

Stewardship Code of Shinhan BNP Paribas AMC

Enacted on Dec 20, 2017

Shinhan BNP Paribas Asset Management Company (hereafter “Shinhan BNPP AMC”) establishes and implements “stewardship code of Shinhan BNPP AMC” based on “Principles on the Stewardship Responsibilities of Institutional Investors (Korean Stewardship Code)” which was published by Korean Stewardship Code Council on Dec 19, 2016.

1. The responsibility borne by institutional investors which has made investments in publicly listed companies in Korea as a manager of others’ assets (hereinafter referred to as “stewardship responsibilities”) refers to the responsibility to promote the mid- to long-term interests of customers and beneficiaries by pursuing enhancement of mid- to long-term values of investee companies and its sustainable growth.
2. Successful implementation of stewardship responsibilities induces development of investee companies, contributes to enhancement of investors’ interests and supports the sound and substantial growth and development of the capital markets and the overall economy.
3. Shinhan BNPP AMC, as an institutional investor investing in publicly listed companies in Korea, has enacted stewardship code of Shinhan BNPP AMC so as to seek for enhanced value and sustainable growth of investee companies, as well as to promote the interests of investors by effectively implementing stewardship responsibilities.
4. Shinhan BNPP AMC implements stewardship activities in day-to-day operations through asset management, dialogue with investee companies, etc. The main focus of stewardship activities is on exercise of voting rights, but the scope of activities refers to shareholder activities including monitoring of key business issues such as corporate strategy, performance, risk management, environment, society and corporate governance.
5. Shinhan BNPP AMC’s stewardship activities do not signify any undue intervention in day-to-day operations of investee companies, and Shinhan BNPP AMC can consider selling its shares should it be deemed in the best interests of investors.

Principle 1. Shinhan BNPP AMC should establish and disclose a clear policy for faithful execution of the responsibilities as a steward managing assets entrusted by others such as customers and beneficiaries.

- Shinhan BNPP AMC has enacted and introduced “stewardship code of Shinhan BNPP AMC” so as to faithfully execute its stewardship responsibilities.
- Shinhan BNPP AMC, in order to exercise the mission of “warm-hearted finance for

shared future” as a key subsidiary of Shinhan Financial Group, aims to create a virtuous cycle of co-prosperity where the values of customers and the society increase together in areas such as product, service and management of capital. In particular, Shinhan BNPP AMC aims to faithfully execute stewardship responsibilities in order to provide higher values to customers as a collective investment business entity according to “Financial Investment Services and Capital Markets Act.”

- For effective execution of stewardship responsibilities, the scope of shareholder activities is not limited to faithful exercise of voting rights but includes diverse and proactive activities, within the scope of not exercising influence on management control, such as monitoring on the possibility of future problems, dialogue for constructive purposes and proactively making comments through participation in shareholders’ meetings.
- Stewardship code of Shinhan BNPP AMC applies the same to all collective investment schemes managed by Shinhan BNPP AMC and the code will be particularly emphasized for collective investment schemes that are managed according to the principle of socially responsible investment.

Principle 2. Shinhan BNPP AMC should prepare a clear and effective policy on how to resolve conflicts of interest which have arisen or may arise in the course of stewardship activities, and disclose the details thereof.

- Shinhan BNPP AMC understands the importance of detecting potential actual conflicts of interest and making utmost efforts to prevent such conflicts during the course of executing stewardship responsibilities, and acts in the best interests of investors. Shinhan BNPP AMC has enacted and implemented “Regulation on the Management of Conflicts of Interest” so as to prevent conflicts of interest that may occur while engaging in all financial investment businesses including stewardship activities.
- All persons in charge of duty inspect and review the possibility of conflict of interest according to the following type as Shinhan BNPP AMC may face a conflict-of-interest situation where the interests of investors cannot be faithfully promoted due to Shinhan BNPP AMC’s interests in investee companies during the course of executing stewardship responsibilities.
 - ✓ Investors and Shinhan BNPP AMC

- ✓ Investors and shareholders of Shinhan BNPP AMC
- ✓ Investors and a related company of Shinhan BNPP AMC
- ✓ Investors and executives and employees of Shinhan BNPP AMC
- ✓ A certain investor and another investor
- All persons in charge of duty detect and evaluate whether or not conflict of interest may occur and if it is deemed that there is a possibility of conflict of interest, they process duties after reducing the likelihood to a level that presents no issues to investor protection through pre-emptive discussions with the Chief Compliance Officer.

Principle 3. Shinhan BNPP AMC should regularly monitor investee companies in order to enhance investee companies' mid- to long-term values and thereby preserve and raise the values of invested assets.

- Shinhan BNPP AMC inspects the situation of investee companies accurately and reviews the effectiveness of the inspection through financial analysis, company visits, etc.
- Shinhan BNPP AMC, in order to detect risk factors that may cause material damage to the values of investee companies, conducts ex-ante/regular monitoring of financial factors such as financial structure and business performance as well as non-financial factors including environment, society, corporate governance and business strategy, which may influence the values and sustainable growth of investee companies, thereby enhancing the values of investee companies and promoting its sustainable growth and the interests of investors.
- If any risk factors and other concerns are confirmed through efforts made to pre-emptively detect risk factors that may cause material damage to the values of investee companies, Shinhan BNPP AMC seeks for appropriate solutions through constructive communication such as discussions prior to shareholders' meetings.

Principle 4. Shinhan BNPP AMC should aim to form a consensus with investee companies, and should formulate an internal guideline on the timeline, procedure and methods for execution of stewardship activities if deemed necessary.

- Shinhan BNPP AMC seeks to enhance mid- to long-term values of investee companies and makes utmost efforts to build a consensus with investee companies on major

financial and non-financial business issues based on policies regarding investments, stewardship responsibilities, etc.

- Deliver opinions from an investor's perspective through in-depth communication with investee companies in order to accurately assess their situation and share views, and conduct reviews from various perspectives to seek for enhanced value and sustainable growth of investee companies.

(1) Business and finance related issues

- Measures to improve ROE
- Measures to use idle cash
- Guidelines related to shareholder return policy (dividend payout, share buyback, etc.)
- Guidelines on changing corporate governance (appointment of outside directors, trading of shares, capital procurement, etc.)
- Other items that may significantly affect shareholder value

(2) Information related to investee companies and relevant companies

- Request for public disclosure of support provided to subsidiaries and affiliated firms
- Request for public disclosure when acquiring shares in overseas corporations
- Request for public disclosure of the impact on shareholder value when trading invested stakes

(3) Investment decisions that benefit ESG (Environment, Social, Governance)

- If there are lingering concerns over the investee company despite efforts made to form a consensus through various methods and sufficient discussions with the investee company, a review shall be made to decide whether or not to engage in additional shareholder activities within the boundaries allowed by relevant laws and regulations (e.g. request for necessary information or materials, request for explanations on the company's stance and future plans, deliver Shinhan BNPP AMC's opinions on lingering concerns, proactively make comments in shareholders' meetings, meet with the management) in order to make thorough judgment.
- If undisclosed material information related to the investee company is acquired while actively engaging in shareholder activities in the process of discharging stewardship responsibilities, an immediate disclosure of such information shall be requested to the

investee company, discussions shall be made with and notification provided to the Chief Compliance Officer of Shinhan BNPP AMC, and the Chief Compliance Officer may suspend block transactions or apply conditions to the trading of the security concerned.

Principle 5. Shinhan BNPP AMC, in order to faithfully exercise voting rights, shall prepare and disclose policies on voting rights including guidelines, procedures and detailed standards and it shall also disclose relevant details when exercising voting rights and reasons thereof so as to check the adequacy of the execution of voting rights.

- The collective investment business entity shall faithfully exercise voting rights of securities that belong to the collective investment property in order to protect investors' interest in accordance with the Capital Markets Act (paragraph 1, article 87 of the Act)
- Shinhan BNPP AMC has established and is abiding by “Regulations on exercising voting rights,” and decides whether to vote for/against/neutral on an agenda after compiling/analyzing sufficient information, conducting in-depth review on investee companies, engaging in dialogue/participation, etc. Voting rights shall be exercised based on whether or not the agenda concerned will contribute to the best interest of investors by enhancing sustainable growth and long-term value of the investee company. Voting rights should be exercised according to Shinhan BNPP AMC’s judgment and stewardship responsibilities even when using an external advisory service provider for exercising voting rights.
- Regulations and guidelines related to exercising voting rights for collective investment property and details on voting rights that have been exercised (for/against/neutral, reasons thereof, reason for not exercising voting rights, etc.) should be disclosed on Shinhan BNPP AMC’s website so that investors can check the status of Shinhan BNPP AMC’s execution of stewardship responsibilities.

Check regulations and guidelines on exercising voting rights

<Details of exercising voting rights>

Date	Investee company	Agenda	Opinion	Detailed reasons	Note

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Principle 6. Shinhan BNPP AMC shall regularly report the status of exercising voting rights and execution of stewardship responsibilities to customers and beneficiaries.

- Shinhan BNPP AMC shall disclose whether or not voting rights have been exercised on corporations in which a collective investment scheme invests at least 5% of total assets or W10bn together with relevant details thereof in quarterly business reports in accordance with the Capital Markets Act.
- Shinhan BNPP AMC shall provide easy access to investors on questions and opinions submitted to investee companies as well as requests made to improve the dividend system together with the response and feedback provided by investee companies, and disclose the status of its execution of stewardship responsibilities on the Shinhan BNPP AMC’s website in order to enhance the transparency and responsibility of shareholder activities. However, Shinhan BNPP AMC may decide not to fully or partially disclose the status of its execution of stewardship responsibilities when deemed necessary in consideration of overall circumstances such as protection of shareholder value, protection of the value of investee companies, etc.

<Details of the execution of stewardship responsibilities >

Date	Investee company	Execution of stewardship responsibilities	Result of request

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Principle 7. Shinhan BNPP AMC shall be equipped with necessary capabilities and expertise in order to effectively and proactively perform stewardship responsibilities.

- People in charge of investment and research of Shinhan BNPP AMC shall enhance their understanding of companies through financial analysis, company visits, etc. and make efforts to enhance their understanding of investee companies and their business environment so as to enable effective shareholder activities.
- Shinhan BNPP AMC shall enhance the understanding of investee companies in order to

strengthen the companies' mid-to long-term development and sustainability through shareholder activities such as active dialogue, be aware of the need to be equipped with capabilities and expertise in order to enable constructive shareholder activities, and actively participate in job education programs and domestic overseas seminars, forums, etc. in order to retain necessary skills and expertise required to faithfully discharge stewardship responsibilities.

< Stewardship Code: responsible officer and person in charge >

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