Compassionate Finance, Your Companion for the Future

Group CSR Strategies
- Creating Customer Value through Customer-oriented Management and Information Protection
- Enhancing Credibility by Strengthening Ethical Management
- Implementing Risk Management that Considers Social and Environmental Factors
- Developing Human Resources and Creating a Great Workplace Culture
- Contributing to the Development of Local Communities through Social Contribution Activities
- Increasing Financial Inclusion for the Financially Underserved people
- Pursuing Shared Development with Suppliers and Supporting their CSR Activities
- Developing Environment-friendly Products and Services

Using Resources Efficiently and Reducing Environmental Impacts

Shinhan Bank
Shinhan Card
Shinhan Investment Corp
Shinhan Life Insurance
Shinhan BNP Paribas Asset Management
Shinhan Capital
Jeju Bank

Additional Information
- GRI Standard Disclosure
- Materiality Test
- Governance
- Declaration of Human Rights
- UN Global Compact
- GRI Index
- Assurance Statement
- Contact
We will cheer for your dreams!

SFG is expanding the scope of its financial service support for customers through the Smile Microcredit Bank, New Hope Spore Loan, and New Hope Installment Savings to boost the economic independence and self-sufficiency of the financially underserved people.
We are at the forefront of providing financial education, enabling consumers to enjoy a comfortable financial life.

We contribute to society’s development by sharing the experience and know-how of a financial corporation with those who need financial and economic knowledge, and are thereby building up our credibility in the eyes of our customers.
We deliver the value of compassionate finance to every region of the world.

Shinhan Card ‘Arumin Overseas Volunteer Group’ undertakes diverse activities including book donations, maintenance of facilities and education to enhance the spirit of volunteering and the ‘global citizen mindset’, and also to spread the culture of sharing.
We invest in building a clear and clean environment.

We are creating new social values through green finance by expanding credit support to green-certified corporations and strengthening the eco-friendliness of social public goods.

Seonam Water Reclamation Center (We supported the funding of the Seonam Water Reclamation Center's construction of a combined heat and power plant through Shinhan Bank PF)
CEO Message

Dear Customers, Shareholders, and Citizens,

We experienced a rough year in 2014 for a number of social and economic reasons. Not only did we suffer from numerous accidents and dramatic events, but the global economy became more uncertain due to accelerating changes in our economy’s structure caused by low economic growth and the phenomenon of an ageing society. It is widely expected that such dismal trends will continue throughout this year as well. Amid this unpromising economic scenario, the social role of corporations is becoming increasingly important. In response, Shinhan Group set ‘Compassionate Finance, Your Companion for the Future’ as its mission back in 2011, and has consistently striven to fulfill its social responsibilities in the domain of finance, its main business. In particular, last year we strengthened our ability to carry out our mission of ‘compassionate finance, Your Companion for the Future’ by making the practical methods and directions of our mission clearer.

The group has continued providing products and services according to the financial needs of the customers, and has searched for diverse methods of increasing profits from their assets. Furthermore, to fulfill the financial duties expected by society, we have actively promoted technology finance and small-loan finance. In addition to that, we have proactively created a business infrastructure for retirement in preparation for an ageing Korean society. As a result of such efforts, and despite the slowdown of the economic recovery due to a fall in consumption and investment, the group was able to maintain its top position within the financial sector.

In fact, our group has enriched its global status overseas, having been selected as one of the top 100 global corporations for sustainability management in the Davos Forum for three consecutive years, as well as being included in the Dow Jones Sustainability World Index for two consecutive years.

This year, Shinhan Financial Group plans to promote the following tasks in order to strengthen its ability to practice ‘Compassionate Finance, Your Companion for the Future’:

1. We aim to establish and enhance our ability to practice the organizational culture, ‘Compassionate Finance, Your Companion for the Future’, in order to provide a differentiated customer experience. Our policies and systems will be constantly upgraded, and we will create and spread a culture in which all our departments and employees execute compassionate finance.

2. Furthermore, we will channel more effort and resources into delivering creative financial services by facilitating the creation of new value. Last year, Shinhan Financial Group engaged in new endeavors which led to the diversification of our investment methods and the improvement of our customers’ profits. However, there is still room for further improvement. Looking ahead, the group will concentrate on developing new products and services to enhance both Shinhan’s and its customers’ value.

3. Also, as a leading financial group, we will systematically promote our corporate social responsibilities (CSR) in a bid to strengthen our management’s sustainability. Back in 2014, Shinhan Group established nine CSR strategies with the purpose of creating value in the sectors of economy, society, and environment. In 2015, the group will focus on eight major sectors, namely, consumer protection, ethical management, risk management, employees, local community, suppliers, environment impacts, and eco-friendly products and services. Moreover, the group will strengthen the support for its suppliers to help them improve their sustainability. In order to make decisions from an ever more objective and reasonable perspective with regard to our CSR strategies and directions, the CSR committee will be operated under the board of directors. Finally, we will consistently comply with and practice the global sustainability management initiative. In 2008, Shinhan joined the UN Global Compact and agreed to comply with the ten principles associated with human rights, labor, environment, and anti-corruption, and is reviewing its performance thereof on a regular basis. In addition, as Shinhan has participated in the Carbon Disclosure Project (CDP), it is now pursuing the global standard in the field of environment as well. Shinhan will continue to actively participate in global CSR initiatives to evolve into a role model corporation that fits the global CSR standard.

Shinhan Financial Group will incessantly strive to fulfill its mission to realize ‘Compassionate Finance, Your Companion for the Future’. I ask for your continuous interest and enthusiasm for the new path of finance that Shinhan Financial Group plans to open in the future.

Thank you.
Shinhan Financial Group was established by Shinhan Bank (est. 1982) as Korea’s first financial holding company of private capital on September 1, 2001. Since then, SFG has shown substantial growth and has expanded its business lines to become the financial group representing Korea. SFG has twelve affiliates including Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank. With the synergy created through the close networks between such affiliates, SFG provides comprehensive financial services designed to meet the diverse needs of its customers.

By delivering thorough risk management and differentiated product services, SFG has not only become the leading domestic financial group (in terms of net profit) but has also promoted continuous CSR. These achievements have led to its selection as one of the top 100 global corporations for sustainability management published by the Davos Forum for three consecutive years, and its inclusion in the Dow Jones Sustainability Index World (DJSI World) for two consecutive years, attesting to the widespread recognition of its value overseas.

Furthermore, SFG has participated actively in a number of global initiatives. In 2008, it joined the UN Global Compact (UNGC) and has been complying with its ten principles associated with human rights, labor, environment, and anti-corruption. In addition, it has participated in the CDP (Carbon Disclosure Project) and the UNEP FI (United Nations Environment Program-Finance Initiative), striving to fulfill the environmental responsibility expected of global financial organizations.
Compassionate Finance, Your Companion for the Future

Since its formation, SFG has contributed to the nation's development with its financial services, and has continued to challenge itself with the mission of creating new value for customers and society. With the initial spirit of the company, SFG has set “Compassionate Finance, Your Companion for the Future” as its group's mission, which also carries the idea that it aims at “A Better World through the Power of Finance”. “Compassionate Finance, Your Companion for the Future” implies that by practicing ‘creative finance' within Shinhan's main business sector, it will create a virtuous cycle structure in which customers, Shinhan, and society all grow together.

The Core of Financial Business

This refers to Shinhan's role in helping customers to achieve their goals by providing financial products and services that meet recent trends and by delivering higher returns through skilled management of the customer's funds.

Creative Finance

The concept of Creative Finance is to deliver differentiated value to customers by providing appropriate financial products and solutions that are suitable in changing times or business environments. The concept refers to the development of creative products and services that can increase returns of both the customer and our company or process innovations that further enhance customer value.

Virtuous Cycle Structure of Shared Prosperity

Our customer's value will grow if we are able to increase returns and provide needed capital to promising firms in need of funding through Creative Finance. If our customer's value grows, Shinhan will also be able to share the profits and more customers will want to do business with Shinhan. As a result, Shinhan's value will also grow. Furthermore, if Shinhan supports more customers to succeed and conducts well the basic function of finance—efficient allocation of economy's resources—the society's overall value will also grow. We call this the ‘Virtuous cycle of shared prosperity,’ a phenomenon in which the customer, company, and society all grow together. Overall, ‘Compassionate Finance, Your Companion for the Future’ can be summarized as a process in which ‘Creative Finance’ is used as a method to create a virtuous cycle of shared prosperity, thereby benefiting our society.

Compassionate Finance in Action

Shinhan Bank

- Provided technology-oriented startup loans to small and medium sized companies (SMEs) that possess superior technology (KRW 1,040 billion)
- Supported startup education with a professional agency specialized in starting small businesses for customers seeking to launch startups (4,737 people participated)
- Supported the ‘New Hope Spare Loan’, a type of social responsibility product, in order to expand the range of financial benefits available to low-income and low-credit customers (KRW 953.8 billion)

Shinhan Card

- Established a sales and promotion channel for the products of SMEs through the ‘My Shinhan Point Mall’, a direct online shopping mall (Approximately 60 SMEs)
- Provided support for overdue payments to be repaid through card points (81,600 customers, KRW 8.2 billion)
- Operated an organization specializing in the silver generation (Monthly average calls for service consultation and card issuance examination reached 61,000.)

Shinhan Investment Corp.

- Organized the issuance of asset-backed securities (P-CBO) supported by the Technology Credit Guarantee Fund in order to provide funding for SMEs (117 SMEs, KRW 173 billion)

Shinhan Life Insurance

- Initiated the ‘Shinhan Happy Silver Finance Class’, a finance class for elderly people (273 classes, 9,226 participants in MAB)
- Initiated the ‘Compassionate Happiness Service’ (213,605 customers were visited). New financial planners visit customers to provide additional guidance on benefits of existing insurance product, details on insurance payout, etc.
- Carried out a campaign aimed at payment of uncollected insurance payments (43,835 cases, KRW 40.6 billion)
- Provided discounts on insurance premiums for the socially disadvantaged, including low-income customers and the disabled (27,662 cases)

Our concept of ‘Compassionate Finance, Your Companion for the Future’ refers to Shinhan’s mission of benefitting the world through the power of finance. It means breaking away from old ways in core business of finance such as products, services, and asset management and adopting different and more suitable ways in today’s new business environment. The end goal is to create a virtuous cycle of shared prosperity among customers, Shinhan and society.
Shinhan Financial Group established nine CSR strategies in eight areas, including economy, society and environment, to implement management activities in a responsible manner and create sustainable value. This implies clearly establishing the CSR goals and directions in which we should be focusing, so that all group companies and its employees can work toward achieving these goals.

**Stakeholder Engagement**

Shinhan Financial Group is realizing CSR by working hand in hand with diverse stakeholders, including customers, shareholders, investors and local communities. Based on the stakeholder engagement system established, we identified the reasonable expectations and interests of stakeholders. Among the stakeholders’ expectations, business performances and significant impacts on economy, society and environment are identified and reflected in management activities, in order to strengthen trust relationships with stakeholders and create new business opportunities.

**Stakeholder Engagement System**

- **Customer**
  - Customer Evaluation Group System
  - Customer Panel System
  - Customer Satisfaction Survey
  - VOC and Customer Complaint Data Analysis

- **Suppliers**
  - Transaction Satisfaction Surveys
  - Joint Volunteer Works
  - Invitational Financial Seminars
  - Continuous Business Meetings and Result Review and Plan Discussions
  - Continuous Business Meetings and Plan Discussions
  - Transaction Satisfaction Surveys
  - Joint Volunteer Works
  - Invitational Financial Seminars
  - Continuous Business Meetings and Plan Discussions
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  - Transaction Satisfaction Surveys
  - Joint Volunteer Works
Overview

Stakeholder Engagement Performance

Customer

Key Issues

- Strengthening Consumer Protection
  - Opened mobile consulting channel and complaint registration channel (Smart Shinhan Application, Smart Shinhan Manager Application)
  - Established the education program “Corporate Finance Experience Room” to improve employees’ opinions
  - Launched the “Childcare Program” to enable SFG to respond to customers’ complaints as soon as they are registered in the Financial Supervisory System by having the contents sent “live” to the staff in charge
  - Used Raisin for Complete Sale declaration ceremony and elimination of incomplete sales through TM sale script maintenance

Key Issues

- Providing Customer Benefits
  - Developed the procedure for reimbursing overdue payments through My Shinhan Points
  - Improved the convenience of issuing receipts for disabled people or people of national merit through integration
  - Added the provision of discount benefits for highways

Improving Conveniences in Using the Customer Contact Point

- Improved information access by redesigning the home page
- Improved the convenience of using the call center by developing a visual AIS system with the application based on AIS system
- Modified the readability of statements by modifying the layout, design, and font
- Altered the registration guide materials, including the terms of use, sign-up criteria, and product guides, to make them easier to understand

Enhancing the Comprehensiveness of Employees of the Customer Contact Point

- Initiated the Customer (Raisin) education program to enhance employees’ competencies
- Initiated the Customer (Raisin) job evaluation (issue)

Support for the Elderly (Retirement)

- Expanded the consulting program for finance/other areas for elderly people preparing for retirement (Class for Retiring Married Couples)
- Established bases and fostered expert consultants to provide professional consulting and services to support retirement

Key Issues

- Improving the Value of Shareholders and Investors
  - Shared the interests and demands of shareholders and investors with relevant departments to improve the shareholder value

Impressive Information Accessibility

- Strengthened indirect channels through tablets and smartphone channels

Establishment of Disclosure System

- Sustained the process by establishing the disclosure system
- Strengthened the process of submission deadline, minimization of error correction
- Enhanced disclosure control system through upgrade of disclosure risk monitoring

Shareholder • Investor

Key Issues

- Strengthening Consumer Protection

Key Issues

- Providing Customer Benefits

Key Issues

- Improving the Value of Shareholders and Investors

Impressive Information Accessibility

- Strengthened indirect channels through tablets and smartphone channels

Establishment of Disclosure System

- Sustained the process by establishing the disclosure system
- Strengthened the process of submission deadline, minimization of error correction
- Enhanced disclosure control system through upgrade of disclosure risk monitoring

Employees

Key Issues

- Improvement of Purchase Payment Method
  - Switched from payment by credit card to payment by cash or corporate purchase check card

Compliance With the Basic Principles for Shared Development

- Established the education program “Corporate Finance Experience Room” to improve employees’ opinions
- Launched the “Childcare Program” to enable SFG to respond to customers’ complaints as soon as they are registered in the Financial Supervisory System by having the contents sent “live” to the staff in charge
- Used Raisin for Complete Sale declaration ceremony and elimination of incomplete sales through TM sale script maintenance

Key Issues

- Enhancement of Communication between Employees and Departments
  - Operated diverse communication programs for employees and departments
  - Conducted the “Forgiving Camping” program to put internal communication and family love into practice

Improvement of Employees’ Satisfaction

- Enhanced employees’ competencies for specialized tasks and promoted-experience development
- Made progress with the emotional/physical health program, channeling healthy energy to employees
- Held cultural events for employees and their families
- Women taking a career break selected to work part-time in retail service positions

Work-Life Balance

- Operated the Customer Volunteer Group to enable customers to voluntarily participate in volunteer activities for the local community
- Enhanced partnerships with NGOs through consistent engagement in volunteer activities
- Dispatched the “Big Dream Youth Volunteer Work Group” to Vietnam
- Supported the socially disadvantaged through charity programs run by employees (Click of Love, Good Day Good Donation, Shinhan Family 10,000 Won Sharing Donation)

Key Issues

- Support for the Elderly (Retirement)
  - Expanded the consulting program for finance/other areas for elderly people preparing for retirement (Class for Retiring Married Couples)
  - Established bases and fostered expert consultants to provide professional consulting and services to support retirement

Local Community and NGO

Key Issues

- Support for the Socially Vulnerable Groups
  - Changed the contract standard that can be paid additionally up to KRW 50 million in case of change in the scope of project
  - Provided reasonable compensation for costs incurred by proposals and samples (construction design etc.)

Job Creation

- Visited the welfare facility affiliated with the Seoul Association of Senior Welfare Centers and carried out education on finance and economy
- Operated the Youth Financial Education Center Geumjeongsan Campus, and opened the Buseon Campus
- Supported employment at outstanding small and medium-sized companies through the Best Company-Best Employee Matching Project
- Supported the socially disadvantaged through charity programs run by employees (Click of Love, Good Day Good Donation, Shinhan Family 10,000 Won Sharing Donation)

Enhancement of Safety in Financial Transactions

- Improved information access by redesigning the home page
- Improved the convenience of using the call center by developing a visual AIS system with the application based on AIS system
- Modified the readability of statements by modifying the layout, design, and font
- Altered the registration guide materials, including the terms of use, sign-up criteria, and product guides, to make them easier to understand

Accessibility and Enhanced Transparency

- Initiated the Customer (Raisin) education program to enhance employees’ competencies
- Initiated the Customer (Raisin) job evaluation (issue)

Support for the Elderly (Retirement)

- Expanded the consulting program for finance/other areas for elderly people preparing for retirement (Class for Retiring Married Couples)
- Established bases and fostered expert consultants to provide professional consulting and services to support retirement

Key Issues

- Enhancing the Comprehensiveness of Employees of the Customer Contact Point
  - Initiated the Customer (Raisin) education program to enhance employees’ competencies
  - Initiated the Customer (Raisin) job evaluation (issue)

Support for the Elderly (Retirement)

- Expanded the consulting program for finance/other areas for elderly people preparing for retirement (Class for Retiring Married Couples)
- Established bases and fostered expert consultants to provide professional consulting and services to support retirement

Government Agency

Key Issues

- Creative Finance
  - Established the education program “Corporate Finance Experience Room” to improve employees’ opinions
  - Launched the “Childcare Program” to enable SFG to respond to customers’ complaints as soon as they are registered in the Financial Supervisory System by having the contents sent “live” to the staff in charge
  - Used Raisin for Complete Sale declaration ceremony and elimination of incomplete sales through TM sale script maintenance

Key Issues

- Fintech
  - Improved information access by redesigning the home page
  - Improved the convenience of using the call center by developing a visual AIS system with the application based on AIS system
  - Modified the readability of statements by modifying the layout, design, and font
  - Altered the registration guide materials, including the terms of use, sign-up criteria, and product guides, to make them easier to understand

Enhancement of Safety in Financial Transactions

- Formation of an association to eliminate accounts with third-party names/unauthorized and establishment of omni-directional and comprehensive countermeasures
- Creation of a countermeasure system in which monitoring is linked with the Financial Transaction Detection System (FTDS) to prevent telecommunications fraud
- Commitment to establishing comprehensive implementation countermeasures against recollection of personal information leaks

Key Issues

- Job Creation
  - Expanded the enrollment of youth possessing excellent competencies (including graduates from specialized high schools)
  - Recruitment of women who took a career break, disabled people and people of mixed race

Supplier

Key Issues

- Improvement of Purchase Payment Method
  - Switched from payment by credit card to payment by cash or corporate purchase check card

Compliance With the Basic Principles for Shared Development

- Established the education program “Corporate Finance Experience Room” to improve employees’ opinions
  - Launched the “Childcare Program” to enable SFG to respond to customers’ complaints as soon as they are registered in the Financial Supervisory System by having the contents sent “live” to the staff in charge
  - Used Raisin for Complete Sale declaration ceremony and elimination of incomplete sales through TM sale script maintenance

Key Issues

- Guaranteed of Appropriate Price
  - Changed the contract standard that can be paid additionally up to KRW 50 million in case of change in the scope of project

Improvement of Conveniences for Partner Companies

- Expanded freedom of item selection by eliminating the original specification standard for construction items
  - Established the automatic SMS/transfer system to provide guidance on payment claims

CSR Report 2014

Shinhan Financial Group
THE GROUP’S 9 CSR STRATEGIES

Creating Customer Value through Customer-oriented Management and Information Protection
Enhancing Credibility by Strengthening Ethical Management
Implementing Risk Management that Considers Social and Environmental Factors
Developing Human Resources and Creating a Great Workplace Culture
Contributing to the Development of Local Communities through Social Contribution Activities
Increasing Financial Inclusion for the Financially Underserved People
Pursuing Shared Development with Suppliers and Supporting Their CSR Activities
Developing Environment-friendly Products and Services
Using Resources Efficiently and Reducing Environmental Impacts
Financial consumer protection has become a significant element of a corporation’s sustainable management efforts, triggered by the outbreak of the global financial crisis. Korea and other major developed nations are actively promoting the strengthening of the rights and interests of financial consumers amid fears that the stability and sustainability of the global economic system will not be guaranteed if financial consumer protection is poor. Therefore, Shinhan Financial Group is also striving to lead the promotion of financial consumer protection policies in the areas of consumer protection systems, customer panel systems, customer satisfaction surveys, and VDC.

Moreover, SFG understands that customer information protection is an essential element that could alter the survival of a corporation, and as such is making efforts to manage customer information in a thorough manner. In recent years the rapid technological advance of IT / mobile technology has led to greater exposure to accidents due to hacking incidents and DDoS attacks, and customer information leakage has increased exponentially. If customer information is leaked as a result of such attacks, customers may break away and the group’s reputation will be degraded, which will have material negative impacts on the group’s management due to a long-term weakening of its sales power. In order to respond to such risks, Shinhan Financial Group will continuously strengthen its security based on a solid customer information protection system.

Financial Consumer Protection

Shinhan Bank has established the ‘ten principles of financial consumer protection’ based on the OECD’s ten principles of financial consumer protection in order to practice customer-oriented management. Also, under the “Charter Declaration centered on Global Consumers,” all employees have practiced “Principle of Financial Consumer-Oriented Actions” for the purposes of creating the best consumer value and leading the protection of consumers’ interests and rights. Accordingly, every month an event is held to strengthen the company’s commitment to protecting financial consumers. A head of consumer protection consultation (holding the position of Deputy General Manager, or higher) is assigned to every branch, as well as to the respective departments at the headquarters, to work on enhancing consumer protection and increasing the service quality at work sites where contact is made with customers. In November 2014, it created a communication channel specializing in consumer protection tasks which enabled the live monitoring and statistical analysis of customer complaints, and is endeavoring to improve the system and process from the perspective of consumers and to preemptively recognize complaints so that consumers’ rights and interests are protected. In addition, with the participation of executives and leaders from each department in the operation of consumer protection associations, actual improvement of the service program is being promoted to ensure the protection of financial consumers’ rights and interests.

Shinhan Bank, Operating the Consumer Protection Association

Shinhan Card held the “Declaration of Commitment to Complete Product Sales” in March 2014, with the participation of all its employees, and declared four basic directions for regaining trust, including the commitment to accomplish righteous sales through complete product sales; to re-innovate customer information protection; to support healthy consumption; and to improve the practice of compassionate finance jointly with the credit card industry. Moreover, every employee pledged to follow the following four basic principles: to explain the important contents of the complete sales commitment to employees; to offer the Consumer Relevancy to protect customer information; and to implement works in good faith. Furthermore, it places emphasis on activities such as the “Compassionate Finance Experience Room” where customers can experience customer complaints to support customers’ reasonable consumption behavior and gain their trust.

Shinhan Investment Corp. established and declared the Code of Conduct for Financial Consumer Protection in 2014. It has also applied and expanded the complete product sales (Happy Call service) to enhance financial consumer protection, and implemented role-playing on financial products at 71 branches and 25 PWMs. In addition to these initiatives, it has established a financial fraud prevention system and upgraded the level of employee education with regard to financial fraud to enhance the protection of customers’ assets as well as their rights and interests.
Shinhan Life Insurance is striving to enhance its quality competitiveness by utilizing a quality index. Items in the quality index include incomplete sales ratio and external complaints, and the company also holds ideas competitions with a view to improving sales efficiency. It also continues to reduce complaints through a preemptive system and the 2&2 System (a complaints handling agency that receives and reviews the contents of complaints within 2 hours and offers guidance to the customers within the next 2 hours). As a result, the number of complaints issued to the FSS was reduced for five consecutive years, and Shinhan Life Insurance has been graded in the excellent class concerning the evaluation of complaints conducted by the FSS for three consecutive years. In addition, if it proceeds with what is referred to as “autonomous mystery shopping” for its variable insurance products, as well as focusing on the emerging issue of consumer protection concerning investment-type products. Furthermore, in order to internalize the importance of consumer protection, it has set “Consumer Protection Day” for every third Thursday of the month, and has launched diverse initiatives such as the Insurance Consumers Charter, disclosure of its consumer protection report on the intranet, morning broadcasting of workplaces (field), and monitoring the points of improvement for its policies.

Improvement of Customer Satisfaction

Shinhan Financial Group is making concerted efforts to enhance customer satisfaction by conducting external and in-house customer satisfaction surveys on an ongoing basis. Shinhan Bank conducts customer satisfaction surveys on a monthly basis, and reflects the results in the KPI for its management and sales office. Also, SFG has been improving the quality of its service by measuring the level of each individual employee’s service competency in conjunction with the level of customer protection. Moreover, it became the first institution in the banking industry to achieve 1st place in a top five customer satisfaction survey conducted by an external agency in 2014, thanks to its vigorous endeavors in improving customer value by operating an expert service education organization, conducting the “3 Actions Movement” (i.e. enthusiastic greetings, vigorous response, vigorous support) and creating the new monthly VOC report for customer interaction which contributed to setting up the culture of respect for customers.

Shinhan Card has conducted a customer satisfaction and loyalty survey concerning its products and services for a second year, and separately surveyed customer satisfaction at 1% of its branches every month to reflect the results in its evaluation of the performance of its departments. In particular, the group adopted the Shinhan Card Chobani program in 2014, thereby enabling a rapid response to such complaints. As a result of its unassuming endeavors, it has received 1st place in the consumer satisfaction survey (KCSI) conducted by the Korea Management Association Consulting for four consecutive years. Shinhan Investment Corp. is making efforts to enhance its credibility through the VOC, which allows a fast response to customers’ comments. In 2014, it received and handled 3,019 cases of VOC.

Personal Information Protection

Shinhan Financial Group is aware of the importance of handling customers’ personal information with maximum security, and has been enhancing its customer information security system by promoting the accident prevention activities led by the Chief Information Security Officers (CISO) of each department. These measures include establishing and executing information protection policies, conducting regular inspections of items relevant to security. In addition, a monthly “Information Protection Day” has been instituted in order to conduct inspections of items relevant to security.

Customer Panel System

Shinhan Financial Group promotes improved customer interaction activities and tasks from the perspective of compassionate finance by operating the customer panel system within each subsidiary. As part of these efforts, it has been listening directly to customers’ complaints with respect to SFG’s products and services both online and offline, and has been making improvements to complaints. Also, through surveys and discussion meetings, it has reflected customers’ needs and ideas in its actual business activities. The customer panels had field experience in customer plaza, call center, and QA center and provided opinions that could increase customers’ value.

Shinhan Financial Group CSR Report 2014
In order to establish a transparent and proper culture of viewing customer information, Shinhan Bank has established a “System for Managing the Reasons for Viewing Customer Information” at every branch. It is also making efforts to gain customers’ trust by promoting activities such as providing information protection education for employees, monitoring document exports, and conducting on-site inspections of departments dealing with customer information, etc.

Shinhan Card monitors its employees to check whether they are complying with the security policy and conducts monthly security inspections of its partner companies’ employees. The level of security is being strengthened by subjecting PCI’s security status and the possession of unnecessary customer information to regular checks. A new security program has been adopted to detect weaknesses and rectify or supplement them according to the findings. In addition, it is operating a self-inspection system for each department, which consists of establishing a comprehensive checklist of information protection and distributing it to all departments.

Shinhan Investment Corp. has initiated education on information protection for its employees as well as twenty-two personal information commission agents. Also, in order to prevent leakages of personal information from the commission agents, the information destruction verification check - typically conducted after the on-site inspection of personal information - has been strengthened to eliminate the transfer of documents outside the facility in principle. Moreover, consulting on personal information protection has been carried out so that short-, medium-, and long-term points for improvement could be inferred and managed systematically.

Shinhan Financial Group plans to upgrade the group’s information protection system in order to become a financial group that ensures the safety of its customers’ transactions. To that end, it will upgrade the Group’s information protection compliance system and establish an information protection management process to carry out the systematic management of customer information.

Shinhan Bank will initiate diverse campaigns and education programs in order to increase its employees’ awareness of the overriding importance of and need for customer information protection. Also, by upgrading the customer information leakage detection system, it plans to manage the entire process encompassing the creation, storage, utilization, transfer, and destruction of customer information. Further to this, the bank will enhance its activities related with customer information protection, including the diversification of monitoring methods, and the segmentation of authorization to view customer information, etc. for all the departments and companies dealing with customers’ personal information.

Shinhan Investment Corp. will enhance the developmental activities of its customized products and services for customers by placing greater emphasis on the customers’ views, and will lead the activities related with financial consumer protection by expanding the range of Happy Call products and implementing education aimed at eliminating financial fraud at least once a year.

Shinhan Life Insurance also plans to emphasize the provision of substantial products and services to customers by strengthening activities that target the reduction of customer information leakage detection system, it plans to manage the entire process encompassing the creation, storage, utilization, transfer, and destruction of customer information. Further to this, the bank will enhance its activities related with customer information protection, including the diversification of monitoring methods, and the segmentation of authorization to view customer information, etc. for all the departments and companies dealing with customers’ personal information.

Shinhan Financial Group will seek to enhance its ethical management.
Principles and Organization of Ethical Management

In order to establish vocational ethics and internalize the ideal and principles of ethical management, such as ethical responsibilities towards stakeholders, Shinhan Financial Group established the “SFG’s Code of Ethics.” In addition, to enhance normative practices, the group enacted the “Code of Conduct for Employees”. Each individual affiliate of Shinhan Financial Group operates their independent ethics code according to their unique business features and respective circumstances. In order to effectively operate the principle of ethical management, the compliance team of the holding company manages the ethical management of the holding company and affiliates. The compliance or audit department of each affiliate takes charge of tasks regarding the ethical management, and the Ethical Management COP (Community of Practice) is held regularly by the personnel in charge of the ethical management of the holding company and affiliates.

Following the Ethics Code

All employees of Shinhan Financial Group regularly take the Ethical Practice Pledge, which involves their signifying that they are aware of and will abide by the SFG’s Code of Ethics and the Code of Conduct for Employees of Shinhan Financial Group. They take this pledge in order to establish a transparent and sound organizational culture. Furthermore, in compliance with the nation’s fair trade act regular monitoring of internal trade among the companies of the group is done every quarter in order to prevent undue support practices among companies of Shinhan Financial Group. Official notices regarding prohibiting the exchange of gifts among employees during holidays such as New Year’s Day and Thanksgiving Day are dispatched to the executive suites and secretaries’ offices.

Shinhan Financial Group, Abidance Practices of the Major Ethics Code

Shinhan Bank

Practices Achievements in 2014

- Ethical Practice Pledge All employees practiced twice a year.
- Self-Checking of ethical standards and legal compliance An average of 13,208 employees participated each month.
- The Fair Trade Autonomy Compliance Program 2 lecture sessions, a total of 80 employees participated.
- Monitoring Employees’ Transactions of Financial Investment Products 16 times totally, checked 13 departments.
- Shinhan Ethics Certification 1,427 new acquisitions (10,317 certificates in total).

Shinhan Card

Practices Achievements in 2014

- The Fair Trade Autonomy Compliance Program An inspection every six months.
- Self-Reporting on Legal Compliance Once a year, all 2,932 subsidiaries participated. All 132 departments (headquarters, branches, centers) participated.
- The Campaign to Keep Personal Information Risk-Free All department managers and managers participated in the psycho-educational training center.
- The Righteous Business Pledge Education on the understanding of legal violations and making a written pledge to follow the law (total 1,750 employees).

Shinhan Investment Corp.

Practices Achievements in 2014

- Monitoring Employees’ Transactions of Financial Investment Products: All employees practiced.

Shinhan Life Insurance

Practices Achievements in 2014

- Compliance Week Video education: 12 times in total, targeting employees and planners. On-site inspection: 1 time at headquarters, 1 time at Shinhan Life Insurance, and 1 time at Shinhan Investment Corp.
- Personal Information protection and Legal Compliance Pledge Signed total for approximately 1,300 employees and 10,000 planners.
- Evaluation of ethical standards and legal compliance Conducted the evaluation on 22 executives.

Shinhan BNP Asset Management

Practices Achievements in 2014

- Monitoring Employees’ Transactions of Financial Investment Products: Monthly inspection of all employees and preliminary trade reports.
- Personal Information protection and Legal Compliance Pledge Receipt pledge from all employees in the entrance stage.
- Online education on ethical standards and legal compliance 100% participation by all employees in the online education on the Code of Operating Ethics.

Employee’s Ethical Training

Shinhan Financial Group conducts education programs on the ethical standards and legal compliance, sexual harassment issues, preventing rudeness at the workplace, etc. through collective education, cyber education, video education, and official notifications. In addition, individual affiliates conduct differentiated education programs according to the nature of business of the Group’s companies to enhance the employees’ awareness of the ethical standards and legal compliance. Shinhan Bank designates every third week of each month as ABC Week, and distributes a Compliance Letter regarding regulations, anti-money laundering, internal control regulations, and conducts education seminars for the personnel in charge of compliance for each department. Shinhan Investment Corp. distributes the AML (Anti-Money Laundering) Letter, which helps to educate employees on anti-money laundering tasks, to all branches three times a month.

Shinhan Life Insurance conducts compliance education for employees and planners, along with campaigns for enhancing their understanding about various compliance regulations. Through the implementation of specialized contents, the awareness of ethical standards and legal compliance required for each task and position is founded. Personnel from consigned companies are also educated to enhance their awareness on personal information protection.

In order to achieve the goal of “coexisting with the customer,” Shinhan BNP Asset Management boosts employees’ awareness of the ethical standards and legal compliance for customer protection by monitoring the financial investment instruments trade of all employees and through cyber education.

Respect of Human Rights

Shinhan Financial Group enacted and announced the ‘Declaration of Human Rights for Shinhan Financial Group’ as the action plan for spreading organizational culture of mutual respect among employees. Also, a flash animation on the prevention of rudeness at the workplace was produced and was watched by all group employees. Counseling channels have been constructed for employees who have experienced rudeness at the workplace.
Whistle-Blower System

Shinhan Bank operates the Shinhan Keeper System, which enables customers, suppliers, and employees to report financial illegalities. Every quarter, Shinhan Keeper System Guide e-mails are sent to all employees and suppliers in order to bring their attention to the whistle-blower system and to eradicate financial illegalities. Shinhan Card and Shinhan Investment Corp. also operate whistle-blower systems to ensure that the direction of the company's management is honorable. Every quarter, notices regarding the whistle-blower system are distributed to all employees and banners are posted on the company's main intranet page to enhance the accessibility of the system. Furthermore, by protecting the whistle-blower from exposure and disadvantage regarding personnel affairs, Shinhan Financial Group makes it easier to report dissatisfactions and difficulties.

Reinforcing the Internal Control System

Shinhan Bank makes a complete effort to establish an internal control system and to prevent and detect financial accidents, in order to protect customers' properties. In 2014, seven additional inspectors were deployed to reinforce the inspection for all branches, including the ones located overseas, which resulted in improved efficiency of site inspections. Moreover, we introduced continuous audit and full-time auditor systems that analyze the high-risk trade records of branches and inspect propriety in real time to reinforce internal controls. "Internal Control Talk! Talk!" is posted monthly for the sharing of complaints and incident cases from branches, in order to prevent various financial incidents. In addition, the Protect Shinhan idea contest is held to contribute to renew awareness of employees on prevention of untoward financial incidents. This can be done by finding the reasons related to the cause of incidents from daily business handling, collecting ideas from employees on how to prevent such incidents, and delivering the best idea to the related departments.

Implementing Risk Management that Considers Social and Environmental Factors

Shinhan Financial Group will continue to make a complete effort to renew the virtues of Shinhan and to gain confidence of all stakeholders, including employees and customers. We will firmly establish the organizational culture of mutual respect through enacting and propagating the standards regarding the prevention of rudeness at the workplace and promoting the counseling channel for dealing with issues related to rudeness in the workplace. Furthermore, to earn credibility in the global society, Shinhan Financial Group is planning to find measures to cope with global ethical management standards, such as the U.S.A.'s Unit FCPA (Foreign Corrupt Practices Act).

Shinhan Bank will maintain its financial incident prevention education. By constantly providing internal control material to branches and business group, Shinhan Bank will increase employee awareness about the internal control system and will reinforce the system.
Principles of Risk Management

Shinhan Financial Group has been focusing on stable risk management in the financial sector. However, with stakeholders having a rising interest in non-financial risks and an increasing demand for corporate social responsibility, we recognize non-financial risks, including social and environmental risks, as being the material aspects with the greatest influence on the sustainable growth. The principles and classifications of Shinhan Financial Group’s risk management practices are as listed below.

Risk Management Principles of Shinhan Financial Group:

1. All business activities should be performed within the pre-established risk parameters with consideration being given to maintaining a balance between risk and profit.
2. The holding company takes the risk management group exemplary criteria, supervision, and control for the risk management and supervisory authorities for the group.
3. Set the decision-making system related to the risk management system, which enhances the participation of each line of business.
4. Organizes and operates the risk management organization independently from the business unit of the organization.
5. Operations and processes of the risk management system are independent of the business decision process to consider the risks involved.
6. Aims for anticipatory and practical risk management.
7. Operates the decision-making system related to the risk management system, which enhances the participation of each line of business.
8. The policies and strategies of the SFG’s risk management are established through the Group Risk Management Council, which consists of the CEOs of each affiliate. Each affiliate creates a risk policy and strategy for the group through a risk committee and consults with them on risk management policies and strategies.
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11. Shinhan Financial Group has a classified boundary system to control the group’s risk to the optimum level. The Group Risk Management Committee sets the limits of risk management policy and strategy.

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Financial Risks

- Credit Risk: Risk that may arise due to default risk, non-compliance of contract by the counterpart, etc.
- Market Risk: Risk due to changes of market elements such as interest rates, stock prices, exchange rates, product prices, etc.
- Interest Rate Risk: Risk that may affect financial situations such as changes of net asset values due to changes in interest rates.
- Liquidity Risk: Risk where a problem may occur in payment due to lack of cash liquidity.

Non-financial Risks

- Operational Risk: Risk due to inappropriate operations, incorrect business procedures, system error or business incident.
- Strategic Risk: Risk due to unfavorable views of customers and shareholders, etc. due to weak management, social conflict, etc.
- Reputational Risk: Risk due to unfavorable views of customers and shareholders, etc. due to weak management, social conflict, etc.
- Legal Risk: Risk that may occur due to misunderstanding of various contract documents or law suits.
- Environmental Risk: Risk that may result in fines or business losses due to lack of improvement in environmental-related laws.

Risk Management Organizations and Roles

The policies and strategies of the SFG’s risk management are established Group Risk Management Committee under the Board of Directors of the holding company. The group CEO of Shinhan Financial Group assists the Group Risk Management Committee and consults with them on risk management policies and strategies through the Group Risk Management Council, which consists of the CEOs of each affiliate. Each affiliate creates a risk policy and strategy for the group through a risk committee and consults with them on risk management policies and strategies.

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Revision of the Risk Review Measures Regarding the Launch of New Products and Changes in Management Criteria

In July 2014, the holding company inspected the risk review systems of seven major affiliates and revised its risk review system to enable the inspection of social and environmental impacts when reviewing the launch of new products and changes in management criteria, and it added those items to the checklist. Shinhan Investment Corp., Shinhan Life Insurance, and Shinhan Capital completed all their revisions in the second half of 2014. Shinhan Bank and Shinhan Card are completing their review in January 2015. Injoo Bank and Shinhan Savings Bank are completing it in February of the same year.

Group Monitoring on Potential Social and Environmental Risks

Every quarter, Shinhan Financial Group selects and monitors the potential risk areas that are not yet stated. In 2014, we selected 23 potential risks and analyzed their influences and countermeasures. For the potential social risk aspects, we selected and handled five items of reinforced regulations from financial institutions, enhanced financial customer protection systems, customer information leakage, IT security incidents and system failures, and voice phishing.

Risk Expert Network Operation

The Risk Expert Network (REN) is a common learning organization that consists of experts of each affiliate. It shares the current status of various risks, seeks solutions, and forms collective intelligence for the sustainable growth of the corporation. By regularly assembling to hold thematic studies and research symposiums and discussions once or more per month, REN achieves synergy among affiliates and anticipates confronts various risks.

In 2014, we handled the subjects related to the group’s strategy and prior projects in six units (less than 33 people) and awarded units and individuals that obtained excellent results. By inviting employees from departments other than the risk department, we were able to illuminate the risks that Shinhan Financial Group faces from various perspectives.

Establishment of a Responsible Lending / Financing Policy

The social role of financial corporations that global society and external evaluation institutes demand is to construct socially responsible loan programs and practice the socially beneficial finance of sound finance. Shinhan Financial Group has restricted loans for the purposes of entertainment and gambling. However, due to the advances in technology and the rise of social issues, such as the Dedication of Human Rights and the environment, the establishment of a more comprehensive and active loan program became necessary.

As such, Shinhan Financial Group is promoting the establishment of a new loan program that fits social demands and the spirit of the age. Analyzing the cases of leading companies and internal and external trends, we aim to establish a responsible loan program in 2015 and to apply the program to the business in 2016.
Improving the satisfaction of employees in the work environment through establishing a great workplace culture is a key aspect for successful business as it maximizes the capacity of individuals.

Shinhan Financial Group is making maximum efforts to improve institutionally and culturally, in order to enhance the satisfaction of employees both in their place of work and family life. For this, we promote establishing a great workplace culture by setting the balance between work and family, encouraging communication among employees, and the health of the employees as the core mottos.

Shinhan Financial Group believes that employees’ happiness equals the happiness of the company and that this ultimately forms a virtuous circle, which results in the customer satisfaction and social contribution.

The most important factors in establishing a great workplace culture are the satisfaction and happiness of the employees at the company. This can be achieved when employees can maintain a balance between work and life to have a happy family life and free time.

Shinhan Bank operates various practical systems, which aim at allowing employees to maintain a balance between their career and family life, continuing to work while raising their children, and improving their quality of life. Furthermore, Shinhan Bank opened part-time retail service employment for females under the career discontinuity act. Part-time retail service employees work 4 hours a day according to their lifestyle and receive the same wages as those for conventional full-time employees in proportion to time.

Shinhan Card designates every Wednesday as Family Loving Day and encourages employees to leave the office on time to spend time with their families. Moreover, Shinhan Card operates a Healing Vacation System, which encourages the use of vacation on the days that fall before or after holidays and weekends, and various programs that employees and their families can participate in together, in order to make the company a place where families are also satisfied.

Shinhan Investment Corp. operates a focused working system in which the employees set a focused working time, 3 tasks-free Day when there are no overtime demands, department dinners, or other appointments, and a movement to improve the conference culture. Shinhan Investment Corp. also operates programs for employees with family, such as the Spring Flower Festival, which targets the families of employees.

Shinhan Life Insurance operates the Big Dream vacation, which enables all employees to use 5 days of annual vacation consecutively and offers a vacation support fund. Moreover, Shinhan Life Insurance operates systems that specialize in providing balance between work and family for female employees. These systems include the WILL (Work & Life Balance) duty charging system, which supports employees with alternative personnel in the event of employee absence that is caused by personal situations, such as childbirth. The company is shortening its working hours and improving employees’ satisfaction by operating an online down system, which shuts the insurance related work system down after 7 p.m. and FGs off on “Shinnan Day (exciting day)”. This was started in 2014 and encourages employees to spend time with their families.

Shinhan Bank, Part-Time Retail Service Employment

Shinhan Bank has opened part-time retail service employment for females under the career continuity act. Part-time retail service employees work 4 hours a day according to their lifestyle and receive the same wages as those for conventional full-time employees in proportion to time.

Shinhan Bank and Shinhan Card believes that employees’ happiness equals the happiness of the company and that this ultimately forms a virtuous circle, which results in the customer satisfaction and social contribution.

The Balance between Work and Life

Shinhan Financial Group CSR Report 2014
Organization Activation through Communication Management

Communication among the members of the company improves the efficiency of work and constructs a free atmosphere to make it possible for employees to come up with new and creative ideas.

Shinhan Bank operates Square 2.0, the online channel for communication between the CEO and employees and for sharing major pending issues, and Shinhan Symphony, the smart working space where employees freely participate in open discussions and share their thoughts.

Furthermore, the MC³(MC cubed) Commission was established to enable direct communication between the CEO and employees. The young opinion leader group was selected and given the opportunity to listen to various opinions of the members of the company and hold constructive discussions.

Shinhan Card developed various activities to break down the wall between individuals and the company and to achieve the goal through understanding and cooperation. We conducted an Intergenerational Sympathy survey to find out and share the thoughts of employees according to their age and gender. Employees made bibimbap together in Communication Bibimbap, which initiates communication among departments and employees that are related to each other in terms of business. Furthermore, through Tong-Tong Camping, a total of 506 employees and their families were able to participate in camping trip for 2 days and 1 night.

Young Board, which is the change promotion organization that consists of 20 young employees, is operated to allow the members to have discussions with the CEO. This group had a total of eight discussion events in 2014.

Enhancing Welfare Benefits, Including Employee Health Support

Shinhan Bank allows employees to seek counsel for their problems through the company’s expert counseling program and helps to provide mental and physical stress management through the stress control program. Moreover, the company operates programs, such as stress self-diagnosis, daily healing meditation, and the online Healing Cafe, Office Worker Mind Cure programs to help employees can have a healthy career life.

Shinhan Card provides counseling for employees’ psychological issues and stress through the EAP Counsel System. Shinhan Card has constructed a cooperative partnership with 94 expert medical centers as a cooperative hospital system to support the treatment. Additionally, various cultural events for the emotional care of employees are supported by the company.

Shinhan Life Insurance operates a meditation healing program and mental fitness programs to mitigate the mental stress that may occur from constant interaction with customers.

Enhancing the Capacity of Employees

Shinhan Bank operates the Task Champion Course to help employees mature to become financial experts. We do so by enhancing the employees’ task capacity through self-directed learning. A total of 1,419 employees participated in the course in 2014. Additionally, to enable employees to achieve the creative task capacity, CoP, the self-directed learning organization, operates organically. To guarantee that employees’ capacity meets global society’s standards, we are operating the Overseas OJT Dispatched Training Program. We also established HRD (Human Resources Development Score Card), which suggests the employees’ basic level of capacity and education for performing tasks, and the CDP (Career Development Program) System for career development to support in improving the capabilities of employees.

Shinhan Card operates a prestigious overseas MBA support system, the BNP Paribas exchange program, and a short-term dispatch to the Vietnam business site in order to foster global human resources.

Shinhan Investment Corp. conducted an education course in order to train stock and bond experts, and 22 people and 20 people, respectively, completed the course. In 2014, we newly opened the course for PB team leader capacity enhancement. This course is for enhancing employees’ sales skills, PT proposal skills, and asset distribution skills, and approximately 400 employees completed this course.

Shinhan Life Insurance establishes its clear education training roadmap through the Human Resource Development Program and operates a process where employees can manage their career development on their own.
Shinhan BNP Asset Management established CDP (Career Development Program) for the systematic education and self-development of employees, and supports the capabilities enhancement of employees through domestic and foreign training and the BNP Paribas Investment Partners Capacity Transfer Program.

Local Employee Capacity Enhancement of Global Business Department

Shinhan Financial Group makes maximum effort to build the foundation for global business growth by conducting specialized education for local employees at overseas branches to achieve the group’s vision of being a “World Class Financial Group.” Shinhan Bank selects a Global Leader Group from amongst the local employees, conducts their education and utilizes them as the communication channel between Korea and local business sites. Through this, we maintain 90% of our local core human resources. Furthermore, we are spreading our know-how of core tasks and best practices to the local employees through the Global Loan Academy and the Global Foreign Currency Academy.

Shinhan Financial Group is planning to enhance the competitiveness of Shinhan through the constant capabilities development of employees and the settlement of communication culture. Shinhan Bank will activate more Square 2.0 systems and expand communication among employees by providing feedback from the CEO on the postings of employees. Also, the company is planning consultation visits for more than 1,000 employees annually to improve employees’ health, advanced training for directors to enhance the employees’ capacity, study groups in each local headquarters, and intensive training for local employees on loans and foreign currency.

Shinhan Card is planning to create an organizational culture of communication and consideration by operating various communication programs where employees can share business objectives and difficulties with each other. Custom programs, which aim to achieve mutual understanding and cooperation among employees, will constantly operate for each department. Furthermore, the company will make efforts to foster global human resources by expanding the dispatching of personnel to overseas sites.

Shinhan Investment Corp. is planning to expand the timespan of its field expert training course to enhance the capacity of employees, especially in the stock and bond management field. Additionally, in 2015, the process for retail and IB (Investment Bank) capacity enhancement is planned to be put into operation. Shinhan Life Insurance will keep operating the programs related to the direct and horizontal communication between the CEO and employees. Moreover, it is planned to construct a cooperative network for managers and laborers and to expand health care measures for employees via a stress index examination.

Shinhan Bank, Global Leader Group System

Global Young Force

- Eligibility: Junior position, employees continuously working for more than a year
- Volume: 8 countries, 60 people

Global Jump Manager

- Eligibility: Senior position or above, dispatched to Korea
- Volume: 7 countries, 10 people

Global Core Personnel

- Eligibility: Employees with outstanding performance and continuously working for more than 5 years
- Volume: 12 countries, 19 people

Contributing to the Development of Local Communities through Social Contribution Activities

Social Contribution Investment

- Est. 61.4 billion

Number of Participants in Volunteer Works

- 71,444 persons

Total Time Spent on Volunteer Works

- 261,263 hours

Social contribution is a corporate social responsibility and strategic activity that contributes to securing customers in the long-term.

Recently, not only direct voluntary works, but also living with society by spreading the culture of sharing in the community and contributing to the solution of problems in the community is rising as a crucial asset.

As such, Shinhan Financial Group promotes relations with the community by performing sustainable activities in lieu of temporary ones. The employees actively participate in the volunteer works for the community and perform the value of sharing autonomously.

Shinhan Financial Group will keep constructing the foundation for the customers and society through increasing social contributions to create understanding, coexistence, and symbiosis with the local community.
Efforts for the socially disadvantaged with the Social Contribution

Within the philosophic basis of coexistence, which stands for the support of the socially disadvantaged and the vulnerable; sympathy, which stands for the  conservation of traditional values and culture; and symbiosis, which stands for the  proliferation of environment-friendly activities, Shinhan Financial Group conducts social contributions that focus on welfare, culture, and the environment. During the year of 2014, the total amount of social contribution investment made was KRW 61.4 billion. This was used to support the welfare of the socially disadvantaged, the work on preservation of traditions, and global social contribution activities. Furthermore, 71,444 employees volunteered and shared their experiences, knowledge, and knowledge for a total of 261,263 hours. The performances of these social contributions are reflected in the CEO management evaluation of affiliates for the efficient promotion of the social contributions in the group and the proliferation of the social contribution culture.

Major Social Contribution Activities

Every year from April to May, Shinhan Financial Group holds a volunteer works festival under the themes of major social contribution fields, such as welfare, the environment, and culture, and conducts volunteer programs according to the needs of the community. In 2014, approximately 19,000 employees participated in volunteer works, such as making DIY furniture for families in the lower income category, maintaining local cultural assets, cultivating the homemade outdoor botanical garden, and sharing warm noodles. To fulfill its role as a responsible corporate citizen, Shinhan Financial Group will constantly push ahead with making social contributions in order to disseminate the volunteer works participation culture. Shinhan Bank is making efforts to establish the sharing culture in the lives of its employees. We operate the Child Development Account (CDA), which is the child independence project run by the Ministry of Health and Welfare. Under this program, if a customer patronizes a child in need of help with a certain amount of money the government saves the corresponding amount of money. Shinhan Bank promotes the donation culture of steady sharing with neighbors through annual fund raising events, such as the Shinhan Family 10,000 Won Sharing Donation campaign, A Click of Love, and Good Day, Good Donation.

In the field of culture, we operate Shinhan Gallery, which holds the emerging artist contest exhibition and planned exhibitions. The gallery enhances cultural accessibility for the public through various exhibitions, and Shinhan Museum, which is the first Korean museum to specialize in financial history. In the field of environment, we have contributed to the low carbon environmental improvement strategy in the community by managing the business of constructing sunlight generation facilities and rooftop gardens on the roofs of social welfare institutes and supporting the relaxation and healing of children by forming the Forest of Intimacy program in all child care centers all over Korea. Shinhan Card, with the goal of creating shared value (CSV) through social contributions, aims to achieve the virtuous circle of symbiosis where the value of the customer, society, and Shinhan all increase together through promoting social contribution activities related to the regular trade. As representative social contribution programs, there is the Arumin Library construction business, which is an enhancement program for inadequate library settings and the learning spaces of local children’s centers, and Financial Education, which is for the incitement of accurate financial knowledge and sound economic views. Furthermore, we operate a volunteer works team that consists of customers and university students. It promotes making participatory social contributions and corporate social contributions.

Shinhan Investment Corp. focuses on “Compassionate finance,” which is the group’s philosophy, and promotes social contribution activities in the major fields of education, volunteer works, donation, and win-win cooperation. Shinhan Investment Corp. collects the balance of employees’ payment and utilizes it as the fund for the social contribution activities through the Saving for Happiness activity. In 2014, the corporation conducted a relay program that operates autonomously with the leaders of the volunteer works programs of each branch as the pivot, resulting in a double increase of the time that employees spend on volunteer works. Shinhan Life Insurance sets children and the elderly as the key target of its social contribution activities and conducts various donation and support activities for children from low-income families and solitary seniors through quarterly thematic volunteer works. In order to be the first among its peers, the volunteer works group which consists of a financial consultant (PC) only operates food distribution for senior citizens and conducts environmental cleansing. In addition, we operate the volunteer group ‘Bridge of Love’, which consists of all employees and planners, and the Social Contribution Mileage System, which institutionalizes the eight-hour volunteer works of all employees.

Society Restoration and Common Goods Products

The Donator Advisory Sharing Wrap of Shinhan Investment Corp. is a product where the preference of the donor is taken into account by the management and the donations are distributed to the designated institute. The minimum admission fee is 10 million won and the management and use of donations is revealed transparently to the donor. Shinhan Life Insurance returns the profit of children’s insurance for children from lower-income families who are suffering from incurable diseases. As part of this program, we have been donating 1% of the premium for children’s insurance paid in the beginning of the month to The Korea Heart Foundation and the Korean Association for Children with Leukemia and Cancer. For the last 4 years, the total donation amount reached KRW 950 million and 400 children were supported in 2014. As the key related business, KRW 1,000 per children’s insurance case is saved for the accumulative donation for the prevention of children’s safety accidents. Furthermore, KRW 80 million was donated to Ghost Friend, a musical for the prevention of bullying amongst youth that has been performed 12 times. 9,206 people watched the musical.

Activities and Results in 2014

Shinhan Card, Major Social Contribution Activities and Results in 2014

Shinhan Life Insurance, Major Social Contribution Activities and Results in 2014

Shinhan Card, opening Arumin Library in Vietnam

Shinhan Card, opening Arumin Library in Vietnam

Shinhan Card, Major Social Contribution Activities and Results in 2014

Arumin Library

Portals Site “Arumin”

Donated books: 415,000 books (in total)
Benefitted children and youth: 27,000 people (in total)
• Participants: 2,144 people
• Total time spent: 5,189 hours

Symbiosis

Environment

Support for the construction of the environment friendly library in order to educate people about environmental sanitation.

Support for the conservation of traditions, and global social contribution activities.

Support for the promotion of the cultural property and cultural heritage.

Welfare

Culture

Philosophy and Focus Fields

“Arumin”

Coexistence

Social Contribution

Bridge of Love Volunteer Works Group

Volunteer Works Group

Bridge of Love Volunteer Works Group

• Participants: 4,391 people
• Total time spent: 15,292 hrs in

Sympathy

Environment

Support for the conservation of traditions, and global social contribution activities.

Support for the preservation of the traditional culture and the cultural property.

Sympathy Symbiosis

Support for the trade-related activities of local children’s centers, and Financial Education, which is for the inculcation of culture. Furthermore, we operate a volunteer works team that consists of customers and university students. It promotes making participatory social contributions and corporate social contributions.

Volunteer Works Group

• Participants: 2,144 people
• Total time spent: 5,189 hours

Shinhan Financial Group, Social Contribution Philosophy and Focus Fields

Shinhan Financial Group, Social Contribution Philosophy and Focus Fields

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Shinhan Financial Group, Social Contribution Philosophy and Focus Fields

Shinhan Financial Group, Social Contribution Philosophy and Focus Fields

The Group’s 9 CSR Strategies

CSR Report 2014

CSR Report 2014

CSR Report 2014
Shinhan Finance Group CSR Report 2014

Stakeholder Volunteer Works Group

Shinhan Financial Group promotes stakeholder volunteer works group activities to provide customers with differentiated experiences while contributing to the proliferation of the sharing culture of symbiosis through the social contribution in which stakeholders participate. Shinhan Card operates the Arumin Customers Volunteer Group and the Arumin University Students Book Mentors. The Arumin Customers Volunteer Works Group regularly visits solitary senior citizens and the disabled, and conduct service activities once a month. By providing the participating customers with 10,000 Arum Points, which can only be used for making a donation, we encourage customers to participate in making donations. Shinhan Life Insurance operates the Big Dream Youth Overseas Volunteer Works Team and the Shinhan Life Insurance University Honorary Ambassadors. In 2014, the Big Dream Youth Overseas Volunteer Works group painted murals on the deteriorated walls at two elementary schools in Vietnam, as well as providing them with educational support through talent donation.

Public Utility Foundation

The Shinhan Financial Group has established and operated the Shinhan Scholarship Foundation since 2006 to support students with excellent academic performances despite economic hardships. In 2014, a total of KRW 2.36 billion was given as support to 741 students, attaining an accumulated scholarship support of KRW 17.69 billion for the 4,387 students who have benefitted in total. In addition, we are operating various scholarships, such as a mentoring scholarship, for the children of police officers who died in the line of duty, a scholarship for the children of firefighters who died in the line of duty, and a scholarship for the children of coast guards in the line of duty. The Shinhan Scholarship Foundation will continue to work to provide more students with opportunities to make their dreams come true.

Shinhan Bank operates the Shinhan Bank Hope Foundation to provide more students with opportunities to make their dreams come true. In 2014, a total of KRW 1.3 billion was given as support to 741 students, attaining an accumulated scholarship support of KRW 17.69 billion for the 4,387 students who have benefitted in total. In addition, we are operating various scholarships, such as a mentoring scholarship, for the children of police officers who died in the line of duty, a scholarship for the children of firefighters who died in the line of duty, and a scholarship for the children of coast guards in the line of duty. The Shinhan Scholarship Foundation will continue to work to provide more students with opportunities to make their dreams come true.

Global Social Contributions

Shinhan Financial Group has been holding ‘The Dream Team of Disabled Young People Challenges the Six Continents’ program with the Korean Society for the Rehabilitation of Persons with Disabilities since 2005, in order to support disabled youth with the challenges they face and to help them become leaders in this global society. A total of 816 youths have participated so far, and in 2014, 19 youth representatives from the Asia-Pacific region who participated in the dream team presented stories about their lives and their disabilities. We also conduct overseas training by holding various activities in Peru, Myanmar, Australia, the United Kingdom (2 teams), and the United States to alleviate prejudices about disabilities and to improve the understanding of the general population regarding various disabilities.

Shinhan Life Insurance operates various global social contribution programs in connection to NGO organizations. Along with World Vision, we supported the installation of wells and drinking water facilities by launching the Shinhan My Kids Campaign, which provides aid for children in the third world. To help infants in Africa suffering from hypothermia, we participated in Save the Children’s Hat Knitting campaign and donated 732 hats. We also participated in the Korea Disaster Relief Association’s campaign of making Hope T-shirts and supported 250 T-shirts printed with a message of hope for overseas refugee children in the least developed countries.

Shinhan Bank is building the construction of an independent training center in Bandung, Indonesia. Along with KOICA, Shinhan Bank donated KRW 100 million for the expansion of educational infrastructure, and also for the transfer of technology and sales chain connections to aid the financial independence of locals who live in poverty. We are also donating the fund formed by the monthly donations of all 10,000 employees to KOICA, to improve the educational environment for the repair of elementary schools in Myanmar and to provide support for educational material. Since 2011, Shinhan Bank has dispatched to Hai Duong Province, Vietnam a foreign volunteering team consisting of college students to provide community service in education, health, art, music, and physical education as well as cultural exchange. Aside from this volunteering team, “Arumin Libraries” are being built in foreign countries to contribute to the rehabilitation of disadvantaged regions through education. The first “Arumin Library” overseas was built in 2014, contributing to widening the range of knowledge for disadvantaged children in foreign countries.

Shinhan Investment Corp. is promoting the global social contributions carried out with the direct participation of employees. Through ’SHC Guardian’ the support program that matches an employee and a child from a developing country in a 1:1 matching grant system – approximately 300 children in Tanzania, Bangladesh, India, Nepal, and Philippines are currently being supported. The deteriorated educational environment of the Kohlwanani Elementary School in Tanzania was improved by donations made by the Tanzanian School of Love Project, which is run by funding by employees.

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Plans

Shinhan Financial Group will make efforts to achieve synergy with the community by discovering and operating various social contribution activities and encouraging the participation of stakeholders.

Shinhan Bank is planning to utilize KRW 1.3 billion annually, until 2016, for social contribution activities through the Big Dream Volunteer Works Group management commission, to reorganize the volunteer works teams around the nation to achieve the maximum efficacy of the volunteer works, and to promote employee donation marathon events to help children who are suffering from leukemia and cancer.

Shinhan Financial Group promotes stakeholder volunteer works group activities to provide customers with differentiated experiences while contributing to the proliferation of the sharing culture of symbiosis through the social contribution in which stakeholders participate. Shinhan Card operates the Arumin Customers Volunteer Group and the Arumin University Students Book Mentors. The Arumin Customers Volunteer Works Group regularly visits solitary senior citizens and the disabled, and conduct service activities once a month. By providing the participating customers with 10,000 Arum Points, which can only be used for making a donation, we encourage customers to participate in making donations. Shinhan Life Insurance operates the Big Dream Youth Overseas Volunteer Works Team and the Shinhan Life Insurance University Honorary Ambassadors. In 2014, the Big Dream Youth Overseas Volunteer Works group painted murals on the deteriorated walls at two elementary schools in Vietnam, as well as providing them with educational support through talent donation.

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Shinhan Financial Group CSR Report 2014

The Group’s 9 CSR Strategies
Increasing Financial Inclusion for the Financially Underserved People

Today, financial service has become a necessity in everyday life. If the number of financially underprivileged people were to grow, the vicious cycle of poverty, as well as social conflicts, may be aggravated. Shinhan Financial Group seeks to actively promote technology financing and finance specialized for low-income customers, so that financial services can be approached in an easier manner.

Moreover, as the complexity of financial products has become more intense, diverse types of conflicts have arisen. One of the fundamental feasible solutions for these issues that have been promoted is the expansion on discussions in regards to educational activities that can help financial consumers make reasonable financial decisions.

Shinhan Financial Group has implemented education on finance and economics as the group’s representative social contribution program. By sharing the financial company’s experience and know-how to people who need financial and economic knowledge, we contribute to the development of our society.

Promotional System for Expanding Financial Accessibility

Shinhan Financial Group is carrying out diverse activities for supporting financing to low-income customers and small and medium-sized companies (SMEs) under its mission of “A Better World through the Power of Finance”.

Shinhan Bank is operating a support system to expand the physical accessibility and to increase customer value for those who are financially underprivileged by applying the strategy of “actual support and the internalization of channels for the mutual growth of the customer and bank”. Moreover, by holding the Small Loan Finance Promoting Council twice a month, we review the performance, develop strategies, discuss execution measures, and report our performances by holding meetings twice a month.

Expansion of Support to Small and Medium-sized Companies

In order to contribute to social enterprises’ independence, Shinhan Bank monthly holds working committees, manages the integrated status of financial support, and discusses approach for effective support. We offer dedicated loan for social enterprises’ credit loans and mortgage loans without guarantees, and provide technology financing to the companies with limited credit support despite their excellent technology and growth potential. In 2014, we further strengthened the infrastructure of technology financing to provide more benefits to small and medium-sized companies. First, we offered them an opportunity to raise their credit rating through the bank’s own technology evaluation, and intensified business collaboration with outside institutions (KPO, Seogang University, etc.) to foster experts. Moreover, we enhanced employee training of planning, sales, and inspection departments in order to further promote technology financing. As a result, we achieved KRW 1.736 trillion and 2,696 cases of TCB (Technology Credit Bureau) loans and 2,770 cases of TCB Evaluations. Shinhan Investment Corp. has provided financing solutions to small and medium-sized companies, thereby creating customer value. In 2014, the company loaned KRW 150 billion through account receivable trust of 10 companies, and offered additional loans through customer management during the trust contract period. Furthermore, the company actively provided tailored supports to small and medium-sized companies by holding training sessions to employees.

Financial Products for Low-Income Customers

Through the Smile Microcredit Bank Foundation, Shinhan Bank is helping financial independence of low-income, low-credit, financially underprivileged people. In particular, the Smile Microcredit Bank Foundation has shown the best performance, in terms of the number of cases accepted and the amount treated, among other foundations run by financial institutions in Korea. Additionally, the foundation or Shinhan Bank is expanding its scope of support with regard to small loan finance through New Hope Spore Loans and New Hope Savings Installment to promote the provision of loans to low-income customers to help them in asset creation, as well as to increase self-sufficiency. New Hope Spore Loans is a loan product specialized for low-income customers or for those who have difficulty in receiving loans from banks due to their low credit rating. In May 2014, for the first time in the Korean banking industry, new loans under the New Hope Spore Loans exceeded KRW 1 trillion. Furthermore, New Hope Savings Installment is an installment savings product that ensures a high interest rate to low-income and socially underprivileged customers. It has achieved a No. 1 ranking in terms of performance in high interest rate installment savings products provided by banks for low-income customers, having reached 51,891 accounts and a balance of KRW 79.5 billion (as of the end of December 2014). Additionally, with the bank’s SIF Household Debt Healing Program, a program that supports customers who currently have or have had a history of overdue payments to repay, it has supported 14,813 cases with a total of KRW 436.9 billion throughout 2014.
Shinhan Life Insurance has promoted its Shinhan Hope Love Insurance program, which is specially designed to support low-income customers, together with the Smile Microcredit Bank since 2008 for eight years. In 2014, the cumulative closing of insurance contracts for children reached 1,733 cases, and the actual insurance payments provided to low-income customers was KRW 1.24 billion (as of December 2014). These figures show that it has been adequately fulfilling its role as a safety net for society.

Small Loan Finance
Shinhan Bank expanded the Hope Finance Plaza, thereby increasing financial accessibility of low-income customers. In 2014, it established 27 new branches in areas largely populated with low-income residents. Currently 67 stores are being operated in total. It has also encouraged the promotion of financial products for low-income customers by operating the New Hope Sure Loan as well as supporting loans for mortgage leases, and operating consultation services through its channels targeting the low-income customers. Shinhan Life Insurance has implemented the Customer Plaza and Compassionate Insurance Service Customer Counter in order to internalize compassionate insurance and strengthen actual work practices on the site. Moreover, it has dispatched insurance agents or Customer Plaza employees to visit disabled customers who have mobility issues and customers who are 65 or older to carry out receipt. In the cases where visits are possible only during non-working hours, it provides a service where the customer can receive a visit from the employee beforehand. This has made it possible to increase customers’ accessibility to financial services.

Financial Benefits Provided to the Socially Underprivileged in the Emerging Market
Shinhan Bank is endeavoring to establish a firm basis for long-term growth in the Southeast Asian markets that it has penetrated under the global strategic goal of “Selection and Concentration” and the “Asian Financial Bath.” As a part of this effort, we are providing products that are targeted at the socially underprivileged and SMEs in accordance with the respective financial environment of each country. In March 2014, we launched the Khmer Junior Installment Savings for underprivileged children in the Khmer region. This allows for the provision of high interest rates to children in the Khmer region. This allows for the provision of high interest rates to children under 18 years of age, which in turn enhances their awareness of savings. The scheme also provides support for tuition fees for them to help them grow up in a stable environment. Moreover, in April 2014 the scheme has launched products that provide loans in small amounts for factory workers in Vietnam, with which it has been able to encourage local factory workers to work for a long time with their expertise and to help them move up to the middle class. This product greatly contributes to the bank’s practice of compassionate finance in developing countries, and also to the expansion of infrastructure in the overseas market. The product has demonstrated an outstanding performance showing 4,181 cases and profit worth USD 3.172 million.

Activation of Financial and Economic Education
Shinhan Financial Group operates the Financial and Economic Education as the representative social contribution program in order to contribute to social development by sharing experience and know-how of financial institution, to build trust of customers and society, and to further strengthen the nation’s financial competitiveness. Throughout 2014, it has provided education to 117,272 people, ranging from elementary school students to the elderly.

Improving the Convenience of Financial Service Utilization
Shinhan Financial Group is making diverse efforts to strengthen the accessibility of financial sector to the disabled and socially underprivileged. Shinhan Bank has adopted Voice OTP for the convenience of visually impaired people. This has been distributed free of charge. Voice OTP was developed as an alternative to the braille security card. It allows visually impaired people who cannot read braille and thus have difficulties in using internet banking or smartphone banking to easily receive financial services. Moreover, the group is striving to help the disabled to use ATMs via a multitude of approaches, such as identification mark on ATM’s for the disabled, installing at least one ATM for the disabled at each branch, installing access ramps for easy accessibility to the branch, etc.
Shinhan Bank, Key Improvements to ATMs for the Disabled

- Mandatory installment of at least one unit at each branch
- Designate size of booth
- Identification Mark on ATMs for the disabled
- Integration of checks and cash in one slot
- Reinforcement physical accessibility for wheelchair users
- Installation of access ramps at bank branches
- Access for citizens with hearing disabilities

Shinhan Financial Group will continue to expand financial accessibility with its main business, which are financial services. The company will do so by constantly promoting activities that can contribute to those who are socially underprivileged and the local community.

In 2015, Shinhan Bank will join the mission of promoting asset creation for low-income customers, and aims to increase our amount of New Hope Installment Savings subscriptions to 65,800 accounts and to achieve a balance of KRW 116.1 billion. We will also reinforce systemic support for superior SMEs through improvement of technology finance infrastructure for SMEs, short-term and long-term planning.

With respect to education in the fields of finance and economics, in preparation for the implementation of the 2016 middle school free semester policy, Shinhan Bank will create a more unique education system in that the nurturing of lecturers, expansion of bank’s employees experience program, and provision of finance educational contents to branches. Moreover, we will increase customers’ opportunities to experience finance education by carrying out the Visiting Finance Education using the mobile branch Bangbird. Based on our unique know-how, we will develop finance educational contents that are customized for adolescent refugees from North Korea. This will allow us to contribute to the creation of proper ideas about finance for future generations.

Shinhan Card will increase the number of Arumin Financial Class attendees, train expert instructors, and develop educational materials. Moreover, in preparation for the 2016 middle school free semester policy, Shinhan Card will develop differentiated finance educational programs that deliver experience-oriented classes that focus on proper financial knowledge, card characteristics, the importance of the donation culture, etc. We initially conduct this in the Seoul and Gyeonggi areas and will incrementally spread this program to other areas.

In 2015, Shinhan Life Insurance aims to hold 300 lectures for over 10,000 senior citizen attendees, and to provide 200 consultation sessions on finance education.

Shinhan Life Insurance has provided a convenient withdrawal service for customers, such as the disabled or the elderly, who have difficulty in visiting the counters and cannot receive the security card. This is done by expanding the convenience services of our cyber counter in 2014. We are contributing to the enhancement of financial accessibility by providing insurance payments and insurance loans that are relatively small in payment amount, as well as the repayment of principles and interests generated from insurance loans that can be handled without the customer having to make direct visits to the branch. Instead, they can just use the necessary certification and additional certification (mobile phone and phone).
Management for Mutual Growth with Suppliers

Shinhan Financial Group has established the Four Basic Principles of Shared Development with Suppliers, and we reflect these principles when executing specific tasks.

Compliance with the Basic Principles of Shared Development

In order to practice compassionate finance, Shinhan Financial Group is preventing discrimination against partner companies arising due to reasons unrelated to business operations. In order to realize these efforts, it has established the basic principles for mutual growth. Each affiliate has also created and is practicing its own set of policies.

Shinhan Financial Group, Compliance with the Basic Principles of Shared Development

<table>
<thead>
<tr>
<th>Affiliate</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Bank</td>
<td>When participating in ICT business, it defines the “company cost” in the evaluation section of the proposed form. Established a disclosure site for ICT business (document 30 cases) Declared details in relation to the contract method for participant companies that are bidding on projects. Provided a clear notice about its partner selection criteria. Provided additional points for companies that possess superior technology and that perform CSR.</td>
</tr>
<tr>
<td>Shinhan Card</td>
<td>Supported the public moral of the ICT Fair by helping to raise funds. Adjusted the terms “purchase” and “supplier” instead of “AA” and “BB”.</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>Explicitly represented the partner relationship of mutual growth for reduction of compensation fees as the top of the business commission contract. Provided training facilities to subcontract workers and provided commissions occurred from being relieved expenses.</td>
</tr>
</tbody>
</table>

Guarantee of Appropriate Prices

If the lowest bid is fully pursued so as to cut costs, it would create a financial burden for suppliers. However, this could also lead to failure being disadvantageous due to low quality of products and frequent errors. Therefore, Shinhan Financial Group has devised a system that prevents excess price competition and loss generated from changes in the environment after the transaction has been completed. Furthermore, it is strengthening its mutual partnerships by providing compensations for costs incurred during transactions in a fair manner.

Shinhan Bank is promoting compensation through additional contracts in cases where costs are additionally incurred. In order to reduce the burden on its suppliers, Shinhan Bank is providing compensation through additional contracts in cases where costs go above the amount set in the original contract due to unavoidable reasons. Moreover, for unofficial or occasional order proposals, it is providing a minimum fee.

Removing Irrationality in Business Relations

Shinhan Financial Group is striving to improve irrational transaction relationships with suppliers and to strengthen the convenience of transaction of making a transaction. As part of these efforts, it is conducting a transaction satisfaction survey for its suppliers, and it is selecting excellent suppliers every year to which it provides them with diverse benefits. In 2014, the group was able to infer various measures for improvement from the transaction satisfaction survey. It has promoted improvement activities for transaction relationships by, for example, allowing the exemption of submitting performance guarantees that were customarily requested to suppliers that engaged in transactions with the group for more than one year.

In addition to selecting of excellent suppliers, the CEOs and employees of suppliers were invited to meetings where they discussed mutual growth. Shinhan Bank was able to listen to the suppliers’ problems or requests, which in turn have been reflected in the group’s management activities. In 2014, by utilizing its main business, which is finance, it held a finance seminar for its suppliers and provided its counterparts’ employees with financial solutions in relation to taxes, financial accounting, etc. Shinhan Bank is promoting diverse solutions to reduce costs for its suppliers when they propose new business ideas. It is doing so by providing reasonable compensation for the prototype, utilizing electronic contracts to minimize the amount of unnecessary documents, and shortening the internal process for handling payments; etc. Furthermore, for excellent suppliers, it has been developing receivables-backed loan products, and granting them exemptions from having to submit performance guarantees.

Shinhan Life Insurance has striven to enhance the satisfaction of its suppliers by establishing solutions that provide support to excellent suppliers, and by promoting communication events. Currently, it is also endeavoring to minimize losses by conducting reviews for contract extensions and extending the contract period if the actual implementation fee is 75% or lower than the annual contract amount fixed initially.

Implementing CSR of Shared Development

Shinhan Financial Group is supporting the sustainability enhancement of its suppliers by practicing CSR with them, which is in congruence with the group’s pursuit. In accordance with this, it has established the Suppliers’ Behavioral Code of Conduct, which stipulates the criteria for workers’ human rights, safety and health, environment, and corporate ethics, and is asking its suppliers to follow the Code of Conduct. It held a seminar on its suppliers’ solutions for improving sustainability for the purpose of expanding CSR activities. Additionally, in order to identify the suppliers’ CSR level, it is conducting analysis and providing feedback on results and guideline for CSR activities to suppliers. In 2015, the group plans to carry out surveys with questionnaires focusing on CSR diagnosis and to visit the work sites of approximately 40 major suppliers that have business ties to Shinhan Bank ICT and General Affairs. Suppliers showing excellence in CSR will be awarded and will be granted with incentives, while those that need to make improvements will be asked to take corrective actions and will be provided with support and constant monitoring.

Every December, Shinhan Bank has evaluated the financial stability of its suppliers that are subject to regular maintenance. It does so through KISLINE, which is an online corporate information service of NICE Information service Co., Ltd. In 2014, a total of 166 suppliers were evaluated in regards to their financial stability. By implementing its integrity pact, Shinhan Bank is constantly making requests for the staff in charge of contracts and its suppliers to comply with the law during the process of bidding, signing of contract, and fulfillment of contract with respect to the supply of goods and services, and to practice CSR. It is initiating regular volunteer works with suppliers to encourage them to engage in additional CSR activities. Shinhan Bank is promoting mutual growth with the local community through its Sharing Love Volunteer Worker Program that is carried out by the ICT department with its suppliers, as well as talent donation volunteer work that is undertaken by General Affairs every April and September.
The Group’s 9 CSR Strategies

As a part of its Compassionate Finance Policy, Shinhan Investment Corp. has held a finance seminar for 25 IT suppliers that were selected as excellent suppliers. Through this, it has been able to solidify its relationship with its suppliers.

Shinhan Life Insurance has supported the employees working at the call center by providing stress management programs and mental health counseling services. It is currently holding the Dream Call Center Healing Festa, which is an emotional performance for call center employees. In 2014, a total of 129 cases were processed in which mental health counseling was provided to call center employees. This counseling helped to relieve their emotional stresses and increased their sense of belonging. Furthermore, Shinhan Life Insurance has been contributing to the improvement of labor-management relationships of its suppliers, by reflecting the work satisfaction levels of its contractors’ employees in its partner company evaluation report.

Plans

In order to constantly support the CSR of its suppliers, Shinhan Financial Group will continue to request for the submittal of questionnaire with regard to self-diagnosis of behavioral code of command. The group will strive to understand the CSR status of major suppliers and provide feedback. It will carry out transaction satisfaction survey every year and will reflect the improvements as feedback. It will also conduct a CSR evaluation on suppliers within the first half of 2015. Through this, Shinhan Financial Group will check the CSR status of suppliers and will be able to come up with a clear direction on how to make improvements.

Shinhan Bank will continuously push ahead with the operation of its website for ICT business disclosure, and it plans to expand the scope of disclosure from new business sectors to all business sectors. It will also expand the number of superior ICT suppliers by extending the candidate criteria for the selection of superior ICT suppliers from 24% to 50%. It will continue to promote events, such as risk monitoring of suppliers based on financial stability evaluations, discussion meeting with suppliers invited, selection of excellent suppliers, etc.

Shinhan Card will continue to contribute to increase sales of suppliers’ by carrying out active PR support by displaying products in Shinhan Card’s Free Forum Column and the group’s Notice Board. It will identify the popular products, sales status, and operational issues for each supplier in order to create additional supporting solutions. It will also continue to reject the lowest price bidding to ensure fair prices, and will keep using the raffle selection process when selecting a company to do business with.

Shinhan Investment Corp. will continue to promote mutual communication and will work to tighten relationships with partner companies by holding finance seminars and cultural events.

Shinhan Life Insurance will hold an event that focuses on communicating with its suppliers at least once a year. Through this, it has been able to solidify its relationship with its suppliers. Moreover, it plans to continue to operate diverse programs to lighten the burden placed on consultants.

Developing Environment-friendly Products and Services

Today, as climate change and resource crisis have arisen as realistic threats worldwide, dealing with environmental problems has become a vital element that affects the management activities of corporations. Moreover, demands by consumers for environment-friendly corporate management has increased incrementally. Amidst such changes, corporations that regard the environment as an opportunity for growth, rather than a hindrance, is increasing.

Shinhan Financial Group is constantly striving to accept international trends and to utilize them as an opportunity for new development. The diverse financial products and services that SFG offers are the results of having reflected its contributions of supporting environment-friendly industries and reducing environmental impacts on consumers. SFG will continue to expand its environment-friendly financial products and services so that South Korea can stand firm as a green leader of the global financial industry.
Shinhan Financial Group, Role of Green Finance

Recently, many corporations have been developing products and services that take the environment into account as the public’s demand for businesses to be environmentally responsible is rising. In accordance with this, Shinhan Financial Group is providing diverse incentives such as funding support, lower interest rates, and commission benefits, to corporations that carry out activities that save energy and lessen environmental impact, and engage in industries related to new growth engines that generate low carbon and high efficiency of energy. Moreover, SFG has actively invested in government and civil policies related to green industries, thereby, fulfilling its social responsibility as a financial institution.

Shinhan Bank is expanding its credit support to green corporations, inducing its customers to lead environment-friendly lifestyles, and providing support to transform public goods into environment-friendly goods. As such, it is creating new social values through providing green finance to the everyday lives of people. Shinhan Life Insurance has been supporting environmental protection simultaneously with economic growth, under the principle that it must fulfill its original role as an insurance company that ensures the safety of its customers. Accordingly, in order to approach its support strategically, it has created an environment-friendly finance system that is classified into different developmental stages (initial mature stage, growth stage, and commercialization development stage).

Products that considers Environmental Impact

Shinhan Financial Group is launching diverse financial products to realize its green vision of “making the environment better with the strength of finance,” and to meet the expectations of internal and external stakeholders, such as customers, employees, and the government, in regards to environmental management.

In April 2014, Shinhan Bank launched the Green Remodeling Interest Subsidy loan, which supports customers for the construction costs that incur from remodeling buildings to improve energy efficiency and ensures that they receive governmental support on 2-4% of the loan interests, in line with their achievements of improving energy efficiency. Moreover, it has launched the Green Low Energy Factoring, which supports the costs that incur from reinstalling LEDs in their apartments or public buildings with advance payments. This product then later allows repayments to be made via the amount saved by the subscriber with the interest rates to green customers, such as using public transportation, saving energy, and using energy saving equipment.

Shinhan Life Insurance offers Shinhan Variable Universal Life Insurance, which supports customers for the construction costs that incur from reinstalling LEDs in their apartments or public buildings with advance payments. This product then later allows repayments to be made via the amount saved by the subscriber with the interest rates to green customers, such as using public transportation, saving energy, and using energy saving equipment. Moreover, it has launched the Green Love Energy Factoring, which supports customers for the construction costs that incur from remodeling buildings to improve energy efficiency and ensures that they receive governmental support on 2-4% of the loan interests, in line with their achievements of improving energy efficiency. Moreover, it has launched the Green Low Energy Factoring, which supports the costs that incur from reinstalling LEDs in their apartments or public buildings with advance payments. This product then later allows repayments to be made via the amount saved by the subscriber with the interest rates to green customers, such as using public transportation, saving energy, and using energy saving equipment.

Service that Considers Environmental Impacts

Shinhan Bank has adopted the S-Plaza service. This service is where the bank’s employees have their tablet PCs and visit the customers in person so that they can effectively provide consultations on savings, loans, and new electronic financial services etc., which is a function that was normally provided by the bank’s branches. It has also adopted the S-Plaza, which enables quick task processing by using tablet PCs in the branches so that the customers can receive pre-consultations and fill out electronic documents. Shinhan Bank is providing differentiated service compared to other banks through the adoption of the Electronic Filing Service, which is expected to increase customers’ satisfaction and to greatly reduce the amount of paper used annually.

External Cooperation for Developing Environment-friendly Products and Services

Shinhan Bank has concluded an MOU with the Ministry of Land, Infrastructure, and Transport for activating Green Remodeling, in order to create effective measures for credit products that can be used for green remodeling projects that can result in proliferating the customer’s business. As a result, the Green Remodeling Interest Subsidy Loan’s product was launched in April 2014. It provides a new model of public-private cooperation that sets to expand the amount of green buildings. Moreover, in order to evaluate whether suppliers are environmentally strong, Shinhan Bank is the first domestic financial institution to have signed an MOU with KEITI and Ministry of Environment. This enabled the incorporation of a green finance support corporation evaluation system to the bank’s credit evaluation system. When a corporate loan is supported, interest and other preferential services are provided to the environmentally strong companies, while companies with excess environmental risks are managed preemptively.

Plans

Shinhan Bank is expanding its technology financing to corporations that are developing renewable energy and reducing their use of fossil fuels. In 2015, the bank will continue to expand its technology financial support so that social perceptions towards environment-friendly investment can be spread and development of alternative energy technology can be encouraged. Shinhan Life Insurance will push ahead with SRI (Socially Responsible Investment) to encourage environment-friendly management and development by. By improving the existing functions of Bridge Pension Insurance and Variable Universal Life Insurance, we will render the SRI Fund to be carried out more actively.
Using Resources efficiently and Reducing Environmental Impacts

In order to respond to serious issues related to environmental and climate changes, such as the depletion of natural resources and the occurrence of abnormal weather, governments around the world have set their respective targets to reduce greenhouse gas emissions and are implementing diverse countermeasures. Korea has also enforced a target management system with regard to greenhouse gases and has proposed that, in keeping with the global trend of realizing a low-carbon economy, it will adopt the greenhouse gas emissions trading scheme. Accordingly, Shinhan Financial Group is efficiently managing resources used for management activities and is performing environment-friendly management by reducing waste and energy consumption. In order to respond proactively to the requests of external stakeholders in the midst of a continuously changing environment, the group is strengthening its internal policy on the environment.

Policy and Organization for Reducing Environmental Impacts

Environmental responsibility that promotes coexistence with the environment is a duty that should be fulfilled by corporations. Shinhan Financial Group seeks to realize sustainable development by minimizing greenhouse gas emissions and continuously strengthening its efficiency with regard to energy consumption. Shinhan Financial Group is promoting enterprise-level environment management, having established and by following the group’s environment management norms through the CSR Committee, which is a committee consisting of the CEOs of the group’s affiliates. Moreover, it operates a green management system, which systematically manages 12 indicators related to the environment and sustainable management, including greenhouse gas emissions and energy consumption from the group’s main affiliates. This system not only ensures the establishment of an improved systematic environmental policy based on the collected environmental data, but it also contributes to TEG’s ability to provide a positive response to the requests from external stakeholders to disclose its environmental information.

To effectively execute energy management, Shinhan Bank has become the first domestic bank to acquire ISO50001 certification, which is an international energy management system certification granted by the International Organization for Standardization. Accordingly, it has established energy management guidelines and manuals so that all employees can participate in energy savings activities.

Responding to Environmental Regulations

Under the Low-Carbon Green Growth Fundamental Law, Shinhan Bank was selected as a management corporation for greenhouse gas energy in June 2012. It has reported its records to the government from 2009 to 2014 on its greenhouse gas emissions and energy consumption. Shinhan Bank has carried out activities, such as adjusting the indoor temperature, using high-efficiency lighting devices, improving the HVAC system and lighting equipment, etc. for the purpose of reducing greenhouse gas emissions and energy consumption. It has also installed an energy signpost in the lobby of the headquarters so that the amount of energy consumption can be monitored. Shinhan Bank has displayed posters that include practical methods for saving energy at the headquarters, as well as other main buildings, so that the employees are always being reminded about the importance of saving energy.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Activities</th>
<th>Estimated Annual Greenhouse Gas Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficiency Upgrade of Buildings</td>
<td>Reduced energy consumption by converting to LED lighting in the bank’s headquarters, as well as other main buildings and branches (in total 16,454 units)</td>
<td>2,384 tCO₂eq</td>
</tr>
<tr>
<td>Incorporating Energy Saving Measures to Daily Life</td>
<td>In accordance with the Energy Management System (ISO50001) for large buildings, Shinhan Bank carried out diverse energy reduction activities, such as adjusting the cooling and heating temperature settings during the summer and winter, limiting the usage of elevators, turning off the lights at predefined times, and adjusting the operating time of the HVAC system</td>
<td>740 tCO₂eq</td>
</tr>
<tr>
<td>Reducing of Vehicle Gas Through Video Conferences</td>
<td>Organized video conference systems for the bank’s sales department and overseas regions to reduce the use of vehicles and carbon emissions</td>
<td>1,582 tCO₂eq</td>
</tr>
<tr>
<td>Operation of an Environmentally Friendly Data Center</td>
<td>Reduced energy consumption by installing a solar power generator, LED lighting equipment, BEMS (Building Energy Management System), air exchange system, etc.</td>
<td>2,193 tCO₂eq</td>
</tr>
</tbody>
</table>
Shinhan Financial Group is carrying out discussions in regards to the key issues of sustainable management, including environment-related solutions, through the Group CSR Committee, which consist of the president of the group and the CEOs of respective affiliates.

Shinhan Financial Group has been designated head of the Management Planning Group as energy management executive, in order to operate an efficient energy management system with the participation of all employees. It has regularly operated the Energy Management Working Committee, which consists of working-level employees from the strategy-planning department, the ICT planning department, and general affairs, in the effort to reduce energy consumption at the enterprise level.

In 2014, SFG displayed the top branches for reducing energy consumption on its online dashboard for each quarter. This motivated employees who practice energy reduction activities. As of 2015, it will bolster the motivation to minimize environmental impacts by providing incentives for branches that practice energy reduction, and will strive to attract more attention to this matter.

Shinhan Financial Group has set the Group Environment Management Norm Standard, which is an internal regulation that sets forth to make priority purchases of green products that contain an environment mark, GR mark, and that have high energy efficiency. Furthermore, Chapters 2-3, Code of Conduct for Runner Companies, encourage them to comply with environmental regulations, reduce environmental contamination, reduce waste, and to use resource efficiently.

Shinhan Financial Group uses the internal Contract Task Guideline to enable the evaluation and provision of incentives to suppliers who promote high-energy-efficiency and use environment-friendly certified products. This results in creating more transactions with environment-friendly suppliers.

Shinhan Financial Group is creating energy reduction effects through the operation of the Shinhan Data Center, which is an environment-friendly green building that uses various environment-friendly energy saving systems. In particular, it has greatly reduced its impact on the environment by installing an ice storage system, which saves cool heat during the night and utilizes it during the day, LED lighting, solar installations, BEMS (Building Energy Management System), etc. As a result, it saved approximately 20% of its energy consumption in 2014, compared to that of the previous year.

Improvement of the Waste Management System through Separate Collection, Recycling, etc.

Shinhan Financial Group is currently utilizing resources efficiently by reusing 60 tons of waste paper. This constitutes approximately 60% of the total documents in which paper is used. It has also established the framework for its internal management system that is related to the environment.

Increasing Resource Efficiency by Recycling Office Equipment / Supplies

Shinhan Financial Group is conducting various programs to increase its resource efficiency by recycling or reusing the electronic devices and other equipment used in the offices. In particular, it has been carrying out the Sharing PC since December 2011, which donates unusable PCs that are to be disposed of or sold to various social offices. In January 2014, it concluded the Shinhan Green Love Social Enterprise Support Collaboration Agreement, which donates used office equipment and other computerized equipment to the Resource Recycling Organization and also donates other unusable movable properties.

External Communication through the Disclosure of Environmental Information

Shinhan Financial Group holds the honor of becoming the first bank to be included in the Carbon Management Honors Club in Korea that is organized by the 2014 CDP (Carbon Disclosure Project) Korea, which selects only five corporations that practice excellent carbon management. Simultaneously, it was included in The A List: The CDP Climate Change Performance Leadership Index 2014 in the CDP global report that was issued by the CDP British headquarters. The report showed 189 corporations in the world that have achieved excellent results in terms of responding to climate changes.

Shinhan Bank has issued the Shinhan Bank Environment Report, in order to actively participate in the Environment Information Disclosure Policy, which is promoted by the government. In this report, Shinhan Bank disclosed quantitative data with regard to its consumption of resources and energy, greenhouse gas emissions, environmental wastes, and records on green purchases. It also introduced its techniques for reducing energy consumption and transparently disclosed its strategy and system for promoting green management.

Employee Communication for Reducing Environmental Impacts

Shinhan Financial Group is encouraging employees to participate in promoting low-carbon economies. Through this, Shinhan Financial Group is reflecting the world once again that climate change is a material risk element that may hinder corporations’ sustainable development. It also encouraged worldwide participation in reducing greenhouse gases and environmental impacts.

Shinhan Financial Group has participated in the 2014 Global Investor Statement on Climate Change by signing the statement for global financial institutions. This was hosted by UNEPRI in the effort to encourage governments from all countries to actively participate in promoting low-carbon economies. Through this, Shinhan Financial Group is reminding the world once again that climate change is a material risk element that may hinder corporations’ sustainable development.
Shinhan Bank

Customer-Oriented Asset Management System

No.1 Beloved Bank for the New Future

Establishing a Customer Oriented Asset Management System

Shinhan Bank is striving to obtain the trust of customers by enhancing customer earnings rates via its customer-oriented asset management system. Since the existing asset management system provided insufficient management after selling investment products, we are establishing a customer-oriented asset management system that provides customers with the most appropriate solutions and that safely increases the customer's assets.

Issues Related with Materiality Test

- Activating financial and economic education as social contribution
- Expansion of supports to small businesses
- Enhancing business portfolio
- Providing differentiated financial products and services
- Enhancing customers' satisfaction

To pursue comprehensive approach and improvement in the overall asset management process, the department heads and working-level employees from the four departments of the WM business department, asset management solutions department, investment product department, and investment advisory department formed a task force. This task force is promoting the constant monitoring of improvements and the internalization of the customer-oriented asset management system through weekly meetings. We have organized the Customer Asset Value-Up Team to direct the customer-oriented asset management system through the planning and operation of the management as well as the rebalancing of investment products after they have been sold. This team is also for the establishing and operation of a portfolio management strategy and for constructing the computing system.

Expanding Alternative Investments

Shinhan Bank is expanding its alternative investments as a part of its creative asset management system. By raising the fund for corporate customers and selling IB investments for individual customers, alternative investments form a virtuous circle of symbiosis where the values of the customer and bank increase together. Shinhan Bank is promoting new attempts to secure financial brokerage, along with alternative investments, by using funds to enhance the earnings rate of asset holdings and reinforcing the investing process and infrastructural capacity. Alternative investments contribute to the promotion of Shinhan Financial Group’s mission of compassionate finance by enhancing the synergy among affiliates, especially between Shinhan Bank, which is the investment company, and Shinhan BNP Paribas Asset Management, which is the management company. As for our alternative investment funds, there is the Senior Loan Fund, which is the first acquisition financing Private Debt Fund; the Japan Solar Power Fund, which is an alternative investment in the Japanese solar energy business that has shown a high growth rate; and a project fund, which is related to SOC restructuring.

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Alternative investments are the alternatives for existing investment products, which have the possibility of overcoming the threat of recent intensified competition in the finance field and of low interest rates. Shinhan Bank will overcome the age of low-margins and will keep seeking to accomplish its goal of compassionate finance, through creative asset management, such as providing alternative investment products.

Customer-Oriented Channel Operation Strategy

Recently, the market is suffering from low growth rates and margins. Furthermore, as the digitalization in the financial business accelerates, the number of customers visiting face-to-face channels is decreasing. Also, digitally based service in finance is expanding and digital technologies, such as big data analysis technology, are accelerating. In light of these changes in the business environment, Shinhan Bank is trying to make a breakthrough in the growth of the business by innovating its business model, efficiently operating its branches/channels, and realizing non-face-to-face / omni-channels.

Results of the Alternative Investment Funds

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Loan Fund</td>
<td>KRW 100 billion contracted out of KRW 565 billion</td>
</tr>
<tr>
<td>Japan Solar Power Fund</td>
<td>KRW 40 billion contracted out of total KRW 200 billion</td>
</tr>
<tr>
<td>Infra Fund</td>
<td>KRW 140 billion contracted out of total KRW 1,242 billion</td>
</tr>
</tbody>
</table>

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Results of the Alternative Investment Funds

<table>
<thead>
<tr>
<th>Year</th>
<th>Senior Loan Fund</th>
<th>Japan Solar Power Fund</th>
<th>Infra Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>20,097</td>
<td>40,000</td>
<td>140,000</td>
</tr>
<tr>
<td>2013</td>
<td>38,678</td>
<td>40,000</td>
<td>140,000</td>
</tr>
<tr>
<td>2014</td>
<td>150,600</td>
<td>40,000</td>
<td>140,000</td>
</tr>
</tbody>
</table>
The Omni-Channel That Shinhan Bank Aims For

To realize Shinhan’s mission of “Compassionate Finance, Your Companion for the Future”, Shinhan Bank constructed a customer management system with the goal of creating long-term shared development for corporate customers. To maintain long-term transaction relations, Shinhan Bank provides professional supports for the success of the corporate customer, were unified under the Tops Biz Club. To establish a differentiated customer support system for customers with long-term transactions, we introduced CSP (Corporate Success Program) exclusively for customers with long-term transactions over 10 years and enhanced our management support service. To realize this, we revised the flaws of the existing system to make it to be based on the transaction records of customers, relaxed the standards for credit grades, and introduced the concept of the contribution period for the first time, in order to induce long-term transactions. Preferential programs provided to the customers of each Tops Biz Club were expanded and diversified. In the process of establishing such a system, Shinhan Bank endeavors to maximize the customer benefits and to optimize the customer satisfaction in a coordinated manner. Through these arrangements, Shinhan Bank aims to earn the trust that Shinhan Bank is the partner who can provide professional supports for the success of the corporate customer companies.

Improving the Management System for Long-Term Transactions Corporate Customers

In the standards for the selection of the Tops Biz Club given to the customers, we revised the flaws of the existing system to make it to be based on the transaction records of customers, relaxed the standards for credit grades, and introduced the concept of the contribution period for the first time, in order to induce long-term transactions. Preferential programs provided to the customers of each Tops Biz Club were expanded and diversified. In the process of establishing such a system, Shinhan Bank endeavors to maximize the customer benefits and to optimize the customer satisfaction in a coordinated manner. Through these arrangements, Shinhan Bank aims to earn the trust that Shinhan Bank is the partner who can provide professional supports for the success of the corporate customer companies.

Shinhan Bank established and operates S-Future Planning, the retirement planning system that reflects the financial transaction characteristics of each customer and their retirement philosophy. This system, which is designed for the detailed prediction of customers’ living expenses after their retirement, diagnoses the customer based on detailed statistics, such as their age when they retired, their residence, and income level. In order to understand the retirement preparation situation of the customer more easily, we introduced the Future Planning Index, which is the comprehensive index calculated according to the following three indices: the achievement of the retirement preparation fund, cash flow achievement, and the stability of financial assets to be able to concretely suggest fund management plans. We also operate the Retirement Planning Course for Couples and a Future Planning Camp to increase the contact with customers. The Retirement Planning Course for Couples is an educational program targeting customers who are facing hardships after retiring and retirement asset management. The program is held in weekends bimonthly, directly providing non-financial and financial retirement planning services such as retirement and health and hobby to the participants. After the seminar, Future Planning Consultants provide a 1-on-1 retirement planning consultation. Customers are showing high level of satisfaction on this program. For customers such as office workers or group customers, who are facing hardships in participating the retirement consulting, we provide the Future Planning Camp, which is the outreach retirement seminar course.

The Retirement Business to Prepare for the Ageing Society

With the Baby Boomer generation hitting the age of retirement, the society demands for the financial solutions which assure the happy family and the comfortable after-retirement life. As such, Shinhan Financial Group launched Shinhan Future Planning, which is its comprehensive retirement business brand. It provides Shinhan’s own unique retirement solution under the slogan of: “Retirement partner for a happy future.” To build the type of infrastructure that can lead the retirement market, Shinhan Bank opened the Future Planning Center in 70 regions as a base branch around Korea and selected 70 Future Planning Consultants. They provided them with elite training via the provision of constant training courses, such as special collective training, actual training and in-depth training. Furthermore, we are opening a new prospective in retirement planning services in Korea through the provision of customer-oriented products. In the case of the Future Planning Account, which is a bank account exclusively for living expenses after retirement, more than 780,000 accounts were opened until last December. This was due to our strength in effectively managing various funds, including living expenses.
Customers' Sincere Partner of the Life Who Leads the Future of the Credit Card Business

Enhancing Customers' Value through Big Data
Shinhan Card is focusing on new value creation through big data management, as a part of its strategy to achieve its slogan of “Big to Great,” which bears the vision of “From #1, to the Great”. In 2014, we were the first in the credit card business to open a Big Data Center and we analyzed the big data of 22 million customers. Moreover, for the fundamental competitiveness enhancement of our credit card business we promoted three major big data projects.

Major Big Data Projects

- Midterm and Long-Term Consumption Pattern (Macro Trend) Analysis and the Newest Trend (Micro Trend) Analysis
  - Collected nine codes each from males and females and launched 23.5° and S-Line based on these codes.

- Big Data Based Offer Targeting
  - Maximizing card use convenience through CLO (Card-Linked Offer) service development.

- Conducting SAM (Shinhan big data Academic Mentoring) 2014
  - Providing the big data utilization theory and experience opportunities to undergraduates and graduate students majoring in a big data related field.

Furthermore, to enhance our expertise in the analysis and utilization of big data, we signed business agreements with various institutes.

Contents of Big Data Related Business MOU

<table>
<thead>
<tr>
<th>Institutes</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master Card</td>
<td>Signed a big data strategic cooperation MOU.</td>
</tr>
<tr>
<td>Naver Culture Information Service</td>
<td>Provides a tourist behavior analysis service.</td>
</tr>
<tr>
<td>KAIST</td>
<td>Korean big data model joint development agreement.</td>
</tr>
<tr>
<td>Seoul National University Big Data Institute</td>
<td>Utilization of big data related to the financial service and signing of development cooperation MOU.</td>
</tr>
</tbody>
</table>

Promoting Custom Marketing for Customers.
Shinhan Card’s Code9 is the customer oriented product development system that is based on big data. Shinhan Card improved the limits of existing CRM (Customer Relationship Management), which was limited to quantitative analysis, such as business scale and earnings rate. Through this improvement, we are demonstrating that we clearly understand the various demands of customers and the newest trends and we have reflected these items in our products. First of all, we analyzed the consumption patterns of 22 million customers and extracted Code9 the collected data and figured out the change in the macro consumption pattern of domestic consumers. After that, in order to reflect the newest trends in new product processes and service development, we discovered the newest trends and we have reflected these items in our products. For instance, we extracted a maximum of 262,152 cases by combining the trend codes of about 22 million customers. Through this, we have been able to reflect the various potential demands of customers.

Institutes Contents

- Provides the big data based customer insight on affiliates.
- Provides products that fit the customer’s needs through Shinhan Card.
- Maximizes card use convenience through CLO (Card-Linked Offer) service development.
- Provides the big data based customer insight on affiliates.
- Utilization of big data related to the financial service and signing of development cooperation MOU.
- Provides benefits through efficient offers chosen by customers, instead of using the existing points saving system.
- Aims at satisfying customers by providing a customized solution for the customer.
Shinhan Card has not only developed credit card products and services but also a card plate design with the “Customers’ Viewpoint.” The new design, which was created with the concept of “reconstitution of the real life Re:Frame” indicates that our perspective towards customers has changed. Through big data analysis, Shinhan Card came up with the conclusion that there is a group of customers that have similar consumption tendencies regardless of criterion classified in the existing CRM, thereby, establishing the foundation for our customized solution provision. Taking all of these things into consideration, when we create Code9 Season2 we will provide the type of optimized customized benefit that is appropriate to the region, time, location, and consumption pattern of the customer and offer the newest consumption trend via cooperation with major cooperative companies.

Brand Marketing Strategy and Results
With the slogan of ‘BIG to GREAT’ which shows our will to proceed beyond the pride of the credit card corporation chosen by the most customers and to create more refined and differentiated services for every single customer, Shinhan Card is fixing the image of its credit card brand by earning the trust of customers. The brand activity of BIG to GREAT is proceeding in various forms, such as big data, the customer-oriented marketing system of “Code 9,” the customer-oriented design renovation of Re:Frame, and the cultural and sports marketing program.

In 2014, as a part of active communication with customers about “Code 9,” we held the ‘Code 9’ Concert. The ‘Code 9’ Concert was held in the outdoor square of Namsan N Tower outdoor and in Haeundae, Busan. With the participation of indie bands we were able to review the meaning of big data based Code 9, which respects the personality of our 22 million customers. Through the restoration of the CGV Shinhan Card Art Hall in Yeongdeungpo Time Square, we were able to build photo walls based on the new design language of Re:Frame so as to inculcate the new image of Shinhan Card into the minds of visiting customers. The Shinhan Card Little Picasso Art Festival, which was held for the 13th time this year, served as the representative brand-marketing event of Shinhan Card. The festival worked as not just a simple art festival with many participants, but the place of harmony in families.

Shinhan Financial Group CSR Report 2014
The best comprehensive finance investment company in Asia

Expansion of mid-level risks and mid-level profit products

Shinhan Investment Corp. is consistently growing despite the overall recession in the financial sector. Its business diversification strategy is showing its effectiveness. Much of that is owed to its efforts in expanding its services to mid-level risk and mid-level profit products. In early 2015, the company, which had previously been focused on low-risk, low-growth products, expanded its product range to mid-level risk and mid-level profit products, which are better suited to the financial sector's current low-interest rates and low-growth environment.

1) Long / Short strategy: It involves taking both long and short positions in financial products, aiming to make profits from price differences.

2) First-step barrier product: A product that strengthens the stability of investment by eliminating the price limit of basic assets.

In the current financial environment, the company is providing mid-level risk and mid-level profit products such as ARS (Absolute Return Swap) and First-Step 80 Series ELS (Equity Linked Scrips). These products are designed to maximize returns while managing risk effectively.

In the first step of capital, the company plans to provide mid-level risk and mid-level profit products, such as those under the First-Step Series ELS, to improve the stability of investment by eliminating the barrier of basic assets. Additionally, it plans to introduce various mid-level risk and mid-level profit products, including principal-risk and mid-level profit products, under the product strategy of overcoming low-interest rates and low-growth.

As part of its efforts to improve overall efficiency, the company has set up the “Committee of Product Strategy.” Within this Committee, the company plans to provide optimal products for the market while making consistent efforts to improve the rate of return for customers. By reflecting and exploring low-interest rates and low-growth trends, the company plans to provide mid-level risk and mid-level profit products to secure both stability and profitability, and to become a company that conducts reliable asset management.

Among mid-level risk and mid-level profit products that represent Shinhan Investment Corp., the ABS (Absolute Return Swap) product is one that guarantees principal and seeks returns through low-interest rate conditions. It is the best-selling product in the investment sector, having collected over KRW 4 trillion in capital. Moreover, the First-Step 80 Series ELS, which strengthens the stability of the investment by eliminating the barrier of the first step, has collected more funds than regular EL Series and has been leading the way in the financial sector trends.

It is expected that the same effect of the mid-level risk and mid-level profit products will continue in 2015. Shinhan Investment Corp. is planning to supply various mid-level risk and mid-level profit products under the product strategy of “overcoming low-interest through global asset distribution.” Notably, it plans to provide a principal-guarantee E/DBL that can create a “bank deposit + interest through global asset distribution.”

Interestingly, it plans to provide mid-level risk and mid-level profit products under the product strategy of “overcoming low-interest through global asset distribution.” Notably, it plans to provide a principal-guarantee E/DBL that can create a “bank deposit + interest through global asset distribution.”

Among mid-level risk and mid-level profit products that represent Shinhan Investment Corp., the ARS (Absolute Return Swap) product is one that guarantees principal and seeks returns through low-interest rate conditions. It is the best-selling product in the investment sector, having collected over KRW 4 trillion in capital. Moreover, the First-Step 80 Series ELS, which strengthens the stability of the investment by eliminating the barrier of the first step, has collected more funds than regular EL Series and has been leading the way in the financial sector trends.

It is expected that the same effect of the mid-level risk and mid-level profit products will continue in 2015. Shinhan Investment Corp. is planning to supply various mid-level risk and mid-level profit products under the product strategy of “overcoming low-interest through global asset distribution.” Notably, it plans to provide a principal-guarantee E/DBL that can create a “bank deposit + interest through global asset distribution.”

In the future, Shinhan Investment Corp. has the goal of achieving a customer rate of return of 5% in 2015 for securing safe assets, as well as accomplishing a rate of return that is fit for mid-level risk and mid-level profit products. By reflecting and exploring low-interest rates and low-growth trends, the company plans to provide mid-level risk and mid-level profit products under the product strategy of “overcoming low-interest through global asset distribution.”

Shinhan Investment Corp. is implementing improvements to its services and products through various initiatives. In the past, it has focused on providing low-risk, low-growth investment options. However, in response to the changing financial environment, the company is now exploring mid-level risk and mid-level profit products.

The company is also making consistent efforts for improving the research capabilities of its analysts. As part of its efforts to improve the accuracy of profit estimations, it has strengthened the publication of materials, such as the pre-examination of data before and after the quarterly performance announcement. It also operates an autonomous process for nurturing analysts, and recently introduced an internally-invented component of a job vacancy which provides motivation for strengthening the capabilities of the AOs (Research Assistants). Furthermore, as it is expected that the demand on the investment in foreign products by domestic financial assets will increase, the research on global asset distribution has been strengthened.

In 2014, separate global research was conducted in response to the demand on the investment in foreign products by domestic financial assets will increase. The research on global asset distribution has been strengthened.

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Shinhan Life Insurance

Sales of retirement products

37,808 accumulated cases

Establishment of a True Operation Culture

Complaints Occurrences Evaluation by the FOS Superior Rating(Grade 2) for three consecutive years

Evaluation on the company’s capacity to pay insurance money

AAA for seven consecutive years

Issues Related with Materiality Test

Enhancing brand value
Evaluation of incomplete sales
Respect of human rights for employees, customers, and suppliers
Improving customer satisfaction
Evaluation of financial products and services
Enhancing customers’ satisfaction

Standard of the life insurance industry that maximizes the value of insurance

Development and expansion of a new brand

The recent trend in the financial market is improving brand management. In order to actively respond to this trend, Shinhan Life Insurance developed a new brand for improving its efficiency in communication and its brand value. As a part of this effort, it started conducting brand diagnosis, company-wide surveys, and interviews with brand experts since January 2014. Through this, it has developed a new brand that has the core concept of “World Worth Living,” which manifests core competency of Shinhan Life Insurance, the core value of life insurance, and Compassionate Finance, Your Companion for the Future, etc. The company has come up with the slogan of, “Life Worth Living, Shinhan Life Insurance.” The phrase “World Worth Living” contains various meanings, such as the happiness, smoothness, assurance, and trust. After the development of values, it held a proclamation ceremony after which promotions that focus on the phrase, “World Worth Living,” began. The World Worth Living campaign was performed for employees and FCs (insurance planners). The compassionate image of Shinhan Life Insurance was conveyed to customers through the Life Worth Living Photo Competition and advertising the World Worth Living brand on cable broadcasting companies.

Brand Image of World Worth Living

Retirement business that prepares for the aging society

Shinhan Life Insurance is making preparations for the retirement market, which is growing rapidly due to the aging population, and making an entry into the pension society. In order to practice compassionate finance for customers, it integrated the existing Retirement Planning Center (analysis and research on retirement market) and the Buffle Center (financial planning) in June 2014 and renamed it the Future Design Center. As such, Shinhan Life Insurance became more fitting to the characteristics of the insurance industry by providing information on retirement planning.

As part of this effort, Shinhan Life Insurance is consistently introducing new products that provide retirement preparation plans for the aging society. Notably, it developed and sold True Shinhan Bridge Pension, which is a bridge pension product that was created in response to the period of no-income from the point of retirement until the date of receiving pension. Shinhan Life Insurance received a positive feedback in that it provided opportunities for preparing the future for customers in their 50s and 60s, an age group that has largely been alienated in insurance contracts. Furthermore, by developing and providing a lifelong variable insurance that guarantees twice the amount of guaranteed assets during the customer’s economically active period and twice the amount of health assets after retirement, it provided a chance for optimal guarantee according to the customer’s stage in life.

Issues Related with Materiality Test

Enhancing brand value
Evaluation of incomplete sales
Respect of human rights for employees, customers, and suppliers
Improving business portfolio
Providing differentiated financial products and services
Enhancing customers’ satisfaction

First, in order to promote initiatives at business sites for conducting a True Business Culture, Shinhan Life Insurance is promoting running a flawless business by conducting the quality management index evaluation(rate of incomplete sales, complaints, etc.), selecting and evaluating the five core issues for the operating manager, conducting for insurance planners; etc. Furthermore, the company’s accomplishment strategy, where the CEO and department heads visit customers along with insurance planners, has encouraged planners to visit customers and made the True Business Culture possible.

Second, Shinhan Life Insurance has created the culture for respecting FCs in order to improve their confidence in their jobs and to improve their loyalty to the company. The culture for respecting FCs began in order to increase the level of settlements by insurance planners, which is a phenomenon that is problematic in the insurance industry. It contributes to the settlement of the new insurance culture where the value of respecting insurance planners is conveyed to customers in turn. In addition, a steering committee on the culture for respecting FCs has been created as a specialized organization and conducted analysis and achieved improvement on the status quo and irrational customs through dispute settlement within the group so as to settle the True Business Culture. In addition, business competitiveness is being strengthened through the FC Satisfaction Center and exclusive channels of communication for FCs that address the difficulties of insurance planners and preferential policies for FCs who have worked for a long time.

In 2015, Shinhan Life Insurance plans to expand its products and services by improving the profitability of its existing pension products and by providing additional variable annuity. By utilizing its future planning brand in relation to the group’s retirement strategy, Shinhan Life Insurance will make contributions to the expansion of the pension market and provide a differentiated service that helps customers be able to plan practically for the future.

Establishment of a True Business Culture

In order to promote the healthy growth of the company through the improvement of insurance competitiveness and to perform the type of quality management that improves customer values, Shinhan Life Insurance is creating a True Business Culture.

Implementation Direction for the True Business Culture

In 2015, Shinhan Life Insurance plans to expand its products and services by improving the profitability of its existing pension products and by providing additional variable annuity. By utilizing its future planning brand in relation to the group’s retirement strategy, Shinhan Life Insurance will make contributions to the expansion of the pension market and provide a differentiated service that helps customers be able to plan practically for the future.
The best asset management company that represents Korea

Development of creative financial products

Shinhan BNP Paribas Asset Management has disposed of the simple product-centered business model and is pursuing a customer-centered business model through the development of products in non-traditional fields. In terms of investment style, it provides various investment solutions to customers by having diverse products that range from the growth model, value model, small model, absolute profit model, etc.

Applied for the R-QFII Quarter for the first time in the industry and introduced products | In order to provide various investment opportunities in China to customers, Shinhan BNP Paribas Asset Management acquired the R-QFII license for the first time in Korea in October 2014, and acquired a quota of CNY 3 billion in November. Unlike the previous QFII (Qualified Foreign Institutional Investor), R-QFII is a policy that enables investments in China without the process of currency exchange. The introduction of various products in the forms of stock and bonds, as well as in other mixed forms, provides customers with investment opportunities in China. Through its differentiated strategies, such as the special team that operates R-QFII bonds and the recruitment of native bond operating manager, Shinhan BNP Paribas Asset Management will consistently introduce and operate various products while leading the R-QFII sector in the investment industry.

Diversification of investment strategies | Shinhan BNP Paribas Asset Management has not only improved its existing product investment strategies so that investors will be able to accomplish their investment goals, but it also has introduced and is developing alternative strategic products. First, for improving existing product investment strategies, it introduced a corporate governance fund last May and invested approximately KRW 150 billion, improving the corporate governance and investment opportunities on the market. Apart from these items, it worked with BNP IP (BNP Paribas Investment Partners) to provide various products in order to deepen and expand foreign networks.

Furthermore, as part of the effort to develop alternative strategic product, Shinhan BNP Paribas Asset Management has introduced anticipative products that fit customers’ needs and market conditions. It has been discovering new projects, such as investing in foreign real estate, and investing in a top Japanese solar energy corporation for the first time in Korea.
Credit-specialized company that leads the financial market and represents Korea

WINK – the next-generation computerized system

Shinhan Capital has invested a budget of over KRW 10 billion to pursue the development of a next-generation electronic system by opening WINK in May 2014. Along with the opening of WINK, operational and management tasks have been standardized and computerized, increasing the efficiency of previous tasks and significantly contributing to the reduction of strategic costs. Furthermore, financial analyses have been conducted by departments, the infrastructure for securing data accuracy has been established, and multi-dimensional profitability and risk analysis has been enabled. All of which allows the company to flexibly respond to the radically changing business environments.

Shinhan Capital has focused on personnel efficiency in order to improve business productivity. Accordingly, it established a contact center within its retail finance headquarters in May 2014 and divided up operational and management tasks. Before opening the contact center, there was no unified customer response center. Therefore, each team had to make a direct response to customers’ phone calls. If the team did not relate to the task itself, the related team had to be connected to deal with customers’ questions. However, after unifying the window for customer phone consultations through the contact center, professional consultants with over 10 years of experience in these tasks can understand their needs, respond in a systematic way, and connect them with the relevant departments so as to improve the efficiency of business dealings and customer satisfaction level. Based on the operation of the contact center, the retail finance headquarters saw an increase of 9.2% in operating assets compared to the previous year, and broke KRW 1 trillion by the end of 2014.

Improvement of the work environment

Enhancing customers’ satisfaction

Establishment of the customer management system through WINK

Shinhan Financial Group CSR Report 2014

Jeju Bank

Jeju Tong Card Issued

Usage of the Jeju Tong Card in the commercial area of Jeju

Deposit and loan in specialized stores for Chinese customers

Specialized products for community contribution

Jeju Bank is consistent developing various cooperative businesses with the community in order to coexist with the community and to create a shared value of compassionate finance. For example, it made an arrangement with the Jeju Special Autonomous Province and, in November 2013, launched the Jeju Tong Card, which is a card that gives advantages to commercial areas of Jeju by providing high points and discounts. Consumers who use the Jeju Tong Card enjoy an accumulation of points through purchase activities. The commercial area is seeing an increase in sales through the usage of the card, which is creating a virtuous economic cycle. Through this, Jeju Bank has received an outstanding evaluation for contributing to the vitalization of local communities and establishing a system of cooperation with them by developing a financial product for the public as a local bank.

Operation of specialized markets for Chinese customers

As the number of Chinese tourists who visit Jeju is increasing every year, the Nohyeong branch of Jeju Bank has been operating a specialized department that provides professional financial service and a financial consultation room for Chinese customers since August 2014. In order to provide more professional service to businesses investing in China and Chinese immigrants, the Nohyeong branch of Jeju Bank has newly created a consultation room just for Chinese people that is approximately 33.4(10-pyeong) in size. It has also employed Chinese employees in order to provide detailed financial service to Chinese customers. Notably, regarding real estate loans, real estate investments, and financial asset management, professional consultants with over 10 years of experience in these fields and Korean employees who are fluent in English have been employed, thereby, providing a one-stop higher financial service for customers. The financial service and financial consultation room for Chinese customers at the Nohyeong branch were used by over 200 customers by the end of January 2015 and have seen a performance of KRW 11.5 billion in deposits and loans. It has received a positive response from Chinese customers.

Shinhan Financial Group CSR Report 2014
GRI Standard Disclosure

G4-9. Organization size

Number of branches

<table>
<thead>
<tr>
<th>Company</th>
<th>Domestic</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Bank</td>
<td>901</td>
<td>69</td>
<td>970</td>
</tr>
<tr>
<td>Shinhan Card</td>
<td>33</td>
<td>-</td>
<td>33</td>
</tr>
<tr>
<td>Shinhan Investment Corp</td>
<td>96</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>180</td>
<td>100</td>
<td>280</td>
</tr>
<tr>
<td>Shinhan Capital</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Shinhan BNP Patiess Asset Mgmt</td>
<td>7</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Jeju Bank</td>
<td>38</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Others</td>
<td>26</td>
<td>-</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>1,287</td>
<td>75</td>
<td>1,362</td>
</tr>
</tbody>
</table>

G4-11. Ratio of employees who are eligible for collective agreement

Ratio of the amount of members in the labor union and the members of the joint labor-management conference

<table>
<thead>
<tr>
<th>Company</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Financial Group</td>
<td>67</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Shinhan Bank</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Shinhan Card</td>
<td>79</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>Shinhan Investment Corp</td>
<td>70</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Shinhan Capital</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Shinhan BNP Patiess Asset Mgmt</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Jeju Bank</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

G4-51. Remarks on wages for a member of the Board of Directors

Wage policy for a member of the Board of Directors

Average fixed pay provided in 2014: 76
Average variable pay provided in 2014: 24

Correlation between the management performance of the Board of Directors and pay for members of the Board of Directors

For the Board of Directors within the company, a variable reward system associated with performance within the company is being operated. For external directors, there is no variable pay associated with company performance in accordance with the Financial Corporate Governance Code, and a pay system that reflects activities within the Board of Directors is being operated.

G4-52. Procedure on determining the pay for members of the Board of Directors

The reward system for directors in the company is determined by the Rewards Committee and the Board of Directors. The variable reward pay is determined by reflecting not only the annual performance of the group but also its long-term performance. For directors outside of company, the Board of Directors determines the reward system, and the magnitude of the reward differs according to how many they participate in the Board of Directors and other small committees.
G4.3. Procedure of reflecting the opinions of stakeholders regarding the pay for members of the Board of Directors

Directors’ pay is determined by getting the approval for the annual ceiling on directors’ pay at the annual meeting of shareholders. Afterwards, the details are determined by the Board of Directors within the range of the wage ceiling. Moreover, regarding directors within the company, the Rewards Committee, which solely consists of directors from outside of the company, conducts additional examinations on the details regarding the reward system for the management board of the group, including directors with the company.

G4.4. Ratio of the total annual rewards for employees compared to the employee with the highest total annual reward

<table>
<thead>
<tr>
<th>Division</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Korea</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Japan</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>China</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Vietnam</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>USA</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Other foreign countries</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

EC5. Initial pay for a newly recruited permanent worker

LA13. Ratio of basic salary and compensation of men to women (by employee category, major business units)

Shinhan Financial Group does not impose any pay discrimination for new employees based on gender. It calculates wages based on years of work and work performance in accordance with the related regulations. The basic monthly pay for a new permanent employee of Shinhan Bank is KRW 2,821,500.

EC6. Proportion of management hired from the local community at local business sites

Shinhan Bank is expanding the employment of locals at local business sites. The ratio of local residents who are employed by Shinhan Bank exceeds 90%. It plans to carry out localization by consistently expanding the number of local managers at major business sites.

Shinhan Bank

<table>
<thead>
<tr>
<th>Division</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of workers dispatched to a local business site</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Number of locally employed residents</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Percentage of the amount of locally employed residents</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of local managers in major countries (Japan, Vietnam, etc.)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

EC7. Development and impact of infrastructure investments and services supported

EC8. Significant indirect economic impacts, including the extent of impacts

Fulfilment of social contribution activities

<table>
<thead>
<tr>
<th>Company</th>
<th>Investments in social contribution</th>
<th>Employees engaging in community service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Financial Group</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Shinhan Bank</td>
<td>45%</td>
<td>45%</td>
</tr>
<tr>
<td>Shinhan Card</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Shinhan Investment Corp</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Shinhan BNP Paribas Asset Management</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Shinhan Capital</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Jeju Bank</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other Group Companies</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>61%</td>
<td>61%</td>
</tr>
</tbody>
</table>

EN1. Materials used by weight or volume

Shinhan Financial Group reduces its amount of paper and energy consumption through a system of electronic documentation, eco-friendly online meetings, and a web fax system.

<table>
<thead>
<tr>
<th>Division</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republic of Korea</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Japan</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>China</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>USA</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Other foreign countries</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* This includes people who engaged in overlapping community service projects.

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Shinhan Financial Group CSR Report 2014 - 82
EN3. Energy consumption within the organization

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of electricity used</td>
<td>489,316</td>
<td>547,003</td>
<td>283,862</td>
</tr>
<tr>
<td>Gas usage</td>
<td>33,188</td>
<td>38,097</td>
<td>44,654</td>
</tr>
<tr>
<td>Amount of gasoline used</td>
<td>144,567</td>
<td>135,117</td>
<td>156,159</td>
</tr>
<tr>
<td>Amount of diesel used</td>
<td>740</td>
<td>1,179</td>
<td>87</td>
</tr>
</tbody>
</table>

Scope 3 (Other indirect emissions)

- Organization’s operations, and transporting members of the workforce
- Significant environmental impacts of transporting products and other goods and materials for the organization
- Other indirect greenhouse gas (GHG) emissions (Scope 3)
- Energy consumption outside the organization

EN6. Reduction of energy consumption

<table>
<thead>
<tr>
<th>Division</th>
<th>Activities</th>
<th>Reduction of annual greenhouse gases (kton)</th>
<th>Estimated reduction amount (KRW 1 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline (domestic)</td>
<td>Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment Corp, Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital</td>
<td>3,994</td>
<td>569</td>
</tr>
<tr>
<td>Railroad</td>
<td>93,400</td>
<td>93,400</td>
<td></td>
</tr>
<tr>
<td>Bus</td>
<td>610,748</td>
<td>610,748</td>
<td></td>
</tr>
<tr>
<td>Cash transport</td>
<td>471,847</td>
<td>471,847</td>
<td></td>
</tr>
<tr>
<td>Printing paper</td>
<td>4,217,962</td>
<td>4,217,962</td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>10,527,178</td>
<td>10,527,178</td>
<td></td>
</tr>
<tr>
<td>Savings account</td>
<td>5,914,512</td>
<td>5,914,512</td>
<td></td>
</tr>
<tr>
<td>IC card</td>
<td>4,057</td>
<td>4,057</td>
<td></td>
</tr>
<tr>
<td>Monitor</td>
<td>2,589</td>
<td>2,589</td>
<td></td>
</tr>
<tr>
<td>Printer</td>
<td>850</td>
<td>850</td>
<td></td>
</tr>
<tr>
<td>LED light</td>
<td>16,454</td>
<td>16,454</td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>5,509</td>
<td>5,509</td>
<td></td>
</tr>
<tr>
<td>Savings account</td>
<td>103,046</td>
<td>103,046</td>
<td></td>
</tr>
<tr>
<td>General waste (incinerated)</td>
<td>169,200</td>
<td>169,200</td>
<td>20,811</td>
</tr>
<tr>
<td>General waste (bundled)</td>
<td>98,150</td>
<td>98,150</td>
<td>3,9141</td>
</tr>
<tr>
<td>Recycled waste (paper)</td>
<td>171,350</td>
<td>171,350</td>
<td>20,73516</td>
</tr>
<tr>
<td>Recycled waste (plastic)</td>
<td>5,850</td>
<td>5,850</td>
<td>0.105498</td>
</tr>
<tr>
<td>Recycled waste (aluminum cans)</td>
<td>480</td>
<td>480</td>
<td>0.0080308</td>
</tr>
<tr>
<td>Recycled waste (plastics)</td>
<td>5,690</td>
<td>5,690</td>
<td>0.105498</td>
</tr>
<tr>
<td>Surface water</td>
<td>186,962</td>
<td>186,962</td>
<td>0.105804</td>
</tr>
<tr>
<td>Underground water</td>
<td>9,321</td>
<td>9,321</td>
<td>0.105226</td>
</tr>
</tbody>
</table>

EN8. Total water withdrawal by source

<table>
<thead>
<tr>
<th>Division</th>
<th>Activities</th>
<th>Amount of surface water used</th>
<th>Amount of ground water used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Financial Group, Shinhan Bank</td>
<td>289,626</td>
<td>87,945</td>
<td>83,321</td>
</tr>
</tbody>
</table>

EN9. Total water discharge by quality and destination

<table>
<thead>
<tr>
<th>Division</th>
<th>Activities</th>
<th>Amount of surface water used</th>
<th>Amount of ground water used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Financial Group, Shinhan Bank, Shinhan Card</td>
<td>17,957</td>
<td>17,957</td>
<td></td>
</tr>
<tr>
<td>Shinhan Bank</td>
<td>18,016</td>
<td>18,016</td>
<td></td>
</tr>
<tr>
<td>Shinhan Financial Group</td>
<td>18,190</td>
<td>18,190</td>
<td></td>
</tr>
</tbody>
</table>

EN15. Direct greenhouse gas (GHG) emissions (Scope 1)

<table>
<thead>
<tr>
<th>Division</th>
<th>Activities</th>
<th>Unit: tCO2eq</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline (domestic)</td>
<td>3,994</td>
<td></td>
</tr>
<tr>
<td>Railroad</td>
<td>93,400</td>
<td></td>
</tr>
<tr>
<td>Bus</td>
<td>610,748</td>
<td></td>
</tr>
<tr>
<td>Cash transport</td>
<td>471,847</td>
<td></td>
</tr>
<tr>
<td>Printing paper</td>
<td>4,217,962</td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>10,527,178</td>
<td></td>
</tr>
<tr>
<td>Savings account</td>
<td>5,914,512</td>
<td></td>
</tr>
<tr>
<td>IC card</td>
<td>4,057</td>
<td></td>
</tr>
<tr>
<td>Monitor</td>
<td>2,589</td>
<td></td>
</tr>
<tr>
<td>Printer</td>
<td>850</td>
<td></td>
</tr>
<tr>
<td>LED light</td>
<td>16,454</td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td>5,509</td>
<td></td>
</tr>
<tr>
<td>Savings account</td>
<td>103,046</td>
<td></td>
</tr>
<tr>
<td>General waste (incinerated)</td>
<td>169,200</td>
<td></td>
</tr>
<tr>
<td>General waste (bundled)</td>
<td>98,150</td>
<td></td>
</tr>
<tr>
<td>Recycled waste (paper)</td>
<td>171,350</td>
<td></td>
</tr>
<tr>
<td>Recycled waste (plastic)</td>
<td>5,850</td>
<td></td>
</tr>
<tr>
<td>Recycled waste (aluminum cans)</td>
<td>480</td>
<td></td>
</tr>
<tr>
<td>Recycled waste (plastics)</td>
<td>5,690</td>
<td></td>
</tr>
<tr>
<td>Surface water</td>
<td>186,962</td>
<td></td>
</tr>
<tr>
<td>Underground water</td>
<td>9,321</td>
<td></td>
</tr>
</tbody>
</table>

EN23. Total weight of waste by type and disposal method

<table>
<thead>
<tr>
<th>Division</th>
<th>Activities</th>
<th>Unit: kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>General wastes</td>
<td>316</td>
<td>316</td>
</tr>
<tr>
<td>Commercial wastes</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Recyclable wastes</td>
<td>317</td>
<td>423</td>
</tr>
<tr>
<td>Paper</td>
<td>195</td>
<td>195</td>
</tr>
<tr>
<td>Styrofoam</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Glass</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Aluminum can</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Puste</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Scope: Reduction of energy consumption through the reduction of car usage by utilizing an online meeting system for corporate bank branches and business sites

Scope: Reduction of energy consumption through an eco-friendly data center

Scope: Total energy generation on buildings, LED lighting equipment, BEMS (Building Energy Management System), the reduction of energy consumption through the application of an air, thermal storage system

Scope: Reduction of energy consumption by replacing lights in bank headquarters, major buildings, and stores with LED lighting (total of 14,454 bulbs)

Scope: Practice an energy reduction lifestyle

Scope: Reduced energy consumption by replacing lights in bank headquarters, major buildings, and stores with LED lighting (total of 14,454 bulbs)

Scope: Practice an energy reduction lifestyle

Scope: Reduced energy consumption by replacing lights in bank headquarters, major buildings, and stores with LED lighting (total of 14,454 bulbs)

Scope: Practice an energy reduction lifestyle
EN29. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
N/A

EN31. Total environmental protection expenditures and investments by type, including the replacement of LED light bulbs, waste treatment, the development of underground water facilities, electric vehicle purchases, etc.
Shinhan Bank

<table>
<thead>
<tr>
<th>Division</th>
<th>Cost</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>LED light bulbs</td>
<td>4.2</td>
<td>Amount of eco-friendly IT products purchased.</td>
</tr>
<tr>
<td>Waste treatment</td>
<td>2.3</td>
<td>Amount of LED lighting purchased by Shinhan Bank.</td>
</tr>
<tr>
<td>Underground water facilities</td>
<td>0.7</td>
<td>Cost for Shinhan Bank in response to the goal management system for greenhouse gas energy and for external consultation services regarding the maintenance of its ISO50001 certification.</td>
</tr>
</tbody>
</table>

Unit: KRW / 1 million

LA1. Total number and rates of new employee hires and employee turnover by age group, gender, and region

<table>
<thead>
<tr>
<th>Division</th>
<th>Number of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly recruited employees</td>
<td>Male 207, Female 407</td>
</tr>
<tr>
<td>Retiring employees</td>
<td>Male 100, Female 177</td>
</tr>
</tbody>
</table>

LA3. Return to work and retention rates after parental leave, by gender

<table>
<thead>
<tr>
<th>Division</th>
<th>Number of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Employees who have used maternity leave</td>
<td>8,914</td>
</tr>
<tr>
<td>Employees who have returned after using maternity leave</td>
<td>6,277</td>
</tr>
<tr>
<td>Employees who continued to work for over a year after returning from maternity leave in 2013</td>
<td>3,327</td>
</tr>
</tbody>
</table>

LA6. Type of injury and rates of injury, occupational diseases, lost days, and absenteeism

<table>
<thead>
<tr>
<th>Unit: persons, days, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of disease or injuries due to work</td>
</tr>
<tr>
<td>Number of days of absenteeism</td>
</tr>
<tr>
<td>Rates of absenteeism</td>
</tr>
</tbody>
</table>

LA9. Average hours of training per year per employee by gender, and by employee category
Shinhan Investment Corp. makes investments in developing the professional capacities of employees. Shinhan Bank secured time for self-led learning, such as the Business Champion process, in order to promote voluntary learning for employees. Accordingly, regular training time and costs have decreased compared to the previous year.

<table>
<thead>
<tr>
<th>Division</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Bank</td>
<td>Education expense per person</td>
<td>0.84</td>
<td>0.80</td>
</tr>
<tr>
<td>Shinhan Card</td>
<td>Education expense per person</td>
<td>0.84</td>
<td>0.80</td>
</tr>
<tr>
<td>Shinhan Investment Corp</td>
<td>Education expense per person</td>
<td>0.84</td>
<td>0.80</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>Education expense per person</td>
<td>0.84</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Unit: KRW / 1 million, hours

LA10. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
Shinhan Financial Group provides various support programs for retired personnel. Shinhan Bank provides educational programs for career transfers, business foundations, and a life stage-planning program for personnel who voluntarily resigned through an external consulting firm on making a professional career transfer. Shinhan Investment Corp. provides 50% of the education fees for business foundations and career transfers for employees who have worked over certain period of time. Shinhan Life Insurance provides the necessary information for business foundations and career transfers for employees who voluntarily retired, and is also providing consultation education that is customized to individuals, such as interviews and one-on-one consulting. Furthermore, it provides pension membership to all employees and has been operating a career transfer support program for retired personnel since 2014.

LA11. Percentage of employees receiving regular performance and career development reviews, by gender and by employee category
Shinhan Financial Group conducts an annual performance evaluation for all employees. The performance evaluation consists of an evaluation on business performance and an evaluation on multi-dimensional capabilities. The evaluation on business performance is conducted in a relative evaluation system through a comparison of workers that fall under the same work category.

<table>
<thead>
<tr>
<th>Division</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular</td>
<td>Male</td>
<td>10,035</td>
<td>10,033</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>8,848</td>
<td>8,848</td>
</tr>
<tr>
<td>Unlimited contract</td>
<td>Male</td>
<td>735</td>
<td>2,959</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>735</td>
<td>2,959</td>
</tr>
</tbody>
</table>

LA12. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity
Shinhan Financial Group provides various support programs for retired personnel. Shinhan Bank provides educational programs for career transfers, business foundations, and a life stage-planning program for personnel who voluntarily resigned through an external consulting firm on making a professional career transfer. Shinhan Investment Corp. provides 50% of the education fees for business foundations and career transfers for employees who have worked over certain period of time. Shinhan Life Insurance provides the necessary information for business foundations and career transfers for employees who voluntarily retired, and is also providing consultation education that is customized to individuals, such as interviews and one-on-one consulting. Furthermore, it provides pension membership to all employees and has been operating a career transfer support program for retired personnel since 2014.

<table>
<thead>
<tr>
<th>Division</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>By employment type</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>4,267</td>
<td>3,915</td>
<td>4,168</td>
</tr>
<tr>
<td>Female</td>
<td>2,878</td>
<td>2,937</td>
<td>2,788</td>
</tr>
<tr>
<td>By position</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>3,520</td>
<td>3,688</td>
<td>3,703</td>
</tr>
<tr>
<td>Female</td>
<td>2,302</td>
<td>2,302</td>
<td>2,302</td>
</tr>
<tr>
<td>Total</td>
<td>23,797</td>
<td>23,797</td>
<td>22,489</td>
</tr>
</tbody>
</table>

Unit: persons

LA16. Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

Shinhan Financial Group is making efforts to listen to and settle employees’ difficulties regarding labor customs.

<table>
<thead>
<tr>
<th>Division</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of difficulties received regarding labor</td>
<td>211</td>
<td>179</td>
</tr>
<tr>
<td>Number of difficulties settled regarding labor</td>
<td>205</td>
<td>186</td>
</tr>
</tbody>
</table>

Other LA-related indicators 1. Stress management for employees

Shinhan Financial Group operates various stress management programs for employees. For Shinhan Bank, a professional consulting institution and internal consultants by providing counseling to employees on difficulties that they experience by visiting branches and by utilizing websites. By conducting self-diagnosis for stress and a healing program, Shinhan Bank provides help in managing mental and physical stress. Shinhan Card is supporting the alleviation of stress for employees by providing services such as EAP consulting policy and image psychotherapy.

Shinhan Bank

<table>
<thead>
<tr>
<th>Division</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees using counseling services</td>
<td>1,327</td>
<td>728</td>
</tr>
<tr>
<td>Number of employees participating in stress self-diagnosis evaluations</td>
<td>7,150</td>
<td>9,153</td>
</tr>
<tr>
<td>Number of employees participating in healing day-meditations</td>
<td>140</td>
<td>40</td>
</tr>
</tbody>
</table>

SO3. Total number and percentage of operations assessed for risks related to corruption and the significant risks identified

SO5. Confirmed incidents of corruption and actions taken

In order to maintain a transparent management environment and to prevent corruption in companies throughout the group, Shinhan is strengthening its management by monitoring to prevent corruption by business sites. In order to achieve this, a double internal transaction monitoring system is being run by the legal support team from Shinhan Financial Holdings and the law-abiding monitoring teams from other companies. The company has established self-diagnostic surveys to ensure that each supplier has recognized and is complying with the behavior standard, Shinhan Financial Group provides an analysis on socially responsible management and feedback on outcomes for major suppliers regarding human rights, safety and health, the environment, ethics, and stakeholders.

Shinhan Financial Group created the Code of Conduct for Suppliers so that suppliers will be able to comply with the principles and ideals of the company for the socially responsible management of the group. While performing self-diagnosis surveys to ensure that each supplier has recognized and is complying with the behavior standard, Shinhan Financial Group provides an analysis on socially responsible management and feedback on outcomes for major suppliers regarding human rights, safety and health, the environment, ethics, and stakeholders.

SO9. Percentage of new suppliers that were screened using criteria for impacts on society

SO10. Significant actual and potential negative impacts on society in the supply chain and actions taken

Shinhan Financial Group created the Code of Conduct for Suppliers so that suppliers will be able to comply with the principles and ideals of the company for the socially responsible management of the group. While performing self-diagnosis surveys to ensure that each supplier has recognized and is complying with the behavior standard, Shinhan Financial Group provides an analysis on socially responsible management and feedback on outcomes for major suppliers regarding human rights, safety and health, the environment, ethics, and stakeholders.

SO4. Communication and training on anti-corruption policies and procedures

Shinhan Bank is providing anti-corruption education for employees, in order to create a healthy and fair corporate culture by preventing corruption that might arise inside and outside of the organization. In 2014, it provided education on strengthening ethical and law-abiding consciousness for things such as education on fair trading laws, companywide assembly, and online ethics education, etc., in which 99% of employees and 88% of suppliers have participated.

SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

Shinhan Investment Corp. has a history of receiving institutional warnings for its corrupt trading behavior in the process of submitting reported market prices for small bonds.

SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Other LA-related issue 1. Support for suppliers

Shinhan Financial Group is making various efforts in order to ease the burdens of suppliers. Shinhan Bank and Shinhan Card have digitalized over 80% and 90%, respectively, of the documents related to suppliers in order to improve the electronic claiming process on small-sum remunerations for suppliers.
### Shinhan Financial Group’s Social Contribution Activities

Shinhan Financial Group is practicing coexistence through communicating with the local community. It is doing so by performing social contribution activities that emphasize the characteristics of each subsidiary.

#### Shinhan Financial Group

<table>
<thead>
<tr>
<th>Company</th>
<th>Activity name</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connected Youngher Dream Team</td>
<td>Social development program for underprivileged children in Vietnam</td>
<td></td>
</tr>
<tr>
<td>Coexistence Training Program</td>
<td>Social development program for underprivileged children in Vietnam</td>
<td></td>
</tr>
</tbody>
</table>

#### Shinhan Bank

<table>
<thead>
<tr>
<th>Company</th>
<th>Activity name</th>
<th>Content</th>
</tr>
</thead>
</table>

#### Shinhan Investment Corp.

<table>
<thead>
<tr>
<th>Company</th>
<th>Activity name</th>
<th>Content</th>
</tr>
</thead>
</table>

### Supplementary Information

<table>
<thead>
<tr>
<th>Company</th>
<th>Name of Activity</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Card</td>
<td>CSR Report 2014</td>
<td>CSR Report 2014</td>
</tr>
</tbody>
</table>

### Other SO-related Issue 2. Social contribution activities

Shinhan Financial Group is practicing coexistence through communicating with the local community. It is doing so by performing social contribution activities that emphasize the characteristics of each subsidiary.
PR3. Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements

In order to enhance consumer protection, Shinhan Bank is reflecting the consumer protection pre-agreement process in its consumer protection guidelines so that the opinions of the department in charge of consumer protection can be taken into consideration in the initial stage of product in regards to product development, the establishment of marketing policies, sales promotions, etc. The department in charge of consumer protection possesses the rights to stop or supplement the launching of products and marketing activities if it determines that there is high risk for complaints during the pre-review. Furthermore, it carries out a pre-agreement on consumer protection by establishing a pre-inspection process that is based on the consumer protection checklist that is within the electronic payment system.

Shinhan Card is operating a disclosure control standard so that information on products and services can be provided in an accurate and well-prepared manner from the perspective of consumers. If there are any changes in the disclosure material, the company shall revise the material without delay, unless there is a special reason. Shinhan Card is striving to provide accurate information in compliance with the principles listed below.

1. Materials must be drafted so that consumers can easily understand the contents.
2. Contents should be based on objective facts and information that may create confusion for consumers shall not be written.
3. Contents should not include information that will harm fair competition with other card companies and distort facts.
4. Designate a department and staff in charge of the disclosure of contents.

Shinhan Investment Corp. provides products by analyzing an investor's behavior based on the Standard Guidelines for Investment Recommendation (guidelines with the aim to protect investors) under Capital Market Law. Shinhan Investment Corp. is fulfilling the duty to share information and provide explanation and makes happy-calls to double check on important information after a sale. Shinhan Investment Corp. is trying its best to ensure that investors make smart investment decisions and hopes to be a contributor to promoting financial consumer protection by providing detailed explanations and reports about financial products and services.

Shinhan Life Insurance provides insurance plan forms, product explanations, insurance securities, terms and conditions, and more, in order to give the relevant product information to clients of all insurance products in a timely manner. Furthermore, the online homepage provides a product and price disclosing section for the immediate delivery of information. The information is based on the basic documents of insurance products that are developed with adherence to the guidelines established by the FSS (Financial Supervisory Service) and IDI (Insurance Development Institute) under the Insurance Law and Insurance Supervisory Regulations. The providing of information also complies with the disclosure provision enacted by LIA (Life Insurance Association). Further verification is done by the departments that deal with the relevant issue as well as the compliance department, in order to enhance the quality of the information. Shinhan Life Insurance is at all times making efforts to help clients with their decisions by strengthening their understanding of the product with the provision of a detailed explanation and information.

Shinhan BNP Paribas Asset Management is trying its best to achieve satisfactory results by keeping its investment philosophy in compliance with its value-oriented principles.

Shinhan Capital is striving to achieve better customer service by providing sufficient information on business finance, such as facility leasing, installment financing, new technology financing, real estate PF, factoring, and general loans; and on retail finance, such as auto financing, middle payment loan, and rental fee loans to our clients to assist them in their decision-making process. The relevant departments carefully draw up this information. After being thoroughly examined for appropriateness, based on company regulations, this information is provided to our clients through the homepage of the Credit Finance Association of Korea (CREFA) and the homepage of Shinhan Capital. For installment finances (including auto loans) that are announced by CREFA, the standard on the announcement of installment finance by the installment finance company is applied. Shinhan Capital aims to provide superior finance services based on its first-rate financial strength.

Shinhan BNP Paribas Asset Management is trying its best to achieve satisfactory results by keeping its investment philosophy in compliance with its value-oriented principles.

PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, and by type of information

In 2014, there was one case regarding the violation of regulations on service information, labeling, and self-regulations. After a comprehensive overview, the Financial Supervisory Service imposed a fine and issued a warning, reprimanding Shinhan Life Insurance for our failure to provide comparative information on health insurance products. In 2014, there was one violation of the regulations on service information, labeling, and self-regulations. After a comprehensive overview, the Financial Supervisory Service imposed a fine and issued a warning, reprimanding Shinhan Life Insurance for its failure to provide comparative information on health insurance products.
FS7. Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose

Shinhan Financial Group is creating social value through the provision of discounts on insurance premiums, of donations and of financial products.

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Product Information</th>
<th>Division</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Children Love Insurance</td>
<td>7% of the initial monthly funds are donated to an organization for children at end of each year.</td>
<td>No. of Cases</td>
<td>209,467</td>
<td>99,867</td>
<td>48,224</td>
</tr>
<tr>
<td>Shinhan Hope Love Insurance</td>
<td>Provides small amount insurance to children and parents of low-income families that are unable to afford insurance.</td>
<td>No. of Cases</td>
<td>289</td>
<td>409</td>
<td>402</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Product Information</th>
<th>Division</th>
<th>No. of Cases</th>
<th>Premium income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Premium Discount</td>
<td></td>
<td>Unit: Cases, Thousand KRW</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>Multiple Children</td>
<td></td>
<td>Unit: Cases, Thousand KRW</td>
<td>No. of cases</td>
<td>Discount Amount</td>
</tr>
<tr>
<td>Handicapped</td>
<td></td>
<td>Unit: Cases, Thousand KRW</td>
<td>No. of cases</td>
<td>Discount Amount</td>
</tr>
<tr>
<td>Those who are Low-Income</td>
<td></td>
<td>Unit: Cases, Thousand KRW</td>
<td>No. of cases</td>
<td>Discount Amount</td>
</tr>
<tr>
<td>Recipients of Basic Medical Service</td>
<td></td>
<td>Unit: Cases, Thousand KRW</td>
<td>No. of cases</td>
<td>Discount Amount</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>Unit: Cases, Thousand KRW</td>
<td>No. of cases</td>
<td>Discount Amount</td>
</tr>
</tbody>
</table>

FS11. Assets subject to positive and negative environmental or social screening

Shinhan Financial Group is strengthening its protection of private information by providing training for both its employees and its suppliers, in order to prevent the leakage of personal information.

**Other PR-related Indexes 3. Activation of the customer VOC channel**

We are increasing communication with our customers by activating a customer VOC channel. In 2014, Shinhan Bank processed a total of 3,259 cases of customer VOCs. Shinhan Life Insurance is operating a total of three channels to collect and respond to customer feedback.

<table>
<thead>
<tr>
<th>No. of Cases of customer VOC registry</th>
<th>Division</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Bank</td>
<td>Unit: cases</td>
<td>3,107</td>
<td>3,176</td>
<td>3,256</td>
</tr>
<tr>
<td>Shinhan Card</td>
<td>Unit: cases</td>
<td>2,548</td>
<td>2,075</td>
<td>1,261</td>
</tr>
<tr>
<td>Shinhan Investment Corp</td>
<td>Unit: cases</td>
<td>5,172</td>
<td>2,834</td>
<td>2,996</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>Unit: cases</td>
<td>107</td>
<td>130</td>
<td>90</td>
</tr>
<tr>
<td>Shinhan BNP Paribas Asset Management</td>
<td>Unit: cases</td>
<td>192</td>
<td>190</td>
<td>146</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>Unit: cases</td>
<td>157</td>
<td>137</td>
<td>159</td>
</tr>
<tr>
<td>Shinhan Bank FM Channel (for planners to collect customer VOC)</td>
<td>Unit: cases</td>
<td>107</td>
<td>130</td>
<td>90</td>
</tr>
<tr>
<td>Shinhan Card FM Channel (collect customer VOC through branches)</td>
<td>Unit: cases</td>
<td>192</td>
<td>190</td>
<td>146</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>Unit: cases</td>
<td>157</td>
<td>137</td>
<td>159</td>
</tr>
<tr>
<td>Shinhan Card FM Channel (collect customer VOC through branches)</td>
<td>Unit: cases</td>
<td>192</td>
<td>190</td>
<td>146</td>
</tr>
<tr>
<td>Shinhan Life Insurance</td>
<td>Unit: cases</td>
<td>157</td>
<td>137</td>
<td>159</td>
</tr>
<tr>
<td>CBM Channel (collect customer VOC through multitude of media such as telecommunication)</td>
<td>Unit: cases</td>
<td>157</td>
<td>137</td>
<td>159</td>
</tr>
</tbody>
</table>

FS6. Percentage of the portfolio for business lines by specific region, size(e.g. Micro / SME / Large)

Shinhan Bank

<table>
<thead>
<tr>
<th>Division</th>
<th>Unit %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>41.2</td>
</tr>
<tr>
<td>Large Corporation</td>
<td>5.9</td>
</tr>
<tr>
<td>Small and Medium-sized Companies</td>
<td>52.0</td>
</tr>
<tr>
<td>Others</td>
<td>11.9</td>
</tr>
</tbody>
</table>

Shinhan Financial Group CSR Report 2014
Materiality Test

Shinhan Financial Group is currently reflecting the results of its analysis on the subjects that stakeholders are interested in, as well as the subjects regarding the elements make an impact on the group. SFG is doing so by carrying out the materiality evaluation, which consists of three stages. A pool of subjects are being created and the opinions of stakeholders are being collected with respect to the newest trends, taking into account not only the group’s CSR strategies but also its global standard and activities of other advanced corporations. This is being carried out so that Shinhan Financial Group is able to identify the significant issues in relation to practicing newest trends, taking into account not only the group’s CSR strategies but also its global standard and activities of other advanced.

Shinhan Financial Group consists of three stages. A pool of subjects are being created and the opinions of stakeholders are being collected with respect to the elements make an impact on the group. SFG is doing so by carrying out the materiality evaluation, which consists of three stages. In Stage 1, the status of Shinhan Financial Group’s CSR was analyzed and the internal and external social responsibility issues were reviewed. Major media articles that were issued in 2014, internal materials, and global trends were analyzed. The benchmarking process was carried out on other entities in the finance field both domestically and overseas. Moreover, ISO 26000 and DJSI evaluation items were taken into account regarding the pre-selected 36 subjects that deal with SFG’s impacts on the assessments and decisions of stakeholders as well as the economy, society, and environment. Consequently, we were able to listen to the various opinions of Shinhan Financial Group’s six major stakeholders (customers, employees, government, shareholders / investors, the local community, NGOs, and partner companies).

In Stage 2, surveys were carried out regarding the pre-selected 36 subjects that deal with SFG’s impacts on the assessments and decisions of stakeholders as well as the economy, society, and environment. Consequently, we were able to listen to the various opinions of Shinhan Financial Group’s six major stakeholders (customers, employees, government, shareholders / investors, the local community, NGOs, and partner companies).

In Stage 3, the results from Stage 1 and Stage 2 are combined in order to prioritize the level of materiality of subjects. The process for prioritization was characterized by distributing the importance and credibility of each step of research and analysis that was later summed up. For the final step, the results were confirmed after Shinhan Financial Group went through an internal decision-making process. SFG will continue to carry out monitoring and performance management in order to respond to the subjects that have been evaluated to have a high priority, in terms of materiality.

In Stage 3, the results from Stage 1 and Stage 2 are combined in order to prioritize the level of materiality of subjects. The process for prioritization was characterized by distributing the importance and credibility of each step of research and analysis that was later summed up. For the final step, the results were confirmed after Shinhan Financial Group went through an internal decision-making process. SFG will continue to carry out monitoring and performance management in order to respond to the subjects that have been evaluated to have a high priority, in terms of materiality.
**Governance Structure**

**Principle and Policy in Governance Structure**
Shinhan Financial Holdings is making efforts to plan the long-term development of the group and to protect the benefits of the stakeholders, including shareholders and financial consumers. We aim to fulfill the type of governance structure that represents the growth and organizational culture of the group, and to secure the transparency, integrity, and stability of it.

The board of directors, which is the top standing decision-making organization of the company, has the power to elect and dismiss the CEO. It is operated on the basis of an outside director. The current number of outside directors is 10 out of 12 directors, accounting for 83% of the entire directors. Since March 2010, the independence of the board of directors is secured, as we nominate outside directors as the chair of the board.

**Transparency**
In order to provide complete transparency in the management structure, we fully disclose all of our standards, procedures, and results of our management structure. By publicizing our annual management structure reports on our website, as well as on the website for the federation of banks, all of the management structure related information is made transparent. The rights of minority shareholders are protected through a cumulative voting system and a proxy balloting system enables voters to send in written votes, while live video feed of the general meeting ensures the fair and timely distribution of information. Moreover, the activity details and main business transactions performed by the board of directors and its committees are disclosed monthly or on a regular basis.

**Integrity**
For the realization of sound governance, we are organizing and operating the Board of Directors with independence and expertise and are abiding by commercial laws; external laws; and Articles of Association, such as the Financial Holding Companies Act; internal governance codes; and internal codes, such as the codes of the Board of Directors. We are also introducing and abiding by all of the articles recommended in the Financial Corporation Governance Code ("Codex" below) and the Corporation Governance Code, regarding the Board of Directors.

**Stability**
For the construction of stable governance, the checks and balance system is the ground of it. We have entrusted the executives and the Board of Directors with business management and decision-making, respectively, and have made the executives to report the progress of the business to the board of directors. We also have included the outside directors when organizing the Board of Directors to be more than half of total members, the legal condition, in order to arrange the foundation for substantial executive checking function of the Board.

To make sure the Board of Directors actually check the executives, we invested them with the right to appoint or dismiss the Representing Director Chairman, an inside director, and non-director executives. We also invested the outside directors with various authorities, such as the right to make a material request and the right to make an advisory service request. We obliged the company to reveal the business information to the outside directors, guaranteeing that the actual check is upheld as a code.

As the restraint mechanism of the outside directors, the term for an outside director cannot exceed five years. Furthermore, in order to prevent the abuses by an outside director, we have included one inside director in Outside Director Candidate Recommendation Committee. Through the systems and mechanisms mentioned above, we have constructed a type of governance that provides mutual control and balance among the Board of Directors, the executives, and the outside directors.

**Diversity and Professionalism in the Organization of the Board of Directors**
In order to secure the diversity and expertise in the governance structure, we newly established the Principle of Diversity of the board of directors in the ‘Governance Regulation’ to prevent it from representing any common backgrounds or specific interests. In the actual operation of the Board, we form the Board of Directors with personnel with various expertise in order to prevent bias towards a certain background or occupational group. We also consider diversity in the recommendation process and perspectives in the formation of the Board of Directors. With recommendations from various sources such as stockholders, Outside Director Candidate Recommendation Committee, supporting departments, and external advisory institutes, we manage the pool of outside director candidates. We are making our full efforts to enhance the diversity of perspectives in other ways too, such as considering the female quota in the pool of candidates for outside directors.

**Governance**

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**Corporate Governance & CEO Recommendation Committee**
- One inside director and three outside directors.

**Outside Director Recommendation Committee**
- One inside director and four outside directors.

**Risk Management Committee**
- Four outside directors.

**Audit Committee**
- Four outside directors.

**Audit Committee Member Recommendation Committee**
- All outside directors.

**CSR Committee**
- One inside director and four outside directors.

**Compensation Committee**
- Four outside directors.

**Board Steering Committee**
- One inside director and four outside directors.

**Representative Director Chairman**

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**Members of Board of Directors**

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For the diversification of the company's financing, we added the foundation of issuing of electronically registered bonds and contingent convertible bonds and responsibility as a corporate citizen.

The Board of Directors consists of eight committees, the Outside Director Recommendation Committee, Audit Committee, Audit Committee Member Recommendation Committee, Risk Management Committee, CSR Committee, Corporate Governance & CEO Recommendation Committee, Board Steering Committee, and Compensation Committee. Among these, the Outside Director Recommendation Committee, Audit Committee, and Audit Committee Member Recommendation Committee are obliged to be established by laws, such as the Financial Holding Companies Act. The other five committees (Risk Management Committee, CSR Committee, Corporate Governance and Chairman Recommendation Committee, Board Steering Committee, and Compensation Committee) are established by the autonomous decision of the Board of Directors in order to enhance the expertise, independence, and efficiency of the Board.

Division of Authority of the Board Members' Recommendation

Shinhan Financial Holdings operates the Board Member Recommendation Committee in three separate sub-committees of the Governance and Chairman Candidate Recommendation Committee, Board of Directors Operation Committee, and Affiliates Business Management Committee. By dispersing the authorities and roles related to the appointment of board members through the operation of the sub-committees, we are preventing the monopolization of a board member recommendation authority being created by particular outside-directors.

Managing and Monitoring Conflicts of Interest

The internal codes, Article 4, Clause 1, No. 6 recognizes the "tasks of monitoring the conflicts of interest between the major stockholders and the board members or among the companies," and the Board of Directors codes, Article 10, Clause 1, No. 7 recognizes "the approval of transactions between the board members and companies" as part of the decision making process for the Board of Directors. Currently, the president of Shinhan Bank is participating as the non-executive director of the Board of Directors. Because of this, in the case of a transaction between Shinhan Financial Group and Shinhan Bank, the transaction between the board member and the company can be formed. To monitor such conflicts of interest, we make decisions through the special decision making process of the restricted decision making authority of the president of Shinhan Bank and the requirement of a two-thirds majority of present directors.

Changes in the Articles of Association Related to the Board of Directors

In order to actively reflect the Financial Governance Codex, which was implemented on December 24, 2014, and to arrange the basis of the diversification in the company’s financing methods and enhance socially responsible management, we approved the agenda of "enactment and revision of codes" related to the changes in the Articles of Association and the governance structure at the second provisional board meeting that was held on February 24, 2015.

First, we reflected the condition for the outside directors in the Codex. We fundamentally prohibited the outside directors from holding a concurrent position in another company other than affiliates of the Shinhan Financial Group. In addition to the requirement of possessing expertise, we added fairness, ethical responsibility, and fiduciary as crucial requirements for the directors to possess.

Secondly, in order to promote a more active and systematic socially responsible management, we added the establishment of a CSR Committee as the internal committee of the Board of Directors into the Articles of Association. Through this, it is expected that Shinhan Financial Group will enhance its role and responsibility as a corporate citizen.

For the diversification of the company's financing, we added the foundation of issuing of electronically registered bonds and contingent convertible bonds in the Articles of Association.

Enhancing Corporate Social Responsibility

Shinhan Financial Holdings established a CSR Committee in the Board of Directors to fulfill the company's social responsibility as a corporate citizen. This committee was also established so as to actively and systematically realize Compassionate Finance, Your Companion for the Future, which is the group's mission, by more actively responding to the demands of internal and external stakeholders, including the customers, stockholders, and the community.

Socially Responsible Management is to be formed with one inside director and three outside directors. The committee will set the direction of major issues of the Group's CSR in the fields of the economy, environment, and society. The committee will also revise the existing codes related to the group's socially responsible management, ponder upon and makes decisions on the enactment of these new codes, review a social responsibility report, and monitor the results of the external evaluation related to socially responsible management and its current status.

External Evaluation on the Governance Structure

Shinhan Financial Holdings actively reveals the standards, processes, and results of businesses related to the governance structure to secure the transparency, and due to such effort, the group receives favorable evaluation from the external entities.

Results of the Corporate Governance Evaluation Grade by the Korea Corporate Governance Service(CGS)

<table>
<thead>
<tr>
<th>Index</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance Evaluation Grade</td>
<td>Strong</td>
<td>A</td>
<td>A+</td>
<td>A+</td>
<td>A+</td>
</tr>
</tbody>
</table>

The Group's CSR Promotion Organizations

- Direction setting for CSR
- Designation, enactment, and establishment of codes (rules) related to conducting CSR
- CSR operation monitoring and reporting
- CSR operation monitoring and reporting

External Evaluation on the Governance Structure

Shinhan Financial Holdings actively reveals the standards, processes, and results of businesses related to the governance structure to secure the transparency, and due to such effort, the group receives favorable evaluation from the external entities.
Declaration of Human Rights

Shinhan Financial Group has decided on the ‘Compassionate Finance, Your Companion for the Future’ as the group’s mission, which has the meaning of “A Better World through the Power of Finance.” Based on this, we will aim to achieve sustainable growth by maintaining relationships of partners for shared development with customers, Shinhan and society to create customer, Shinhan and social value.

In order to continually maintain and develop relationships of shared development with customers and society, SFG is respecting the basic rights of all stakeholders, including the group’s employees, customers and suppliers that do business with the group. We have enacted and operated the SFG’s Code of Ethics and the Code of Conducts for Suppliers that contain the philosophy of respecting human rights in them.

SFG is respecting the human rights of all stakeholders in the group as shown below, doing our best to make sure there are no human rights’ violations.

### Human rights of employees
- SFG will not make any unfair discrimination based on school relations, regionality, age, gender, race, religion, etc.
- SFG will make fair evaluation and compensation according to performance and give fair opportunities for self development based on one’s capabilities and skills.
- SFG will continually improve the safe and pleasant working conditions to enhance the health of employees.

### Human rights of customers
- SFG will not provide differentiated financial services based on age, race, religion, political preferences, etc.
- SFG will act for customers to provide excessive information and take technological and physical measures to protect personal information.
- SFG will respect the demand and expectations of customers so that we develop and provide high quality products and services that satisfy customers.

### Human rights of shareholders and investors
- SFG maintains the accuracy and reliability of accounting materials to ensure the transparency of management.
- SFG will provide the necessary information to shareholders and investors fairly and timely in accordance with the relevant laws, regulations and internal regulations.
- SFG will respect the fair requests and suggestions of shareholders and investors to maintain mutually trusting relationships with them.

### Human rights of suppliers
- SFG will emphasize on the value that the group’s suppliers have as partners for coexistence
- SFG will not force the purchasing of the group’s products or services when selecting the group’s suppliers.
- SFG will trade fairly at a mutually equal position instead of a supreme status.

### Human rights of local communities
- SFG will actively participate in social contribution activities as a member of society in recognition of the responsibilities for the development of local communities as a financial group.
- SFG will not make any unfair discrimination on the socially unprivileged people when providing financial products and services, employment opportunities and financial and economic educations.
- SFG will consider the impacts of large projects that might cause environmental and social issues before making loan and investment decisions.
- SFG will strive to create a sound and transparent society by preventing transactions made under false name or borrowed name bank account, illegal money laundering transactions, etc.

### UN Global Compact

Shinhan Financial Group joined the UN Global Compact in order to reflect the global standards regarding sustainable management. The group has announced its will to promote socially responsible management in Korea and to international society. By following the 10 principles of the four fields of the human rights, labor, environment, and anti-corruption, Shinhan Financial Group will evolve into a world class financial group being the pathfinder of sound financial culture and revealing the results in a transparent manner.

### Principles and Activities

<table>
<thead>
<tr>
<th>Principles</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights, and Principle 2: make sure that they are not complicit in the abuse of human rights.</td>
<td>Enactment and posting of the human rights declaration, Education on the protection of human rights</td>
</tr>
<tr>
<td>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect to employment and occupation.</td>
<td>Assuring labor union activity, Prohibiting child labor and forced labor in accordance with the law</td>
</tr>
<tr>
<td>Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environment-friendly technologies.</td>
<td>Development of environment-friendly financial products and services, Constructing an environmental management system</td>
</tr>
<tr>
<td>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</td>
<td>Signing the Global Investor Statements on Climate Change, Encouraging affiliates to conduct the environment-friendly management, and participation in GDP</td>
</tr>
</tbody>
</table>

Additionally, SFG declares to do its best to support and comply with the basic principles for protecting and respecting human rights as stipulated in the United Nations Commission on Human Rights’ Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights.

SFG will remove any factors of human rights violations that might occur in all areas, including selling financial products and providing financial services. If there is an occurrence of human rights violation, we will take the lead in implementing human rights friendly management by establishing prompt and efficient remedies.
### GRI INDEX

**General Standard Disclosures**

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<td></td>
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<td>Key impacts, risks, and opportunities</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>G4-4</td>
<td>Primary brand, products and/or services</td>
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<tr>
<td></td>
<td>G4-6</td>
<td>Number of countries where the organization operates, name of countries with locations of major operations, or with specific relevance with sustainability issues covered in the report</td>
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</tr>
<tr>
<td></td>
<td>G4-7</td>
<td>Nature of ownership and legal form</td>
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<td>Markets served (geographic breakdown, sector served, and customer/beneficiary type)</td>
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<td></td>
<td>G4-9</td>
<td>Scale of the organization</td>
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</tr>
<tr>
<td></td>
<td>G4-10</td>
<td>Total workforce by employment type, employment contract and region</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>G4-11</td>
<td>Percentage of employees covered by collective bargaining agreements</td>
<td>81</td>
</tr>
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<td></td>
<td>G4-12</td>
<td>Major characteristics of the supply chain related to the organization’s major activities, products and services</td>
<td>51-54</td>
</tr>
<tr>
<td></td>
<td>G4-13</td>
<td>Major changes of corporation volume, organization structure and ownership structure</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>G4-14</td>
<td>Whether and how the precautionary approach or principle is addressed by the organization</td>
<td>33-35</td>
</tr>
<tr>
<td></td>
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<td>Internally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses</td>
<td>Front Page</td>
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<td></td>
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<td></td>
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<td>All entities included in the organization’s consolidated financial statements or equivalent documents</td>
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<td>Materiality aspects identified in the process of defining the report content</td>
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**Organizational Profile**

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<td></td>
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### Supplementary Information
Introduction
DNV GL Business Assurance Korea Ltd. (hereinafter "DNV GL") is commissioned to carry out the assurance engagement of the CSR Report 2014 (hereinafter "the Report") of SHINHAN FINANCIAL GROUP. This engagement focused on the information provided in the Report and the underlying management and reporting processes. SHINHAN FINANCIAL GROUP is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV GL’s responsibility in performing the work follows terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. SHINHAN FINANCIAL GROUP’s stakeholders are the intended recipients of the assurance statement.

Scope of Assurance
This Assurance Engagement covered data and information presented only in the Report. The scope of DNV GL’s Assurance Engagement includes the review and assessment of followings:
- Evaluation of the reporting principles for defining the sustainability report content and the quality in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0.
- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard (APS2008) with a moderate level of assurance and Type 1 & Type 2(Applied to specific performance information).
- Check of GRI 4.0 Disclosure level against GRI 4.0 Disclosure option.
- Visit to Headquarter of SHINHAN FINANCIAL GROUP

Limitation
The engagement excludes the sustainability management, performance and reporting practices of SHINHAN FINANCIAL GROUP’s suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from SHINHAN FINANCIAL GROUP’s annual report and company reporting on operations in 2014 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial information from SHINHAN FINANCIAL GROUP’s annual report and company reporting on operations in 2014 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial information from SHINHAN FINANCIAL GROUP’s annual report and company reporting on operations in 2014 or other sources are not included in the scope of the Assurance.

Verification Methodology
The Assurance Engagement was planned and carried out in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VerSustainTM V.4.1) and AA1000A4(2008). As part of the verification, we challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In accordance with the VerSustain, the Report was evaluated with regard to the following criteria: DNV GL has examined and reviewed documents, data and other information made available by SHINHAN FINANCIAL GROUP. We performed sample-based audits of:
- The process for determining the materiality of the contents to be included in the Report.
- The process for generating, gathering and managing the quantitative and qualitative data in the Report.
- The accuracy of data.
- Disclosure option of GRI 4.0.

Conclusion
In DNV GL’s opinion, and based on the scope of this Assurance Engagement, the report provides a reliable and fair representation of SHINHAN FINANCIAL GROUP’s sustainability strategy, policy, practices and performance in 2014. The report is prepared “In accordance with Comprehensive option” of GRI 4.0. Standard disclosure items assured are indicated in the verification report submitted to SHINHAN FINANCIAL GROUP.
Further opinions with accountability principles are made below;
Inclusivity | SHINHAN FINANCIAL GROUP has engaged with a wide range of stakeholders which are customers, shareholders and investors, employers, government, local communities and NGOs, and business partners. The report includes a process to derive expectations and interests of internal and external stakeholders. Main issues were clearly represented in the report. In our view, the level at which the Report adheres to the principle of Inclusivity is ‘Good’.
Materiality | SHINHAN FINANCIAL GROUP has formed a sustainability issue pool by analyzing stakeholders’ opinion, benchmarking, media research etc. The material issues are determined by combining the issues which are significant for stakeholder and the issues which are relevant for SHINHAN FINANCIAL GROUP in terms of sustainability. The output of the process clearly brings out material issues. In our view, the level at which the Report adheres to the principle of Materiality is ‘Good’.
Responsiveness | SHINHAN FINANCIAL GROUP monitors and reports performances of material issues drawn by the materiality assessment process in the report. The report includes financial (economical) and non-financial (social and environmental) performances. SHINHAN FINANCIAL GROUP states its vision and business strategies with the performances in the report. In our view, the level at which the Report adheres to the principle of Responsiveness is ‘Good’.
Findings in relation to specific sustainability performance information | DNV GL has evaluated the reliability of data and information about water usage, waste, Business Travel distance, occupational accidents for Type 2 Assurance. DNV GL, has interviewed the personnel responsible for the data and information in order to figure out the generation, aggregation and processing of data and information and reviewed the relevant documents and records based on which the statements in the Report are addressed. The reporting of the sustainability performance presented in the Report make it possible to understand the company’s impact in economic, social and environmental areas, as well as the company’s achievements in these regards. SHINHAN FINANCIAL GROUP has developed an effective methodology for gathering the specific information and data respectively for reporting. The personnel responsible for the data are able to demonstrate to trace the origin and interpret the data in a reliable manner as per internal process. Therefore, the specific data and information are found to be identifiable and traceable. From our analysis of the data and information and SHINHAN FINANCIAL GROUP’s processes, DNV GL concludes that the data and information included in the Report are the results of stable and repeatable activities.

Statement of Competence and Independence
DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.

April 2015
Seoul, Republic of Korea
The Shinhan Financial Group CSR Report 2014 is published in both Korean and English. You can get the Report from the head offices and branches of Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital and Jeju Bank, including the homepage of Shinhan Financial Group (www.shinhangroup.com). For further information, please make inquiries to the contact numbers shown below.

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About this report
In 2005, Shinhan Bank was the first Korean bank to publish the CSR report, and since 2009, Shinhan Financial Group published its report at the group level for the first time in the financial sector. In our CSR Report 2014, we contained the activities, results, and future plans of the nine strategies of the socially responsible management at the group's level. We also reported on the activities and results of major affiliates engaged in socially responsible management.

Reporting Principles | This report was written reflecting the G4 Guidelines, which are the new report writing standards of the GRI (Global Reporting Initiative) and 'in accordance' option is Comprehensive. Furthermore, the financial information included in this report follows the Korean International Financial Reporting Standards (K-IFRS), which uses the unit of the Korean won KRW (₩).

Reporting Period and Boundary | This report is about the results from January 1, 2014 to December 31, 2014. In the case of quantitative data, data from the last three years were reported for the enhancement of making comparisons. The reported affiliates are Shinhan Financial Holdings, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank, which include 95% of our total employees.

Reliability of the Report | To ensure the enhancement of the reliability of the report, the report went through the verification process based on the three principles (materiality, completeness, and correspondence) of AA1000AS (2008) by DNV GL, the global verification institute.

Shinhan Financial Group is striving to make a warm-hearted world with Creative Finance to cope with the new era. As a representative corporate citizen of Korea, SFG will implement sustainability management based on communication with diverse stakeholders, including customers, investors, employees, local communities and suppliers, to provide stakeholders with the highest value.
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