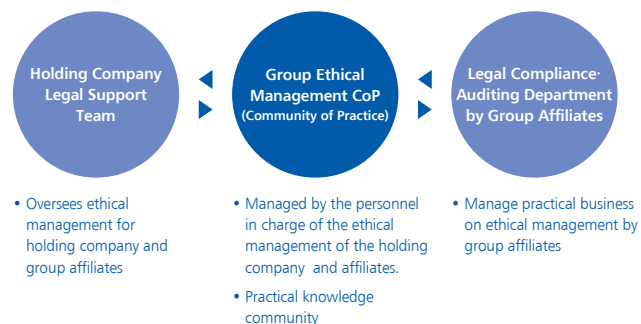
## Employee's Participation in Ethical Management

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.

## Organization Activation through Communication Management

Shinhan Financial Group guarantees the rights for collective bargaining and agreement in order to ensure a mutually cooperative and communicative culture between labor and management. The membership ratio of labor unions and labor associations of Shinhan Financial Group as of 2015 is 94.6%, and the groups actively share information and feedback on problems and difficulties of employees.

Shinhan Bank operates 'Square 2.0', the online channel for communication and 'Shinhan Symphony', the smart working space where employees freely participate in open discussions and share their thoughts. Furthermore, the MC3(MC cubed) Commission, a group that selects young opinion leader groups that can proactively promote change in the organization and propose creative ideas through candid discussions between the CEO and employees, was established to discuss current issues and decide on the direction of future development.

Shinhan Card created an opportunity for communication and encouragement in a comfortable setting by operating its 'Communication Gimhap Program' among departments and its 'Communication Kiosk Program' within individual departments, and is contributing to harmony among employees by operating its 'Department Bucket List' where employees can plan and execute programs that they want to do together. In addition, it operates YB(Young Board), a group of young innovative leaders who will be leading change and sustainable growth, in order to have regular communication with the CEO.

Shinhan Investment Corp. is carrying out various activities in order to stimulate communication between the CEO and employees. It launched 'Candid Channel', an online platform where employees can directly communicate with the CEO, and is carrying out various activities where Young Leader, an organization for making changes, can communicate with the CEO in an effort to encourage communication with junior employees.

Shinhan Life Insurance strives to spread a 'True' sales culture and activate compassionate finance through Young Challenger and F-Pioneer, an organization for leading changes, through activities like on-site visits. Also, it contributes to spreading positive DNA through activation of communication by diversifying the operation of Surprise Day and by reinforcing the operation system for Shinhan Town meetings.

### Major Awards Received



#### Shinhan Bank

- Grand Prize in Korea 100 Best Companies to Work for®, 8 consecutive years (GWP KOREA)
- Best Workplaces in Asia, 2 Consecutive Years(GPTW)

#### Shinhan Card

- Grand Prize in Korea 100 Best Companies to Work for®, 7 consecutive years (GWP KOREA)

#### Shinhan Life Insurance

- Grand Prize in Korea 100 Best Companies to Work for®, 3 consecutive years (GWP KOREA)

### Plans

In 2016, Shinhan Bank plans to continue and develop a strong and creative Shinhan culture by integrating Young Frontier, an opinion leader group consisting of bank employees, and Gal Force, a group consisting of deputy managers, into 'Young Force', and by newly establishing 'S-Force', an opinion leader group consisting of managers. Shinhan Bank also plans to provide systematic support on self-directed learning for employees by selecting 6 major licenses and operating special classes after considering strategic directions and linkage with work. Meanwhile, in order to cultivate more talented female workers, Shinhan Bank will increase the ratio of female workers from 12% in 2015 to 15% in 2016, with the goal of reaching 20% by 2017.

Shinhan Card plans to strengthen business communication capabilities among employees through the all-employee training 'Great Jump V2' in 2016. Shinhan Card also plans to create and operate its Finnovate Expert Course in order to develop a professional workforce in core areas according to long-term strategies, such as big data, platform business, and latest trends, and plans to develop global human resources consistently by expanding its global academy courses.

Shinhan Investment Corp. plans to consistently operate advanced courses by area in order to attain professionalism in the market, and plans to conduct various educational activities and programs in order to establish a strong Shinhan culture based on creativity and challenge. The company will also make efforts to create a communicative organizational culture by strengthening the activities of Young Leader, a change-making organization, and by activating 'Candid Channel', a hotline with the CEO.

In 2016, Shinhan Life Insurance plans to establish strategic tasks by basic capabilities, work capabilities, and professional capabilities in order to establish a system for anticipative employee development and to establish a learning culture using voluntary capability-development contents. Also, by operating a group course on the 'Compassionate Finance' program, it will lead all employees to the stage of enhancing compassionate finance, taking initiative in establishing a differentiated, strong Shinhan culture.



## Pursuing Shared Development with Suppliers and Supporting their CSR Activities

Along with increased business influence of corporations, the demands for CSR activities by stakeholders are expanding not only to relevant companies but also to supply networks within the value chain. At the same time, the diversification and complexity in trade relationships is growing deeply due to expansion of corporate sizes, shifting the competitive paradigm from competition among companies to competition between value chains. As a result, risk management for suppliers and support on their competitiveness are rising as important issues for sustainable growth.

Shinhan Financial Group is trading with a total of 1,773 suppliers regarding electronic system construction and service, credit card production, DM printing and delivery, call center systems, etc., and is practicing compassionate finance through its four basic principles for shared development, guaranteeing with basic rules for shared development, guaranteeing fair pricing, removal of irrationality in trade relationships, and mutually beneficial CSR. Based on these four basic principles, the group affiliates are improving their trade policies with suppliers, and are strengthening mutually beneficial relationships through consistent communication efforts such as discussion meetings and satisfaction surveys.

### Exemplary CSR practice from Suppliers 주식회사 브리지텍

In 2015, Shinhan Financial Group increased fulfillment and promotion of corporate responsibility for sustainable growth to its supply network through programs for diagnosing and supporting socially responsible management of its suppliers. Bridgetec, a supplier selected for its excellent CSR, is the only total solution call center company in Korea which has conducted multiple projects with Shinhan Financial Group such as call center construction for Shinhan Bank, concentration of branches, and upgrades on Smart customer centers.



#### Factors for Practicing Excellent Socially Responsible Management



##### Policy for Handling Difficulties of Employees

- Activate communication using One Page Idea policy
- Hold quarterly joint labor-management conference



##### Compliance with Labor Standards

- Establish culture for voluntary use of vacation through real-time check on individual annual vacation
- Introduce policy of Flexitime and support alternative paid vacation
- Carry out salary and labor contracts once a year



##### Health and Safety Management

- Conduct self-diagnosis on health by operating a health management office in the company
- Conduct safety management education and safety assessment on business sites



##### Environment Management

- Acquired ISO 14001(Environmental Management System) certificate for the first time



##### Corporate Ethics

- Provide education on ethics charter for all employees and sign ethics oath
- Improve service quality through customer satisfaction survey
- Conduct education on information protection and company-wide campaign for employees
- Provide academic donations to local colleges

## Management for Shared Development with Suppliers

Shinhan Financial Group has enacted 'The Four Basic Principles of Shared Development with Suppliers' and is selecting and executing practical work based on these principles. Also, in an effort to share the principles and values of Shinhan Financial Group on socially responsible management, Shinhan Financial Group is disclosing code of conduct and self-diagnosis surveys for suppliers on the website, and is conducting activities on diagnosing and supporting the level of sustainable management for major suppliers.

### The Four Basic Principles of Shared Development with Suppliers



## Compliance with Shared Development Basic Principles

Shinhan Financial Group prohibits bidding restriction or discriminated assessment based on the size of suppliers, and has set clear criteria on selecting the contract method(private contract, private tender, general bidding). In order to provide fair opportunities for project participation by suppliers, it posts project announcements for bidding through the website of Shinhan Bank and stipulates in Article 1 of contracts, that Shinhan Financial Group and its suppliers are under a partnership relationship that seeks to grow together based on mutual respect and cooperation. Shinhan Financial Group is also operating policy of selecting outstanding suppliers by group affiliates by considering the results and duration of conducting trades.

## Guarantee of Fair Pricing

Shinhan Financial Group strives to provide fair pricing for products and services from suppliers. It prohibits unconditional lowest bidder policy that does not guarantee fair pricing. Shinhan Financial Group also minimizes changes in working condition or construction scope after signing the contract and is paying for fair pricing if such changes occur.

If additional expenses inevitably occur from the contract with suppliers, Shinhan Bank alleviates the financial burden for suppliers by compensating them through an additional contract. The bank is also paying separate costs for unofficial or constant feedback through discussions with suppliers.

Shinhan Investment Corp. calculates and pays additional expenses if they occur, and processes work by paying construction payment within 15 days after the issuance of electronic tax bill upon the completion of construction.

## Removing Irrationality in Business Relations

As a part of its effort to improve irrational business relations with suppliers and convenience in transactions, Shinhan Financial Group is conducting business satisfaction surveys with suppliers every year since 2013. The business satisfaction rate of suppliers in 2015 was 86%; a 3%p increase from that of 2014, and 84% of suppliers gave a positive response of growing together with Shinhan Financial Group. Also, based on the survey results, Shinhan Financial Group carried out activities for improving business relations with suppliers such as improving purchase procedures and expanding benefits for suppliers. Furthermore, Shinhan Financial Group is operating a VOC channel for employees of suppliers involved in business with Shinhan Financial Group, receiving suggestions for shared development and co-prosperity, requests for improving irrational business relationships, and reports on corruption such as bribes or money demands by affiliate employees.

In an effort to investigate inconveniences of suppliers and to collect ideas for improvement, Shinhan Bank holds annual discussion meetings on shared development with all suppliers and reflects feedback from the meetings in its management activities. A total of 160 people, such as CEOs of suppliers, participated in 2015 meetings, and education on expanding the awareness of socially responsible management was conducted in addition to the meeting. Furthermore, in an effort to reduce unnecessary costs with suppliers, Shinhan Bank is providing rational compensation for trial products when offering new projects and is minimizing the amount of documents using electronic contracts. The bank also provides benefits of secured loan on account receivable for outstanding suppliers, TCB loans for companies having excellent Fintech technology, and Elite Loan for employees of outstanding suppliers. Notably, Shinhan Bank assessed and selected 85 companies from ICT suppliers that are banking with Shinhan to process technological finance(TCB loan), practicing a program on shared development between the Bank and its suppliers.



Shinhan Bank, Discussion Meeting for Shared Development with Suppliers

Shinhan Investment Corp. is exempting various requirements for submitting securities for outstanding suppliers in an effort to improve process efficiency from the perspective of suppliers and is increasing the speed for examination and payment in order to increase convenience of conducting transactions. The company also targets low costs and high efficiency when conducting micro construction in local regions by discovering local suppliers out of the metropolitan areas, and is providing opportunities for suppliers to participate in projects out of its professional area, in order to improve satisfaction of supplier companies and employees.

In order to improve satisfaction of suppliers through regular communication, Shinhan Life Insurance has conducted a policy for selecting outstanding IT suppliers to conduct exchange events since 2014, and has been carrying out certificate award ceremonies and semi-annual discussion meetings, etc. When calculating expected price, the general affairs department does so by considering the annual inflation rate. Shinhan Life Insurance invites suppliers once or twice a year to communication events. The company also reviews extension of contracts and extends contract durations if the actual expense spent is below 75% of the contract expense, in order to practice compassionate finance and promote cooperative relationships.

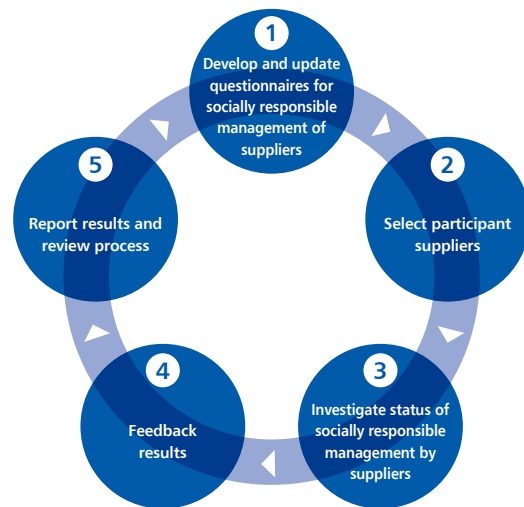


Shinhan Life Insurance, Award Ceremony for Certifying outstanding IT suppliers

## Implementing CSR of Shared Development

Shinhan Financial Group enacted the 'Code of Conduct for Shinhan Financial Group Suppliers' so that its suppliers, which are partners of Shinhan Financial Group for shared development, can comply with the group's principles and values for socially responsible management. While conducting self-diagnosis surveys in order to confirm that suppliers are recognizing and complying with the code of conduct, Shinhan Financial Group checks the status of major suppliers on socially responsible management of four areas, such as respect for basic human rights, safety and health in business sites, environment, and corporate ethics, in order to support the practice of sustainable management through resulting feedback. In 2015, diagnosis on 32 major suppliers of Shinhan Bank in IT and general affairs areas have been conducted regarding their effects on society, environment, human rights, and labor, and 6 grades(S, A+, A, B+, B, C) were given based on the result of the diagnosis.

### Shinhan Financial Group, Process on Managing Socially Responsible Management of Suppliers



Every year, Shinhan Bank conducts assessment on financial soundness for maintenance suppliers. In 2015, it assessed a total of 162 suppliers, establishing and operating a separate emergency plan for suppliers receiving a low grade. It conducts policy on contracts with integrity in order to comply with rules when bidding, signing, and fulfilling contracts on the supply of products and services, and is conducting activities like 'Talent Donation Voluntary Service' held by the general affairs department and 'Love-sharing Voluntary Service' with ICT suppliers in order to encourage suppliers to conduct social contribution activities for local communities.

Utilizing their industrial characteristics, Shinhan Bank and Shinhan Investment Corp. are holding financial seminars for employees of their suppliers. In 2015, Shinhan Bank provided information on financial investments, such as asset management, retirement preparation, and corporate retirement pension, to 141 employees of suppliers. Shinhan Investment Corp. conducted financial seminars for 30 IT suppliers selected as outstanding suppliers and operated cultural events such as 'Spring Festival' in order to promote ties with its suppliers.





Shinhan Bank, Financial Seminars with Employees of Suppliers

Shinhan Life Insurance holds the 'Healing Festa', a performance festival, in order to reduce the stress of Dream Call Center operators and conducts healing lectures by inviting renowned lecturers, receiving positive response from the operators on various supportive activities. The company assigns exclusive counselors in order to alleviate psychological difficulties of operators and to encourage a sense of unity. 458 counseling sessions were given in 2015. Furthermore, Shinhan Life Insurance conducts surveys on all employees every year regarding place of work to carry out consistent improvement on working conditions, and newly introduced a mobile survey method in order to improve convenience in participation.

### Plans

From now on, Shinhan Financial Group will continue to improve and reinforce its programs for shared development, in order to establish a support process and create new activities such as development of mutual technology and products, carrying out management of shared development by practicing compassionate finance with its suppliers.

Shinhan Bank plans to expand companies who are eligible for outstanding ICT suppliers by significantly alleviating the criteria for candidacy, and to continue activities such as risk monitoring on suppliers through assessment of financial soundness, discussion meetings with suppliers, and selection of best suppliers and outstanding employees. Notably, it will establish a separate purchasing system in the ICT area in order to increase business efficiency through prompt business processes and minimization of documents.

Shinhan Card plans to actively accept feedback from suppliers in order to guarantee fair pricing and plans to support their product advertisements in order to promote an increase in sales. It will also expand the channels for communication with suppliers in order to accept requests and complaints and to make immediate responses, and will continue the relationship of shared development with suppliers through discussion meetings with them and through selection of outstanding suppliers. Notably, Shinhan Card will continue to expand contract relationships with suppliers employing disabled people.

Shinhan Investment Corp. will make efforts to promote mutual communication and improvement of relationships with suppliers by consistently holding financial seminars and cultural events.

Shinhan Life Insurance plans to select outstanding IT suppliers and award certificates, and to make consistent expansion in supporting outstanding suppliers by assessing their satisfaction rate. The company will carry out various monthly activities in 2016 such as Family Month event and Hope Day, in addition to existing activities targeted to improve operators' satisfaction. Shinhan Life Insurance will also make efforts to improve satisfaction of operators by making consistent improvements on data processing and business processes designed to improve the working environment of operators.



Shinhan Investment Corp., Spring Festival

Every year, Shinhan Card conducts events for establishing ties with outstanding suppliers. In 2015, it conducted Smart Finance Education with outstanding suppliers. When signing contracts, Shinhan Bank attaches Agreement on Integrity and Shinhan Financial Group code of conduct for suppliers in order to encourage compliance with rules and CSR activities. Moreover, in order to express gratitude to suppliers and to maintain consistent relationships of shared development, Shinhan Bank invited 60 companies to conduct external lectures and discussion meetings. Furthermore, 'All that Shopping Mall', an online shopping mall of Shinhan Financial Group, provides channels and services to sell and advertise products for outstanding small businesses, suppliers, and small organizations that have high quality products but have weak distribution and marketing channels. For small businesses with small operation workforces, Shinhan Card supports sales channels and experiences by facilitating bypassed entry to large companies such as Small & Medium Business Distribution Center.