



# Drawing a Sustainable Future

Corporate Social Responsibility Report 2010



SHINHAN FINANCIAL GROUP

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**Dow Jones  
Sustainability Indexes**  
Member 2010/11

SFG was designated the most “sustainable performer” among Korean financial institutions by the Dow Jones Sustainability Index of Korea (DJSI Korea) for two consecutive years in 2009 and 2010, as well as becoming the first Korean financial institution to be included on the DJSI Asia-Pacific Index.

#### **CARBON DISCLOSURE PROJECT**

As a signatory of CDP (Carbon Disclosure Project), Shinhan Financial Group is encouraging listed companies in Korea to participate in the Carbon Disclosure Project.



## CSR Highlights

### about this report

#### Features of Report

The SFG's Corporate Social Responsibility Report 2010 is the second report to be published by the Shinhan Financial Group (SFG) to reflect the performances of the group as a whole. The report is published annually, and provides both qualitative and quantitative information, including the vision, business performance, and future goal of the Group and its subsidiaries. Additionally, this report will work as a communication channel with internal and external stakeholders to offer a freer and more active platform for stating their views.

#### Reporting Period

This report covers the calendar year from January to December 2010, and includes financial trends over a three-year period from January 1, 2008, to December 31, 2010. Certain parts of the report include qualitative data from the activities in 2011; an explanation is provide when this is the case.

#### Coverage of Report

This report covers the performance of the Group's head offices, IT centers, as well as its domestic and overseas branches. For the environmental data, the scope of reporting excludes the data from overseas branches due to the difficulty of collecting relevant data, and therefore is limited to the Group's head offices, IT centers and domestic branches.

#### Reporting Principles

This report was prepared in accordance with the G3 Global Reporting Initiative (GRI) Guidelines and the GRI Financial Service Sector Supplement. GRI Indexes are included in the appendix section of this report on page 78, as stipulated in the Guidelines.

#### Assurance of Reliability

The reliability of the content was verified through the Independent Assurance Statement. For additional information, Please refer to the appendix section of this report, from page 76to 77.

#### Additional Information

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Establishment of the First Group-wide Integrated Green Management System p.23



Realization of an "Enterprise of Community" through Win-Win Management p.47



Promotion of the Shinhan Smile Microcredit Bank p.50



Job Fairs p.55



Korea's First Integration of CSR Report with Homepage and Mobile Web The contents of this report can be viewed at our website and mobile web. (In July 2011)

Click the icon for more information



# Shinhan Financial Group Social Responsibility Management



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## Message from the CEO



We sincerely hope to earn constant support and interest from our customers, shareholders, and local residents as we continue this journey toward a sustainable future.

I would like to express my appreciation to our customers, shareholders, local communities, and employees for the unwavering support and encouragement you have given to Shinhan Financial Group(SFG).

As we emerge from the global financial crisis, our awareness of the need for sustainable growth is higher than ever.

In the past, business growth has relied on aggressive, large-scale expansion and short-term profitability. However, the survival of any corporation depends on whether it has a mechanism for sustainable management into the future.

In a word, corporate social responsibility(CSR) is the most crucial prerequisite for sustainable growth.

Experience has shown that the corporations with the strongest sustainable growth are those who actively pursue social responsibility management as a part of the communities they belong to. As a result of this heightened social awareness, more corporations consider CSR management to be among their most strategic objectives.

Since our earliest days, we have been deeply aware of the significance of CSR management and have made every effort to practice it in our daily operations. To this day, SFG continues to strengthen its CSR activities, building on its advantages as a financial group through three core tasks: Coexistence for Welfare, Sympathy for Culture and Symbiosis for Environment.

Leveraging on these core tasks, SFG seeks to fulfill its corporate citizenship by regularly evaluating the impact of the Group's business on local communities and environment, to find a way to grow hand-in-hand with every member of the society. Today, SFG is redoubling its effort to meet the global-standard in sustainability management.

In 2008, SFG joined the UN Global Compact, and since then upheld the 10 Principles of the Compact in the areas of human rights, labor standards, the environment, and anti-corruption. Due to these efforts, the Group was designated the most "sustainable performer" among Korean financial institutions by the Dow Jones Sustainability Index of Korea(DJSI Korea)

for two consecutive years in 2009 and 2010. Furthermore, the Group became the first Korean financial institution to be included in the DJSI Asia-Pacific Index in 2009.

Meanwhile, SFG continued efforts to respond to climate changes and to become the leading financial institution in "Low Carbon and Green Growth" movement in Korea.

As a result, SFG was recognized by the Korean Committee of Carbon Disclosure Project(CDP) in 2010, winning awards in the fields of financial leadership and for the improvement over the previous year.

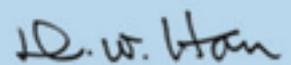
In April 2010, the "Shinhan Financial Group Volunteer Team" was launched to encourage subsidiaries to participate in volunteer work for local communities, with the added effect of maximizing synergy between subsidiaries.

This report is the embodiment of our efforts for socially responsible management, documenting the steps that we've taken from the beginning to present day.

In the year 2011, SFG will continue focusing on the development of core tasks, while at the same time fulfilling our responsibility as a socially responsibly company by listening to the expectations and needs of our stakeholders.

In closing, we sincerely hope to earn your constant support and interest as we continue this journey toward a sustainable future.

Thank you.



June 2011

Chairman and CEO of Shinhan Financial Group **Dong Woo Han**

# Introduction to Shinhan Financial Group

## | Introduction to Shinhan Financial Group |

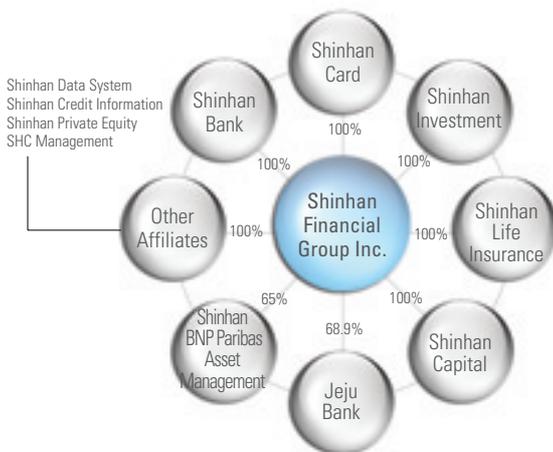
Since it was converted into a financial holding company in 2001 from Shinhan Bank established in 1982, Shinhan Financial Group (SFG) has continued to grow into a world-class financial institution. It provides comprehensive financial services through more than 30 affiliates, including not only banking, but also consumer credit, securities, and life insurance. The Group has been a consistent innovator in the financial sector. And it has successfully achieved sizable growth in banking, consumer credit and asset management businesses until 2009.

## ● Financial Highlights

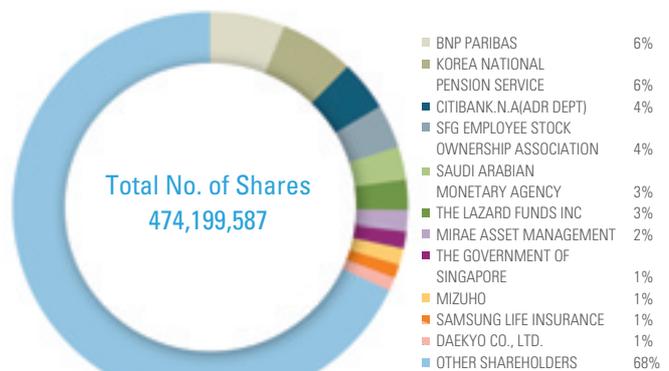
| Classification                              | 2009    | 2010    |
|---|---------|---------|
| No. of Employees                            | 20,194  | 21,686  |
| Total Assets(KRW in billions)               | 255,018 | 266,032 |
| Total Liabilities(KRW in billions)          | 233,895 | 242,834 |
| Total Shareholders' Equity(KRW in billions) | 21,123  | 23,198  |
| Operating Income(KRW in billions)           | 51,172  | 33,651  |
| Net Income(KRW in billions)                 | 1,305   | 2,384   |
| BIS capital adequacy ratio(%)               | 12.60%  | 12.77%  |
| No. of Branches                             | 1,320   | 1,361   |

\*As of the end of December 2010

## ● Ownership of Shinhan Financial Group



## ● Ownership Structure



\* Listed Companies(Shinhan Financial Group, Jeju Bank), Common Stock,  
As of the end of Dec. 2010

As of March 2011

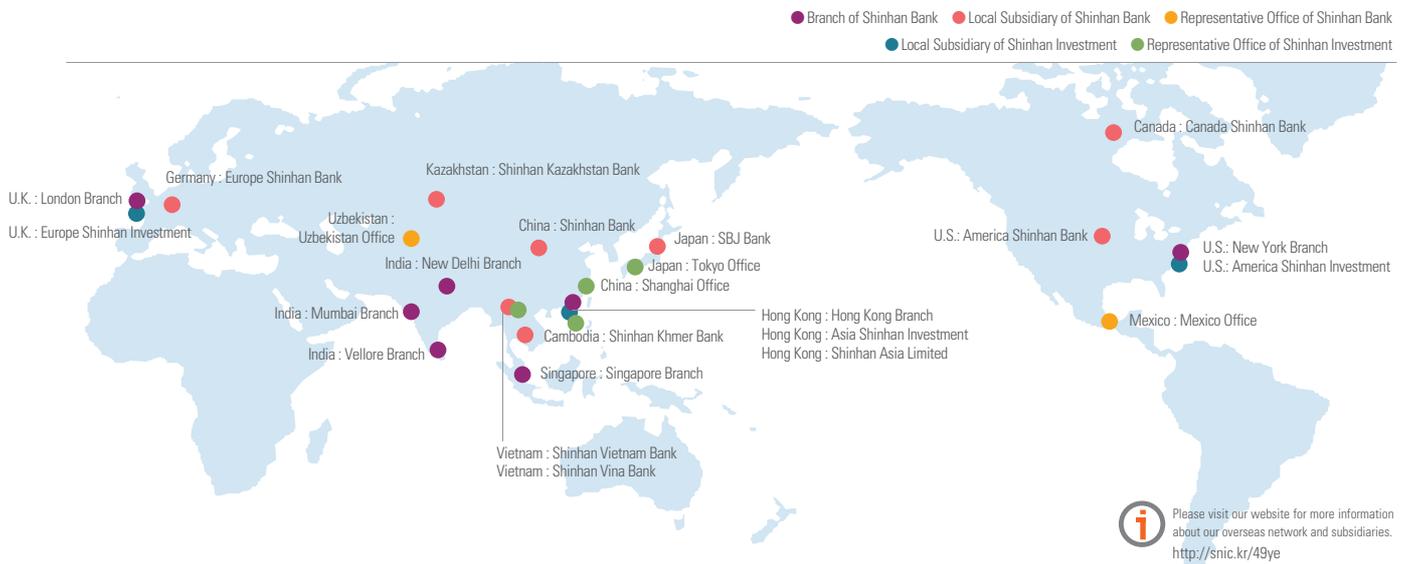
| Classification                  | Shinhan Financial Group Inc. | Shinhan Bank   | Shinhan Card   | Shinhan Investment     | Shinhan Life Insurance | Shinhan Capital | Jeju Bank        | Shinhan BNP Paribas Asset Management |
|---------------------------------|------------------------------|----------------|----------------|------------------------|------------------------|-----------------|------------------|--------------------------------------|
| Establishment                   | Sep. 2001                    | Feb. 1897      | Dec. 1985      | Aug. 2002              | Jan. 1990              | Apr. 1991       | Mar. 1969        | Aug. 1996                            |
| Headquarters                    | Jung-gu, Seoul               | Jung-gu, Seoul | Jung-gu, Seoul | Yeongdeungpo-gu, Seoul | Jung-gu, Seoul         | Jung-gu, Seoul  | Jeju-si, Jeju-do | Yeongdeungpo-gu, Seoul               |
| CEO                             | Dong Woo Han                 | Jin Won Suh    | Jae Woo Lee    | Hyu Won Lee            | Jeom Ju Kwon           | Do Heui Han     | Chang Kee Hur    | Bhang Gil Choi                       |
| No. of Employees                | 152                          | 13,945         | 3,451          | 2,066                  | 1,111                  | 129             | 432              | 171                                  |
| No. of Branches                 | 1                            | 975            | 38             | 112                    | 160                    | 6               | 39               | 1                                    |
| Capital stock (KRW in billions) | 27,574                       | 18,794         | 48,867         | 19,288                 | 10,624                 | 4,326           | 2,320            | 1,574                                |

\* Headquarters are considered a branch.

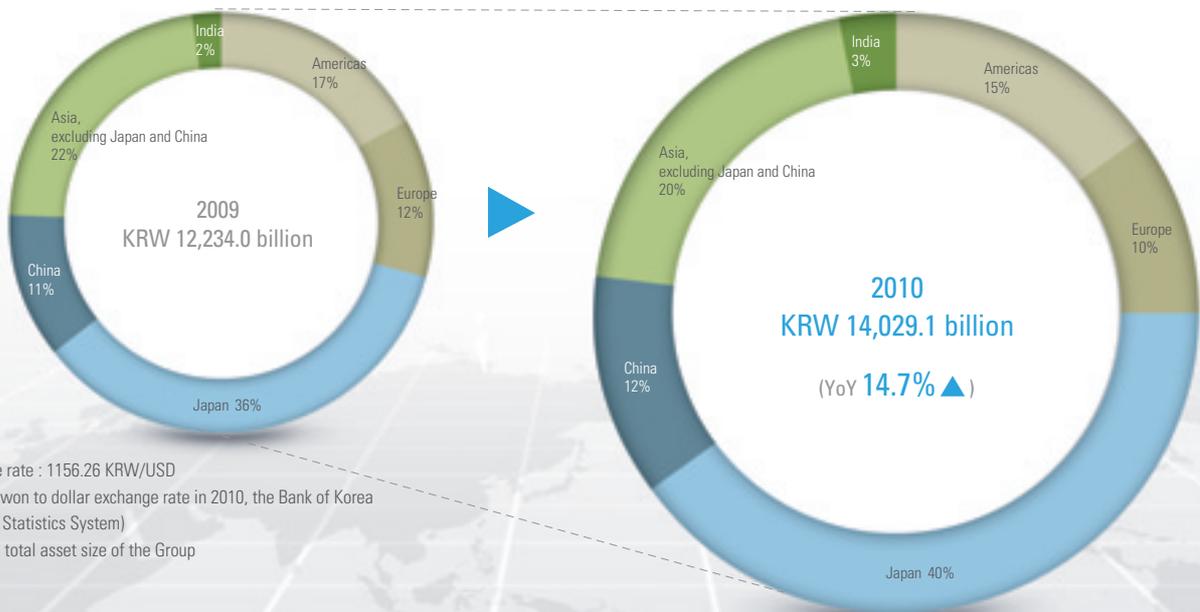
\* Capital stock includes minority interest in equity due to the adoption of Korean-International Financial Reporting Standards (K-IFRS).

### | Global Network of Shinhan Financial Group |

In tune with its vision to become a world-class financial group, SFG has aggressively expanded into global markets since 2009. At the end of 2010, Shinhan Bank has an overseas network with 59 outlets in 14 countries, including 7 branches, 10 subsidiaries, 40 sub-branches of local subsidiaries and 2 representative offices. In 2010, Shinhan Bank newly opened a branch in Vellore, India, as well as 5 sub-branches of local subsidiaries. Meanwhile, Shinhan Investment has 3 local subsidiaries in the U.S., U.K., and Hong Kong, and 2 overseas offices in Japan and China. As a leading financial group in Korea, SFG will grow into a world-class financial group by fulfilling its pledge as a corporate citizen.



### ● Market Penetration by Geography in 2009 and 2010



# Business Strategy

## | Vision & Strategy |

SFG is committed to transforming itself into a world-class financial group representing Korea. To leapfrog into No.1 financial brand in Korea by 2015, the Group will pursue a sustainable growth into the future.

To attain this mid-/long-term business goal, we have set our strategic goal in 2011 as “Building a new growth platform”, and are actively promoting following four strategies in priority: restoring trust of stakeholders, securing good growth, making future investments, and revitalizing the organization. In addition, SFG has integrated its CSR strategies into business strategies, and the first and the last strategies of the four strategies – restoring trust of stakeholders and revitalizing the organization – have been selected to reinforce the aspect of CSR management of the Group.

First, SFG places top priority on restoring and reinforcing trust of stakeholders, including customers, shareholders, business partners, employees, and local communities, by identifying and satisfying the need of each stakeholder. Additionally, SFG plans to conduct a wide variety of communication activities to increase the brand equity in the market.

Second, SFG will find and develop good growth engine. We will continue to lead the market by creating new financial values in the era of convergence between financial and non-financial sectors such as mobile application. We will also focus our capabilities on developing customer-oriented business models and products.

Third, SFG will make future investments to achieve sustainable growth. We will hire talented personnel and put every effort to cultivate our human resources.

Fourth, SFG will revitalize the organization. We will adopt a more flexible approach into management processes, and strive to improve our intangible values such as corporate culture and human resource capabilities.



Major Strategic Tasks in 2011 for the Realization of Shinhan 2.0

## CSR Execution Structure

Adopting a strategic approach to its CSR management, the Group-wide CSR strategies – in the field of economy, society, and environment - are setup by Strategic Planning Team of the holding company. Then, the strategies are executed by CSR and Culture Management Team of the holding company, as well as by CSR management team of each subsidiary. Additionally, SFG organized group-wide working level councils to share the progresses in CSR management. According to the responsibilities, SFG is operating the Green-Management working level Council, the Green-Financing Executive Council, the Social Contribution working level Council, as well as the CSR Management working level Council to discuss the overall status in CSR management.



# The Shinhan WAY

The Shinhan WAY is a value system shared across the Group, encouraging all employees to think and act confidently and passionately as “One Shinhan.” The Shinhan WAY has three components: business principles (A path for business management), core values (A path for thinking), and credo (The way for action).

## | Business Principles: A Path for Business Management |

Forming the first component of the Shinhan WAY, the Group's business principles serve as the basis for its business management decisions. There are four business management principles:

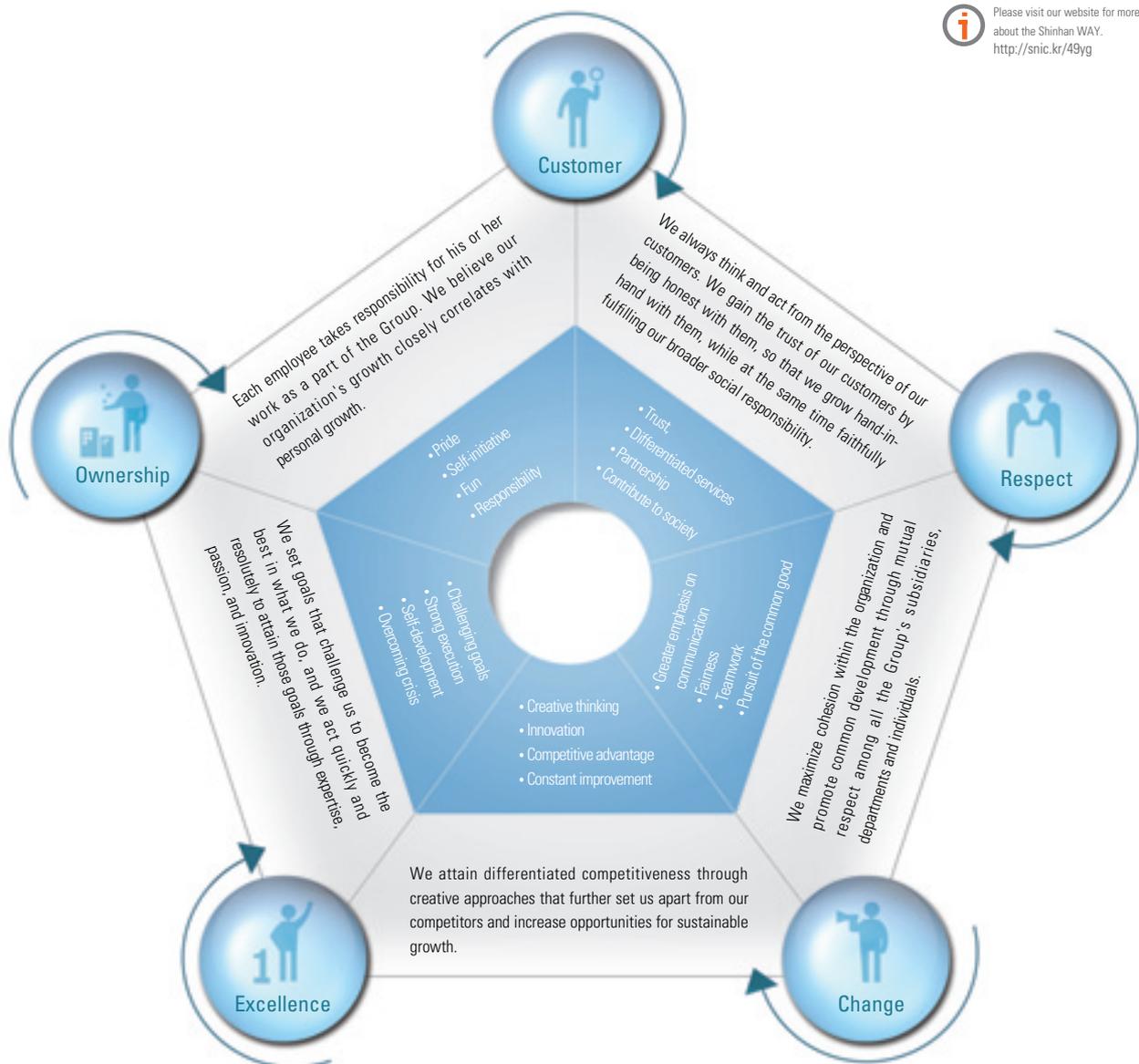
1. We place top priority on creating value for customers.
2. We practice business ethically and fulfill our social responsibilities faithfully.
3. We value and nurture talented people.
4. We generate Group synergy.

## | A Path for Thinking, The Way for Action |

Forming the second component of the Shinhan WAY, our core values (A path for thinking) provide the basic criteria that all members of our organization share and pursue in their judgments and behaviors. And credo (The way for action), the third component of the Shinhan WAY, serves to inculcate all members of our organization with the five core values.

■ The Way for Action ■ A Path for Thinking

 Please visit our website for more information about the Shinhan WAY.  
<http://snic.kr/49yg>



# Stakeholders

## | Various Stakeholders of the Group |

SFG periodically publishes surveys and newsletters as communication channels with various stakeholders. Additionally, SFG convenes regular joint labor-management conferences, incorporating the opinions of

employees into business decisions, and operates employee consultation center and internal intranet to offer employees a freer and more active platform for stating their views.



## | Materiality Evaluation and Selection of the Contents of the Report |

SFG’s materiality evaluation reviews thirty issue pools based on international standards that assess the level of sustainable management of the company, including the G3 guidelines of the GRI, the Dow Jones Sustainability Index, as well as ISO 26000. Then, we’ve measured interests of both internal and outside stakeholders regarding these issues, as well as the impacts that they may have on the company’s business and its operations, to come up with a series of key issues. Through this report, SFG discloses the selected key issues and related business strategies and activities.

### Materiality Test Process



### Communication with Stakeholders

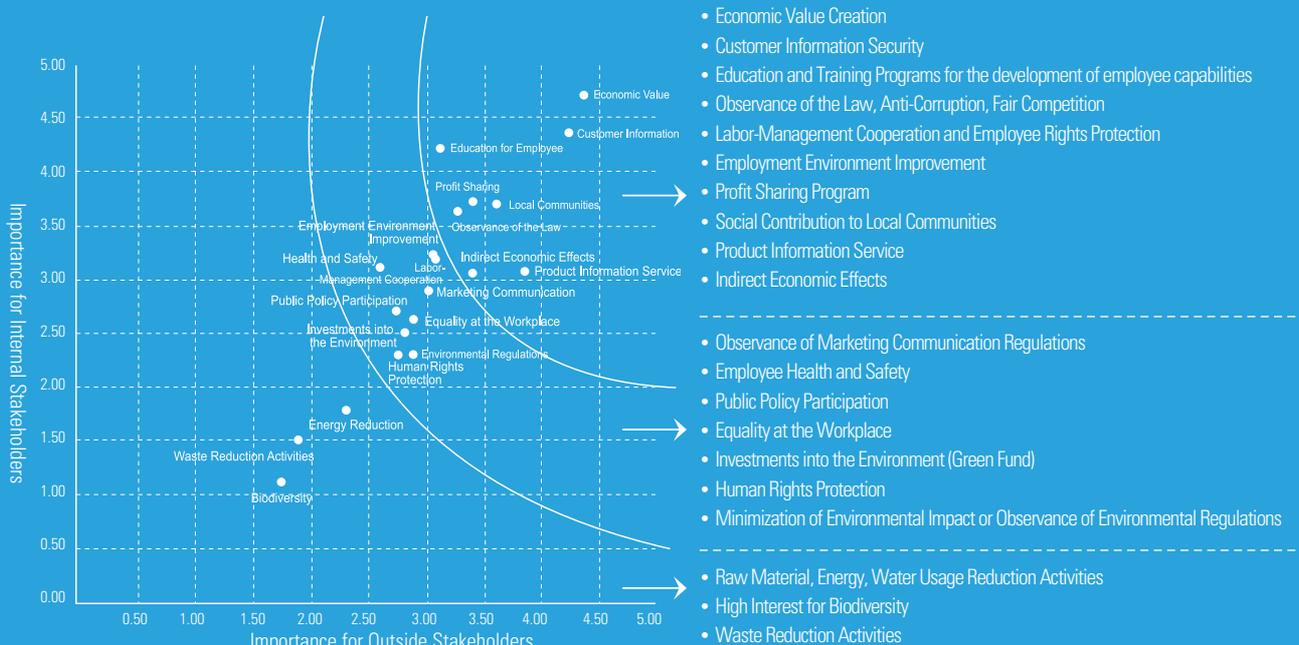
As a responsible corporate citizen, SFG interacts with various stakeholders including shareholders, customers, employees, business partners, local communities, media, NGO and the government. To ensure clear and comprehensive communication channels, SFG is actively collecting the opinions and ideas of stakeholders on the sustainable

management of the Group, while at the same time holding regular meetings with each stakeholder group to collect their feedbacks on the major current issues. Looking ahead, SFG will further develop open communication with stakeholders, and continue to focus on a stakeholder-oriented sustainable management.

#### Stakeholder Communication Channels and Issues

| Stakeholder                         | Employee  | Customer                                | Shareholder & Investor  | Local Community   | Government, Academic, Media               | Business Partner   |
|-------------------------------------|---|---|---|---|---|--|
| Communication Channel               | - Employee Survey<br>- Employee Meeting<br>- Shinhanin (magazine)<br>- Labor-Management Meeting | - CS Center<br>- CS Survey<br>- Website | - General Meeting of Shareholders<br>- IR Sessions<br>- Annual Report | - Social Contribution Activities<br>- Local Community Meeting<br>- Social Contribution Satisfaction Survey<br>- Sports Sponsorship<br>- NGO Meeting | - Press Release<br>- Academic Sponsorship | - Regular Meeting<br>- Business Partner Workshop<br>- Supports for Business Partners' CSR Management |
| Major Issues and SFG's Fulfillments | 36 page   | 28 page                                 | 14 page   | 44 page   | 49 page                                   | homepage   |

### Materiality Issues



# Governance Structure

## | Board of Directors |

Shinhan Financial Group's board of directors set the strategic direction of the entire Group, leveraging their professionalism in the fields of economy, business management, society, accounting, legal, and the government policy, thereby efficiently managing potential risks in the course of business.

In addition, the BOD chairman is selected among outside directors every year to maintain transparent corporate governance. The Board of Directors is chaired by a non-executive and independent Chairman of the Board. The current Chairman of the Board is Hoon Namkoong who is a non-executive and independent director. In the event that the BOD chairman cannot be selected among outside directors, the Group elects a leading outside director to represent the other outside directors. For resolutions of the BOD to become binding, a majority of directors must be present at the vote, and a majority of those present must vote in favor of the resolution. Any director who has special interest in passage of the resolution is prohibited from voting.

In 2010, the BOD held a total of forty two meetings, including the BOD meetings and committee meetings, to discuss key management issues, including: procedures to amend the articles of incorporation; procedures for amendment of BOD regulations; establishment and approval of Group business plans, including those of each subsidiary; procedures for appointment of CEO, executives, and compliance officers.

In addition, decisions on major group-wide management issues are reached with the participation of the BOD of each subsidiary. The Group BOD holds regular meetings and additional extraordinary meetings.

## Compensation

The compensation for outside and inside directors is paid within the limit approved by the general shareholders' meeting. As such, the Group's general shareholders' meeting approved KRW 60 billion for the compensation of directors in 2011. The amount of compensation is determined through the deliberation and decision of the BOD Compensation Committee. The compensation for the members of the management is comprised of salary and bonus, and the BOD Compensation Committee deliberates and decides the amount of salary, as well as setting guidelines for the payment of long and short-term bonuses. The short-term bonus for the CEO is evaluated using quantitative criteria, while the bonus for the executives are assessed based on the performance of the company and qualitative criteria. Meanwhile, the Group's long-term bonus is awarded every three years, and the amount is assessed by evaluating the company's performance in the last four years, with option to adjust the amounts of compensation by reflecting long-term risks.

### ● Shinhan Financial Group's major BOD agendas in FY2010



Please visit our website for more information about major activities of the BOD.  
<http://snic.kr/49yi>

| No. of BOD | Convening Date | Agenda   | Attendance rate(%) |
|------------|----------------|--|--------------------|
| 1          | 2010.02.04     | Appointment of Compliance Officer<br>- Mr. Yoi Yong Cho  | 93.3               |
| 2          | 2010.02.26     | Convocation of the FY09 General Shareholders' Meeting<br>- General Shareholders' Meeting to be held on March 24, 2010  | 86.7               |
| 4          | 2010.05.27     | Enactment and Amendment of Regulations Concerning Long-term Compensation   | 100.0              |
| 5          | 2010.08.25     | Appointment of Non-Director Executives<br>- Mr. Sung-Ho Wi was reappoint as Deputy President and Mr. Jung Kee Min was appointed as Executive Deputy President<br>Corporate Bond Issuance<br>- Approval of Issuance of KRW 900 billion of corporate bonds to provide financial support to Group and renew outstanding corporate bonds | 100.0              |
| 8          | 2010.12.16     | 2011 Business Plan and Budget  | 100.0              |

## | Board of Directors |

Shinhan Financial Group's board of directors consists of eleven board members, among whom, nine are outside directors with professional backgrounds in accounting, finance, business management, education, as well as experiences in national organizations.

The board of directors participates in the decision-making process of the Group's management issues, with the authority to ask the management to report on the business progresses, and to provide related materials, as well as the authority to request for the service of outside specialist, including legal, accounting, and management consultations, as deemed necessary.

| Position               | Name   | BOD Responsibility   |
|------------------------|--|--|
| Executive Director     | Dong Woo Han   | <ul style="list-style-type: none"> <li>As stated in the articles of incorporation and the laws applying to the entity, the BOD must carry out its duties faithfully for the company.</li> <li>The BOD must report to the audit committee all critical risks that may have a significant negative impact on the company.</li> <li>The BOD members shall never divulge classified information of the company nor use the information for their self-interest or for the benefit of third parties, during their terms of service and after retirement.</li> </ul> |
| Non Executive Director | Jin Won Suh  |  |
| Outside Director       | Tae Eun Kwon, Kee Young Kim, Seok Won Kim, Hoon Namkoong, Jae kun Yoo, Ke Sop Yun, Jung Il Lee, Philippe Aguinier, Haruki Hirakawa |  |

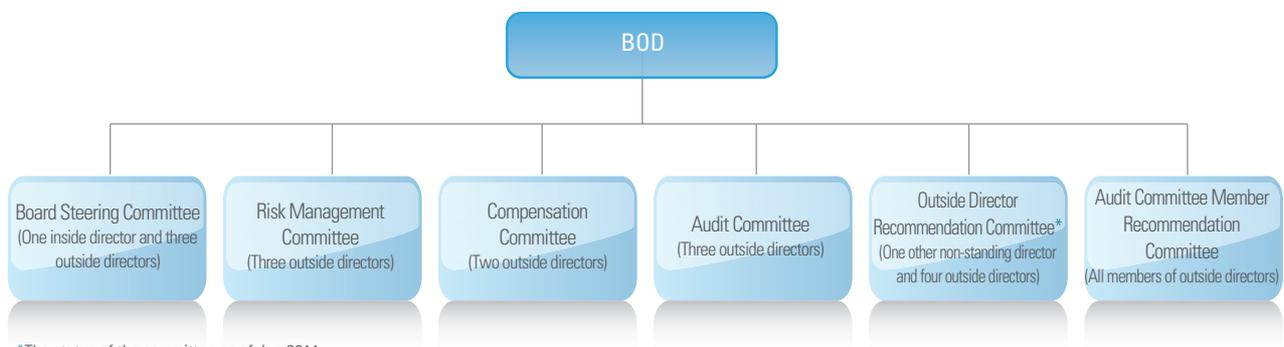
\* The status of the committee as of Jun 2011

## | Committees |

Currently, the BOD operates six committees: the Board Steering Committee, the Audit Committee, the Outside Director Recommendation Committee, the Risk Management Committee, the Compensation Committee, and the Audit Committee Member Recommendation Committee. Through these committees, the BOD ensures that its activities remain efficient and professional.

The Risk Management Committee formulates basic risk management guidelines in line with management strategies, and also determines appropriate risk tolerance limits for the Group and its subsidiaries, including the limits of capital investments or losses taken. The Compensation Committee is responsible for approving evaluation and compensation programs for the top managements of the entire group, as well as setting compensation levels. The Outside Director Recommendation Committee is in charge of recommending outside director candidates, as well as all other matters regarding such recommendations. The Audit Committee Member Recommendation Committee deliberates and makes all relevant decision on recommending candidates for the Audit Committee.

The Board Steering Committee deliberates on and determines the structure of corporate governance, the appointment and dismissal of top executives, excluding board members, methods of evaluating the BOD, its committees and outside directors, and resolves other BOD operational matters. The Audit Committee maintains objectivity and independence from the BOD and the management, and audits the performance of the directors by overseeing the Group's accounting and deliberating on other matters.



\*The status of the committee as of Jun 2011

# Risk Management

## | Integrated Risk Management |

### Key Risks Facing the Shinhan Financial Group

The risks facing the Group are scientifically and systematically recognized, measured, analyzed, controlled and reported in keeping with the Group's risk management philosophy and principles. A systematic approach to the risk management is one of the key survival strategies for a financial company. SFG is recognized nationwide as a leader in risk management, by efficiently controlling and managing any potential threats in the course of the business. All risks facing the Group are comprehensively identified, including social and environmental, and then are systematically responded to avoid economic and non-economic impacts.

 Please visit our website and refer to public disclosures for more information about the risks facing Shinhan Financial Group. <http://snic.kr/49ye>

**Market Risk:** Threat of potential loss on a trading position caused by market fluctuations in interest rates, foreign exchange rates  
**Liquidity Risk:** Possibility of incurring losses due to a temporary shortage in fund, which may result from an unexpected capital outlay

**Operational Risk:** Exposure to losses arising from inappropriate systems, failure of control, and risks from errors  
**Regulatory Risk:** The risk associated with the changes in financial regulations and the laws applying to the entity



### Systematic & Integrated Risk Management of Shinhan Financial Group

Basic policy and strategy directions for SFG's risk management are formed by the Group Risk Management Committee under the BOD. The Group Chief Risk Officer(Group CRO) assists the Committee and discusses policies and strategies for the Group and its subsidiaries through the Group Risk Management Council, comprised of the executive officers in charge of risk management for each subsidiary. The subsidiaries in turn each formulate their own detailed risk policies and strategies in line with those of the Group through their risk-related committees. SFG's Group Risk Management Team assists the Group CRO in managing and controlling general risks. To keep risks at acceptable levels, SFG has adopted a hierarchical system of criteria for determining risk tolerance. The Group Risk Management Committee determines appropriate risk tolerance limits for the entire Group as well as subsidiaries. Subsidiaries also set detailed standards for risk tolerance according to the types of risk, internal division, desk and product.



### Group Risk Management Council

The Council deliberates on the details of the risk issues faced by the Group and its subsidiaries in order to maintain consistency in the Group's policies and strategies. Headed by the Group CRO, the committee consists of the chief manager of the Group Risk Management Team and risk officers from each subsidiary. The Council includes a working committee to ensure smooth operation and offer previews of meeting agenda.



# Ethical Management

## | Transparent Management |

SFG is committed to transparent management and views transparency as part of its corporate social responsibility. The principles of ethical management comprise a major part of our management philosophy. As such, SFG has established and implemented code of conducts and additional ethical standards to which all of our employees must comply. At the same time, to fulfill our responsibility as a corporate citizen, each of our subsidiaries has implemented programs for ethical management.

Ethical conduct is strictly enforced by compliance officers in the holding company and each subsidiary. In February 2010, a compliance officer was appointed to ensure the principles of ethical and transparent management. As the CEO reiterated in his 2010 New Year's Address, SFG remains deeply committed to reinforcing its ethical management and adhering to strict ethical practices, thus helping to ensure sustainable growth.

### ● Results of Ethical Education

(Unit: Person, Hours)

| Subsidiary                           | Classification  | 2008   | 2009   | 2010   |
|--------------------------------------|-----------------|--------|--------|--------|
| Shinhan Bank                         | No. of Attendee | 12,042 | 11,822 | 14,100 |
|                                      | Hours           | 44     | 21     | 39     |
| Shinhan Card                         | No. of Attendee | 6,101  | 3,636  | 4,401  |
|                                      | Hours           | 16     | 19     | 12     |
| Shinhan Investment                   | No. of Attendee | 1,595  | 1,163  | 1,842  |
|                                      | Hours           | 3      | 5.5    | 5      |
| Shinhan Life Insurance               | No. of Attendee | 1,025  | 1,096  | 1,127  |
|                                      | Hours           | 1      | 1      | 3      |
| Shinhan Capital                      | No. of Attendee | 111    | 117    | 120    |
|                                      | Hours           | 1      | 1      | 1      |
| Jeju Bank                            | No. of Attendee | 449    | 415    | 420    |
|                                      | Hours           | 4      | 5      | 5      |
| Shinhan BNP Paribas Asset Management | No. of Attendee | -      | 90     | 170    |
|                                      | Hours           | -      | 2      | 1      |

\* Including cyber education and group education

\* The decline of attendees in 2009 for Shinhan Bank resulted from the change of method from compulsory education in 2008 to self-initiated education in 2009. The decrease of education time was mainly attributable to the aggregate of group education and cyber education.

\* Shinhan Card established call centers and DM centers to efficiently operate the businesses and outsourcing was also expanded, which resulted in the decline of attendees in 2009.

\* The establishment of money laundering protection system was urgent for Shinhan Life Insurance in 2009, which was mainly attributable to the decline of attendees in 2009.

\* There are no data in 2007 and 2008 for Shinhan BNP Paribas Asset Management because it started the business in 2009.

\* The number of attendees is either an average of attendees if the number of attendees by program is close to another, or equals the number of attendees from the program with the highest number of attendees.

\* Ethical education time is the sum of the education time of each program.

|   |  |
|---|--|
| The Code of Ethics                                | SFG has enacted and is practicing a "code of ethics for financial staff." Furthermore, each subsidiary has adopted its own codes and guidelines for ethics, conduct and business practice, especially against bribery, corruption and information leakage.                                 |
| Compliance with Financial Regulations             | SFG operates Internal Transaction Guidelines and a Compliance Program (CP). To promote ethical practices, the Group also monitors daily operations for violations and holds education programs to inform all employees of the laws and regulations.  |
| Prohibition of Political Contribution and Support | SFG prohibits contributions to and support of political parties, politicians or related institutions, particularly illegal political donations for political campaigns. There were no known incidents of political contribution or support at the Group level during the reporting period. |
| Ethical Management Education                      | Once a year, all employees attend mandated training sessions, including strategic management meetings, position-oriented training sessions, and cyber training courses. SFG also holds training programs on ethical management during on-the-job training.                                 |
| Pledge of Ethical Practice                        | SFG encourages all employees to sign the pledge of ethical practice. Every year, each subsidiary selects major compliance requirements from ethical management guidelines for inclusion in the pledge.   |

- 16 Sustainable Economic Value Creation and Distribution
- 18 Maximization of Indirect Economic Effects through Innovative and Creative Management



# Economy

Disclosure of  
Management Approach

## Management Principle

Despite the ongoing uncertainty surrounding the market, SFG came out strong and achieved the highest profitability ahead of other financial institutions in Korea through preemptive risk management. In addition, the Group is laying a firm foundation for sustainable growth by carrying out process innovation programs and providing support for SMEs, as well as introducing a variety of CS products.

## 2010 Progress

- ROA and ROE in 2010 improved to pre-financial crisis level
- Total Economic value: KRW 6.787
- Substandard & below ratio: 1.48%
- Minimization of overhang costs through process innovation programs(BPR Renovation 2.0, Bubble Zero campaign, etc.)
- Supported KRW 56.4 billion for the job creation of SMEs and won the Grand Prize for "the 14th Fighting Small Business Support Loan Awards" by Maeil Economy Newspaper

## Strategic Direction

- Establish a stable financial structure via proactively managing toxic assets and risks, as well as offering differential services
- Maintain stable credit rating leveraging sound financial conditions and firm sales network
- Lay a foundation for innovation activities through process improvement
- Achieve stable profitability and uphold corporate social responsibility by introducing strategic CS products

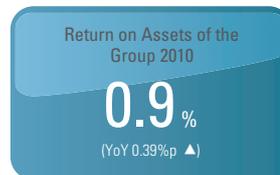
# Sustainable Economic Value Creation and Distribution

## | Changes in Economic Conditions of Shinhan Financial Group |

The difficult economic conditions from the previous year continued into 2010, with rising concerns over southern Europe's fiscal crisis, especially in Greece and Portugal, and delayed economic recovery in the U.S. To cope with economic downturns, the governments around the world extended low interest rates and quantitative easing through international cooperation. Despite the challenging economic conditions due to rises in insolvent enterprises and real-estate project financing issues, Korea managed to record a GDP growth of 6.1% in 2010, backed by upswing in exports and higher production and investments made by manufacturing industry. In the midst of the changes in business environment at home and abroad, SFG continued its efforts to cement the foundation of sustainable growth by efficiently responding to market conditions through activities such as – the improvement of corporate governance to regain customer trusts, the reinforcement of asset quality and risk management for substantial growth, and the development of new profit model in order to create new profit source.

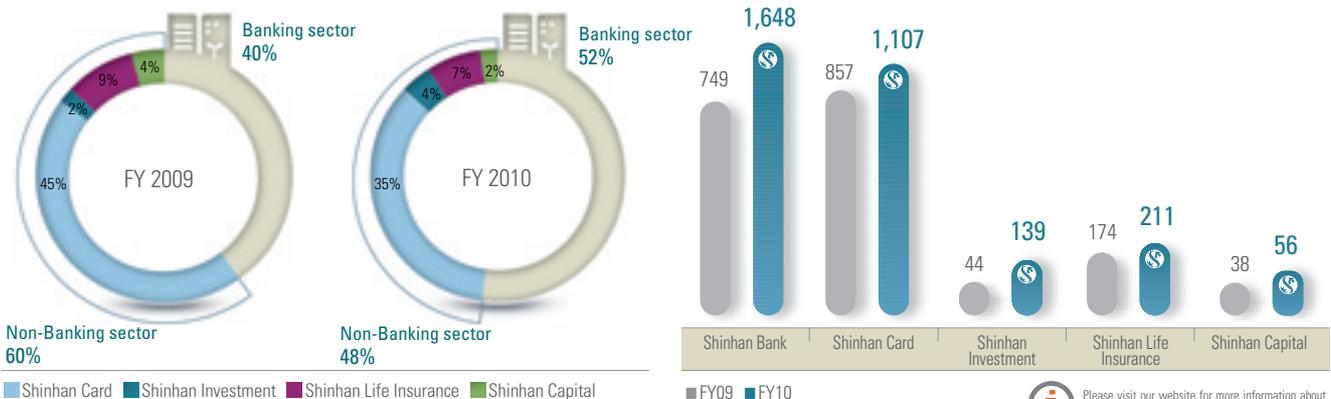
## | Economic Value Creation and Distribution by the Group |

SFG created KRW 6.787 trillion of economic value from major business operations in 2010 thanks to higher interest margin from rising interest rates and improved asset quality. The created value was distributed among a variety of stakeholders including shareholders, employees, business partners, the government, and local communities. Never one to be complacent, SFG will make every effort to maintain a stable financial structure by streamlining its business portfolio and outstanding customer-oriented financial services.



### ● Net Income by main Subsidiary

(Unit: KRW in billions)



Please visit our website for more information about SFG's financial performance and soundness.  
<http://snic.kr/49ye>



### | Excellent Credit Rating through Preemptive Risk Management |

Credit ratings of the Group's major subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance and Shinhan Capital, are evaluated by domestic and global credit rating agencies. By leveraging on its preemptive risk management, the Group's substandard & below ratio recorded 1.48% in 2010, an improvement from 1.35% in 2009.

In terms of capital adequacy, the holding company's consolidated equity ratio stood at 12.77%, a 0.17%p improvement from the previous year. All five subsidiaries' credit ratings have remained stable according to their sound financial conditions and sales network.

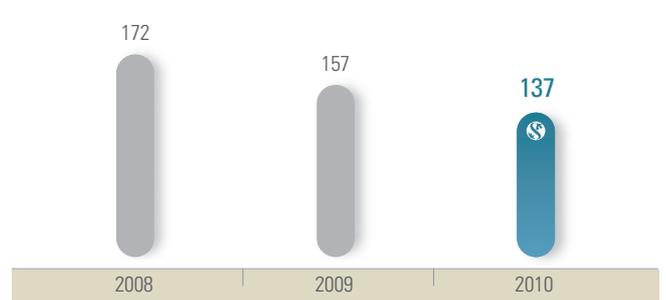
● Substandard & Below Ratio of the Group

(Unit: %)



● NPL Coverage Ratio of the Group

(Unit: %)



● Overseas Credit Ratings in 2010

#### Moody's Corporation

**A1** Long-term, Shinhan Bank

**P-1** Short-term, Shinhan Bank

#### Standard & Poor's

**A-** Long-term, Shinhan Bank

**A-2** Short-term, Shinhan Bank, Shinhan Card

**BBB+** Long-term, Shinhan Card

#### Fitch Ratings

**A** Long-term, Shinhan Bank

**F1** Short-term, Shinhan Bank

**A-** Long-term, Shinhan Card

**F2** Short-term, Shinhan Card

# Maximization of Indirect Economic Effects through Innovative and Creative Management

## | Process Innovation Campaign to Enhance Business Performance |

In an effort to minimize overhang costs caused by unnecessary overlaps, SFG is pursuing a full range of process innovation campaigns for each subsidiary, such as holding intensive time limited to each employee's own duty, simplifying paperwork, and reducing numbers or duration of meetings. In addition, the Group has significantly reduced the product development time, as well as the time required for settlement of accounts to the lowest level in the industry. These efforts are not only improving the Group's cost structure, but also enhancing customer satisfaction by delivering better products and services more quickly .

|                        |                                  |  |
|------------------------|----------------------------------|--|
| Shinhan Bank           | 'BPR Renovation 2.0!'            | Carries out four core tasks for BPR project, including marketing supports, new businesses, existing process system improvement, and streamlining of BPR Center operation |
| Shinhan Card           | 'Bubble Zero Campaign'           | Participation by every employee to minimize overhang costs caused by unnecessary overlaps; Reduces costs by KRW 2.5 billion on annual basis                              |
|                        | "Six Sigma Campaign"             | Applies DMAIC procedures analysis to systematically improve processes of each division; Improves the Group's profitability by KRW 66.6 billion                           |
| Shinhan Life Insurance | "NGS(New Generation Start)-2008" | Reduces product development time and the time required for settlement of accounts to the lowest level in the industry through adaptation of new insurance system         |

## | Sharing Diverse Knowledge of Employees : Knowledge Management |

SFG operates a wide variety of knowledge management programs, encouraging employees to share their knowledge and experience with colleagues to improve overall operational capability of the Group. To this end, employees are exchanging their best practice (BP) experiences and accumulated job know-how, which are systematically entered into the Knowledge Management database, aiming ultimately to provide better products and services to customers.

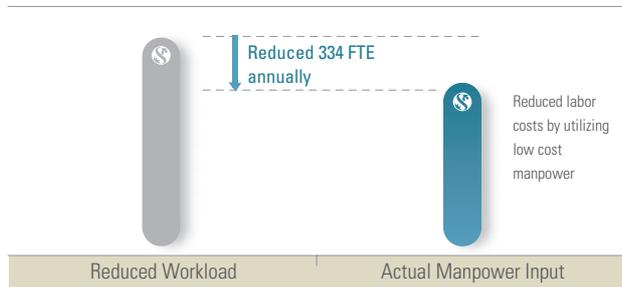
|                        |  |   |
|------------------------|--|---|
| Shinhan Bank           | Enterprise Knowledge Portal                  | Total no. of suggestion in 2010 : 9,830<br>Suggestion acceptance rate : 11.1%   |
| Shinhan Card           | "Idea Bank"                                  | Total no. of suggestion in 2010 : 21,189<br>No. of suggestion acceptance : 5,083  |
| Shinhan Investment     | "Eureka"                                     | Total no. of suggestion in 2010 : 323<br>No. of suggestion acceptance : 132   |
| Shinhan Life Insurance | "Research & Suggestion",<br>"Knowledge Bank" | (Research & Suggestion) Total no. of suggestion in 2010 : 1,168<br>(Knowledge Bank) Total no. of suggestion in 2010 : 103 / Viewed by 12,166 visitors |

### BPR Performance of Shinhan Bank in 2010

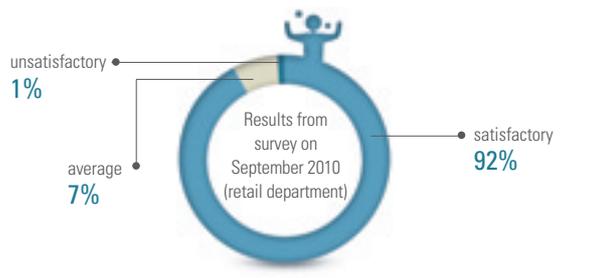
#### BPR Performance Analysis

Results from periodic survey shows that through the BPR project, SFG reduced sales personnel FTE by 334, recorded employee satisfaction rate of 95%, reduced working times by 2 hours and 8 minutes, and increased marketing opportunity for the staffs at branches

#### 1.Reduction of Sales Personnel FTE



#### 2.Improvement of Employee Satisfaction



#### 3.Reduction of Working Time



#### 4.Customer Value Creation

- Increased marketing opportunities  
Increased marketing opportunities with customers by reducing back office works
- Customer Value Creation  
Improved customer convenience through process integration

\*FTE(Full Time Equivalent) : The number of total hours worked divided by the maximum number of compensable hours in a work year as defined by law

### | Pursuing Sustainable Growth by Entering a New Market |

To fulfill its pledge of sustainable growth as a financial institution, SFG is making inroads into public works and new businesses.

SFG is nurturing financial experts for SMEs through the Group's job creation business, while at the same time focusing on solving the problem of youth unemployment of the country. Currently, SFG is conducting the "Job S.O.S II" project with total funds of KRW 56.4 billion. To this end, the Group has developed a "Job S.O.S Hope Business Bankbook" and a "Job S.O.S Hope Installment Savings", and is providing KRW 0.3 million for new employees of over one thousand SMEs on monthly basis for the next three years. In 2010, the Group has created

jobs for 2,200 youths, and is currently carrying out a variety of activities, including job fairs, to increase the number of youth employment to 5,000.

Furthermore, Shinhan Life Insurance introduced a wide variety of new products, including the industry's first insurance programs that cover bicycling accidents and environmental diseases, as well as products that expand insurance coverage for children to elderly, and providing discounts for families with disabled members and households with many children. Additionally, the Group's subsidiaries are actively launching new businesses to secure new growth engines in the future.

|                        |                                      |   |
|------------------------|--------------------------------------|---|
| Shinhan Bank           | Shinhan Kimdaeri Installment Savings | An installment saving plan for young office workers   |
|                        | Shinhan Myshop Franchise Bankbook    | A specialized financial product for the owners of small and new franchises that provides optional services and fee reduction  |
| Shinhan Card           | Life Love Card                       | Provides discounts for apartment management fees, telephone charges, money spent on shopping, and medical expenses  |
|                        | Shinhan S-more Card                  | Awards interest points on top of the points earned  |
| Shinhan Investment     | CMA Automated Secured Loan Service   | If the total outstanding amounts, including credit card payments and utility bills, exceed the balance in the account on a billing day, then the bank automatically lends money to clients in security for assets in the accounts |
| Shinhan Life Insurance | Shinhan Lady Pension Insurance       | A specialized and practical pension insurance plan for women, with adjustment of pension disbursements depending on the life cycle and economic circumstance of subscribers   |

### | Leading Job Creation for Sustainable Growth |

As a leading financial institution in Korea that pursues the benefits of both the customers and society, SFG seeks to resolve the youth unemployment and labor shortage issues in Korea by implementing unique job-sharing and pain-sharing campaigns.

Through these campaigns, the Group plans to hire 1,301 new employees in 2011, while also hiring 201 part-time employees in order to create jobs for women including housewives.



#### Job Creation to Support SMEs and Resolve Youth Unemployment

1. Job S.O.S. 4U Project (agreement with "Korea Federation of Small and Medium Business" and the "Ministry of Employment and Labor")  
- Funds : KRW 37.0 billion (voluntary return of payroll by employees)

|              | Employment Support Program for SMEs | Nurturing Accounting Professionals for Socially Responsible Companies |
|--------------|-------------------------------------|---|
| Job Creation | 2,980 persons in 1,178 companies    | 191 persons in 148 companies  |
| Funding      | KRW 27.8 billion                    | KRW 0.94 billion  |

1. Job S.O.S II Project (agreement with "Korea Federation of Small and Medium Business")  
- Funds : KRW 56.4 billion (shared among subsidiaries)

|                              |                                  |
|------------------------------|----------------------------------|
| Job Creation (2010~ Present) | 3,019 persons in 1,074 companies |
|------------------------------|----------------------------------|



|    |                                  |
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# Environment

## Disclosure of Management Approach

### Management Principle

SFG has set three roles for the Group's green management practices: greenhouse gas reduction, environmental monitoring, and promotion of green management practices. To this end, SFG is promoting six strategic tasks, such as achieving carbon neutrality. In addition, to upgrade the Group's green management to the next level, SFG has established and is operating the "Green Management Executive Council" and has set the "Integrated Green Management System" as its key strategic task.

### 2010 Progress

- Establishment of "Green Management Executive Council"
- Establishment of "Integrated Green Management System": Greenhouse Gas Inventory
- Greenhouse gas reduction through energy saving
- Preferential treatment in credit review for eco-friendly businesses

### Strategic Direction

- Extending activities of "Green Management Executive Council"
- Stabilization and expansion of greenhouse gas inventory
- Proactive greenhouse gas reduction campaign, securing carbon neutrality to offset carbon emission, carbon emission-rights trading, CDM business
- Expansion of Environment-Friendly Green Financing



# Preparation for Green Management

## | Green Management |

SFG has set three roles for the Group’s green management practices: (1) greenhouse gas reduction, (2) environmental monitoring, and (3) promotion of green management practices. To this end, SFG is promoting six strategic tasks, such as achieving carbon neutrality. Each subsidiary of the Group is vigorously promoting six strategic tasks, and focuses on reducing greenhouse gas emissions and developing eco-friendly products.

Meanwhile, SFG focuses on promoting : (1) reducing greenhouse gas emission, (4) developing eco-friendly products, and (5) preferential treatment for eco-friendly businesses. In particular, SFG in 2010 has introduced a (2) group-wide management system to control greenhouse gas emissions and (3) achieved carbon neutrality through a long-term carbon offsetting process. For the mid-to long-term task, SFG plans to test the feasibility of (6) carbon emission-rights trading and CDM\* business, and launch these businesses.

\* The Clean Development Mechanism(CDM), defined in the Kyoto Protocol, requires 38 industrialized countries to reduce greenhouse gas emissions, and allows industrialized nations that contribute to renewable-energy projects in developing countries to adjust their own carbon-emission reduction commitments by using credits earned from those projects in the carbon-trade market.

### ● SFG 's Green Management Strategy and Six Strategic Tasks

| SFG Role                                | Strategy   | Strategic Task   |
|---|--|--|
| Greenhouse Gas Reduction                | Minimization of environmental impact from business operation | ① Reducing greenhouse gas emissions through energy conservation                  |
|   |  | ② Introducing a group-wide management system to control greenhouse gas emissions |
|   |  | ③ Achieving carbon neutrality through a long-term carbon offsetting process      |
| Environmental Monitoring                | Monetary support for low carbon, green growth                | ④ Developing tax-exempt green deposit/loan products                              |
| Promotion of Green Management Practices | Contribution to the reorganization of green industry         | ⑤ Preferential treatment in credit review for eco-friendly businesses            |
|   |  | ⑥ Carbon emission-rights trading and CDM business                                |

Currently, SFG is focusing on a group-wide green management practices that are relatively easy to manage, such as reducing greenhouse gas emission and developing green eco-friendly products

In addition, SFG became the first financial group in Korea to establish an “Integrated Green Management System”, and was awarded an international certification for greenhouse gas inventory, from Det Norske Veritas (DNV), the world’s first green management evaluation agency certified by the UN.

SFG is actively disclosing the results of greenhouse gas emissions, as well as the Group’s preparation for climate changes, through various mediums including the Dow Jones Sustainability Index, the Carbon Disclosure Project, and the Corporate Social Responsibility Report.



### | Efforts for Green Management |

SFG operates the “Green Management Executive Council” and the “Integrated Green Management System” in order to efficiently manage the Group’s six strategic tasks, as well as to establish a foundation of the Group’s green management. 1) To systematically ensure the realization of green management, SFG is operating the “Green Management Executive Council”, with participation from major affiliated companies. 2) SFG established the “Integrated Green Management System” to measure and control the greenhouse gas emissions of the entire Group, which were previously managed by each affiliates.

#### Green Management Executive Council

To systematically and efficiently ensure the realization of green management, SFG has organized the “Green Management Executive Council”. The council consists of the members in charge of green management from each subsidiary, as well as from the Shinhan FSB Research Institute.

The “Green Management Executive Council” will establish group-wide green management strategies and tasks, develop opportunities for synergy inside the Group, carry out domestic and overseas case studies, and exchange information. Additionally, the council shares the green management know-how of Shinhan Bank with each subsidiary and promotes cooperation to upgrade the group-wide green management to the next level, and to jointly respond to the Carbon Disclosure Project (CDP).

Going forward, SFG will systematically and efficiently operate the “Green Management Executive Council” to develop into a leading player in green management.

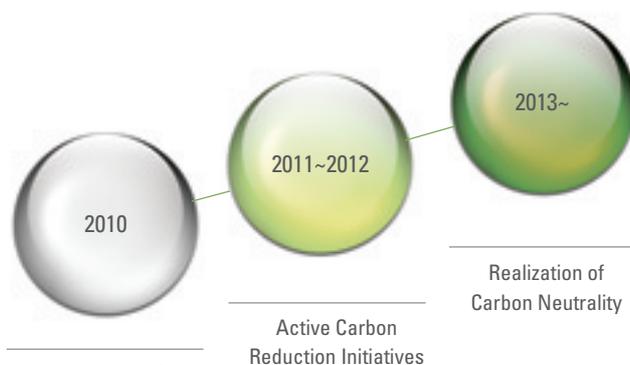


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#### Integrated Green Management System

In line with the efforts for green management, SFG established the integrated green management system, the first of its kind among the financial institutions in Korea. The system measures and controls the greenhouse gas emissions from over 1,300 buildings of the Group and its subsidiaries, including head offices, IT centers, branches, and training centers. Besides measuring greenhouse gas emission, the system is carrying out a wide variety of activities, including green building, energy efficiency, green IT, new and renewable energy investment, to attain the first “Carbon Neutrality” among financial institutions in Korea. In addition, SFG is providing support for each subsidiary on their new and renewable energy and green SOC businesses, as well as developing environment-friendly financial products-green deposits, green installment savings, green funds, and green insurances-to enhance green management for the entire Group.

Targeting the realization of “Carbon Neutrality” in the long run, SFG is proactively managing and reducing greenhouse gas emissions.



#### Implementation of Green Management Infrastructure

- Establishment of Greenhouse Gas Inventory System

# Green Management Practice

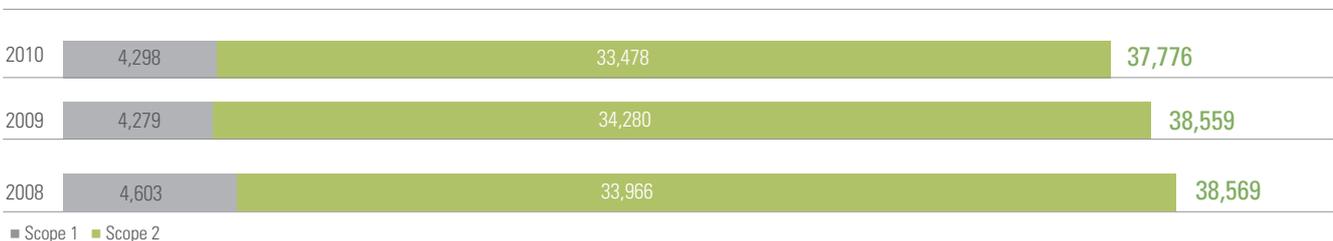
## | Establishment of Inventory System |

To achieve carbon neutrality for the long-term, SFG has established a greenhouse gas inventory system<sup>1)</sup> to systematically manage and reduce greenhouse gas emissions of the whole Group(November 2010). The organizational scope of inventory system encompasses six subsidiaries: Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Capital, and Shinhan BNP Paribas Asset Management. Meanwhile, the operational scope of inventory system measures direct greenhouse gas emissions included in the organizational scope(Scope 1), and the greenhouse gas emissions from purchased electricity and steam uses(Scope 2). The establishment of greenhouse gas inventory system not only lays a foundation for carbon neutrality in a long-term, but also saves energy costs in a short-term by identifying inefficient businesses. In addition, the system boots the public image of the Group as a concerned corporate citizen by disclosing objective information regarding climate change.

As a result of the establishment of inventory system, SFG in November 2010 became the first financial group in Korea to be awarded an international certification for greenhouse gas inventory, from Det Norske Veritas(DNV), the internationally certified agency for green management evaluation. Thanks to the establishment of inventory system and efforts to reduce greenhouse gas, SFG's greenhouse gas emissions steadily declined since 2008. In addition, by participating in the carbon disclosure project(CDP), SFG is disclosing information regarding the greenhouse gas emissions of the Group, as well as the status and impact of climate change. In particular, SFG's efforts to respond to climate change were recognized by the Korean Committee of Carbon Disclosure Project(CDP) in 2010, winning awards in the fields of financial leadership and for the improvement over the previous year.

## ● Greenhouse Gas Emission

(Unit: tCO2e)



\* The scope of data: Includes six major subsidiaries, which are Shinhan Bank(head office, Ilsan IT center), Shinhan Card(head office), Shinhan Investment(head office and annex), Shinhan Life Insurance(head office), Shinhan Capital(head office), and Shinhan BNP Paribas Asset Management(head office)

\*\* 2008 and 2009 data are verified by DNV. For 2010, the emission coefficients, formulas, and operational scopes of the Greenhouse gas inventory report(2007 to 2009), verified by DNV, have been applied to assess the data.

\*\*\* Due to high unreliability, 2010 data for buildings of each subsidiary and Shinhan Bank branches, with 216 branches in total, have not been collected. As such, the scope of data in 2008, 2009 and 2010 are limited to the head offices of each subsidiary.

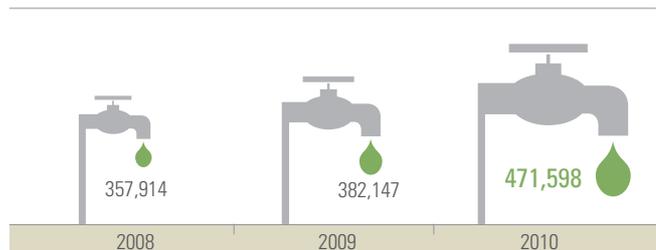
Note 1) The greenhouse gas inventory system is a comprehensive greenhouse gas management system that collects, records, calculates, and manages the data on six-type of greenhouse gases – CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub> – that are defined in the Kyoto Protocol. The dictionary definition of "Inventory" is a catalog or a list of assets, but in the green industry, the word is generally used for the "reporting of greenhouse gas emission list".

## | Reducing Water Usage |

In 2010, SFG's water use amounted to 471,598 m<sup>3</sup>, including the water use of Shinhan Investment, Shinhan Capital, Jeju Bank and Shinhan Life Insurance. By collecting water use data, the Group is practicing water use efficiency. Meanwhile, the Group's annual water use is increasing due to the expansion of the scope of data. Going forward, SFG will continuously expand the scope of data for water use and pursue water use saving campaigns. In addition, effluents from the Group and each subsidiary go through a sewage treatment process to minimize water pollution.

## ● Water Usage

(Unit: m<sup>3</sup>)



\* The scope of data: Shinhan Bank(head office, Gangnam annex, Gwang-gyo building), Shinhan Investment(head office, annex, and branches in Gumi, Yecheon and Ulsan), Shinhan Capital (entire company except branches in Ansan, Gangnam and Daejeon), Shinhan Life Insurance (entire company except leased company buildings), Jeju Bank(entire company)

\*\* 2008 and 2009 data do not include data for Shinhan Life Insurance, but included since 2010.

### | Paper Usage |

As a financial institution, SFG uses paper more than any other inputs. Paper is used every day, from receipts at branch windows to various documents used in offices. To reduce paper usage and to establish eco-friendly office environment, SFG is expanding its use of e-documents and e-mail billing system. As a result of these efforts, SFG has not only reduced its paper usage, but also is making contribution to the environment. Never one to be complacent, SFG will further expand its paperless office campaigns throughout the group.

In addition, to measure and analyze the status of paper usage and to set future strategies, SFG is establishing a data system that will collect the data on paper use. To this end, Shinhan Bank, Shinhan Card, and Shinhan Life Insurance is currently establishing the system, and Shinhan Investment has begun to report the data on paper use since 2010.

#### Our Efforts

- Shinhan Bank: Establishment of a document printing management system
- Shinhan Card: Expansion of the use of e-documents and electronic approval system, e-fax campaign
- Shinhan Investment: Expansion of the use of recycled papers, paperless office campaigns, e-fax
- Shinhan Financial Group: Operation of a paperless electronic document conference(Shinhan Management Forum)



\* The scope of data: Shinhan Bank(head office and branches), Shinhan Card(entire company), Shinhan Investment(head office), Shinhan Life Insurance(entire company), Shinhan Capital(entire company), Jeju Bank(entire company)  
 \*\* 2008 and 2009 data do not include data for Shinhan Investment, but included since 2010.

### | Energy Usage |

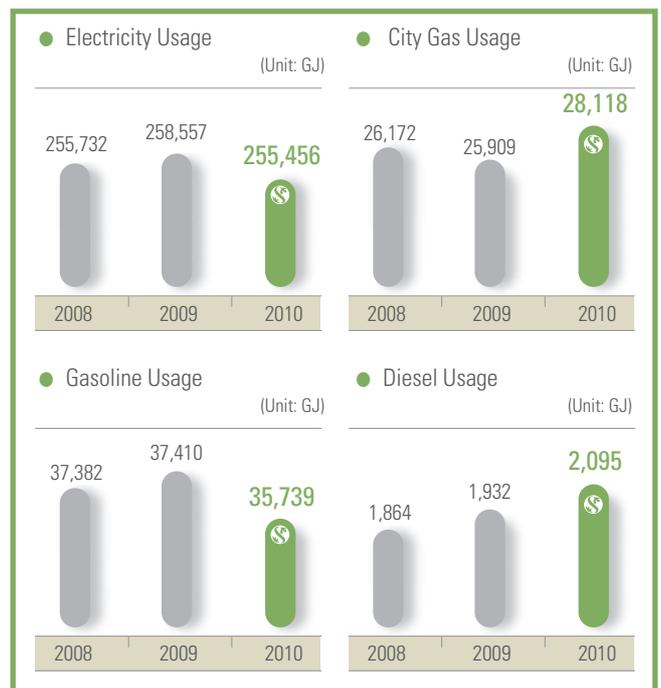
To save the energy consumption, SFG is pursuing a group-wide energy saving campaigns and efforts for high efficiency through several methods, such as encouraging the use of recycled papers and toners. Additionally, the Group is preparing energy management measures to efficiently and systematically manage the energy consumption of the entire group.

#### Energy Usage Management

By establishing the greenhouse gas inventory system, SFG is systematically managing the energy consumption of the group.

#### Energy Saving and Efforts for High Efficiency

SFG's subsidiaries have their own energy-saving action plans and efforts for high efficiency. Due to the nature of financial industry, most energy is consumed for our office buildings. Thus, to reduce energy consumption at offices, SFG is carrying out various campaigns such as installing LED lightings and purchasing electronics with high efficiency. Additionally, SFG recommends its employees to use public transportation, while putting efforts into saving fuel expenses for company vehicles, in order to save energy and reduce greenhouse gas emissions.



\* The scope of electricity data: Includes six major subsidiaries, which are Shinhan Bank(head office and Ilsan IT center), Shinhan Card(head office), Shinhan Investment(head office and annex), Shinhan Life Insurance(head office), Shinhan Capital(head office), and Shinhan BNP Paribas Asset Management(head office) / The scope of city gas data: Shinhan Bank(head office and Ilsan IT center), Shinhan Investment(head office and annex)  
 \*\* The scope of gasoline data: Shinhan Bank(head office), Shinhan Card(head office), Shinhan Investment(head office and annex), Shinhan Life Insurance(head office), Shinhan Capital(head office), Shinhan BNP Paribas Asset Management(head office)  
 \*\*\* The scope of fuel data: For use in company vehicles - Shinhan Bank(head office), Shinhan Card(head office), Shinhan Investment(head office and annex) / For use in emergency generators - Shinhan Bank(head office and Ilsan IT center), Shinhan Investment(head office and annex)  
 \*\*\*\* The difference in data in comparison to the Corporate Social Responsibility Report 2009 is due to the expansion of the scope of reporting.

# Green Finance Practice

4

## | Development of Green Product |

SFG is engaged in eco-friendly campaigns to protect the environment, focusing its efforts on introducing green product and making green investment, and sharing awareness of the importance of the environment with customers. To this end, each subsidiary is developing and operating a variety of eco-friendly products that fit with the characteristics of subsidiaries and local communities which the companies operate in.

By subsidiary, Shinhan Bank introduced the “Shinhan Hope Energy”, an installment deposit program offering prime rates to customers who are active in energy conservation campaign, while Shinhan Card introduced the “Small Vehicle Fuel Expense Credit Card”, which offers credits for the use of small vehicles. Meanwhile, Shinhan Investment launched a series of “Green Bonds” with funds from corporations that have earned the government’s green certificates, and Shinhan Life Insurance introduced the “Shinhan Children Love Green Insurance” product, which guarantees coverage for bicycling accidents and environmental deceases.

5

## | Support for Green Business |

SFG practices green financing by providing supports for eco-friendly businesses and green energy industry. As a first initiative, the Group offers prime rates to companies engaged in green energy industry, and also funds companies exploring new growth engines and developing more efficient, lower carbon energy sources, as well as companies that have earned environmental certification. Due to raising concern about nuclear safety and environmental issues, SFG is expanding investments into new and renewable energy sectors. In particular, SFG provides financing for the construction of solar power plants, while offering prime rates to businesses in the renewable energy industry and new growth engines. As for Shinhan Investment, the company concluded a cooperative MOU with Daewoo International to promote joint business for CDM project.

## CASE STUDY

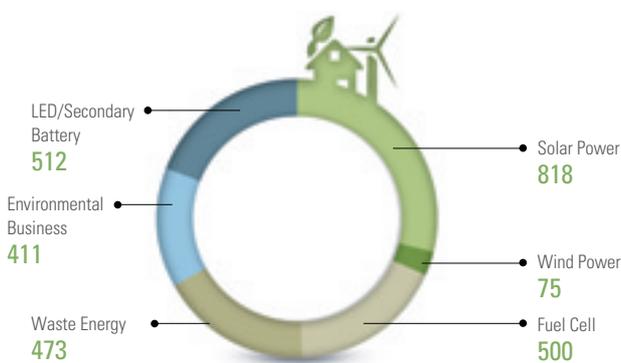
As a local bank in Jeju Special Self-Governing Province, SFG’s Jeju Bank is committed to support the green movement in local community, by offering low interest rates and long-term loans to eco-friendly businesses, based on agreements with the Korea Energy Management Corporation and the Korea Environment Corporation. The Bank’s major financial products include the energy efficiency loan and the recycling industry growth loan, providing a total of KRW 1.846 billion through loans. In addition, the bank has offered prime rates to companies participating in carbon point system and low carbon green growth campaigns in Jeju Special Self-Governing Province. In particular, the Bank offers a extremely low interest rate of 0.1% to the participants in the “Energy Saving Campaign for Low Carbon and Green Growth”, and offers the same rate to the participants in the “Jeju Special Self-Governing Province Carbon Point System”.

## CASE STUDY

Shinhan Bank has launched businesses that offer prime rates to companies engaged in green growth industry. In particular, the Bank has introduced the “Shinhan Green Growth Loan”, exposing KRW 40 billion to the loan, and the “Shinhan Solar Power Loan”, to finance construction of solar power plants. In total, the Bank has provided KRW 278.9 billion of approved funds into the green growth industry in 2010.

To support new and renewable energy industry, Shinhan Bank plans to create Win-Win Funds along with the subsidiaries of the Group, and plans to expand loans to eco-friendly companies, including a “Tax-Free Green Deposit and Loan”. Going forward, Shinhan Bank will expand lower interest rates for companies with green certification and reflect an applicant’s environmental awareness in the credit review process. In addition, Shinhan Bank will continue its eco-friendly campaigns such as planting trees at mountain and paperless office campaigns, to not only prepare for climate change but also to reinforce green management efforts.

● Approved Amount for Green Industries by Shinhan Bank(2010)  
(Unit: KRW in hundred millions)





## Reporting of Green Management

| Greenhouse gas reduction  | Classification                            | Details   |
|--|---|---|
|  | Holding Company                           | 2010 Shinhan Financial Group Volunteer Service Grand Festival Program: Environment-Friendly Program for Financially Marginalized Group      |
|  | Shinhan Bank                              | Eco-Labeling Campaign in the National Parks, Environmental Photography Contest, Han-Pyeong Park Development Project, River Cleanup Campaign |
|  | Shinhan Card                              | Support for environmental-friendly energy welfare business  |
|  | Shinhan Investment                        | lights-out campaign, a partial limitation on elevator use, construction of bicycle parking lot  |
|  | Shinhan Life Insurance<br>Shinhan Capital | Donation raised from 1% of the new sales of the Green Child Insurance<br>Launching energy saving campaigns including a mugs use campaign    |

| Introducing a group-wide management system to control greenhouse gas emissions  | Classification          | Details  |
|--|-------------------------|--|
|  | Shinhan Financial Group | Developing an inventory system for systematic management of greenhouse gas |

| Achieving carbon neutrality  | Classification          | Details   |
|---|-------------------------|---|
|   | Shinhan Financial Group | Achieving carbon neutrality backed by the completion of an inventory system, greenhouse reduction campaigns, and CDM business |

| Developing tax-exempt green deposit/loan products  | Classification         | Details  |
|---|------------------------|--|
|   | Shinhan Bank           | Environment-Friendly Product: Hopeful Energy Installment Savings, Shinhan Solar Power Loan, Shinhan Green Growth Loan, Shinhan My Car Loan<br>Investments into Korea Private Carbon Fund   |
|   | Shinhan Card           | Environment-Friendly Product:<br>Environment Love Lady, Environment Love 2030  |
|   | Shinhan Life Insurance | Environment-Friendly Product 1. Variable Insurance including SRI Funds:<br>Non-dividend Shinhan Top Plan Variable Universal Insurance, Non-dividend Shinhan Power Rich Variable Universal Insurance, Non-dividend Shinhan Child Love Variable Universal Insurance, Non-dividend VIP Dream Tree Variable Universal Insurance, Non-dividend Safe Up Variable Pension Insurance, Non-dividend Shinhan Variable Pension Insurance, Non-dividend VIP Frontier Variable Pension Insurance, Non-dividend Shinhan Variable Whole Life Insurance Plus<br>Environment-Friendly Product 2. Term Insurance for Environment-Related Diseases:<br>Non-dividend Shinhan Child Love Insurance Gold, Non-dividend Shinhan Child Love Insurance Plus, Non-dividend Shinhan Child Love Insurance Long Care, Non-dividend Shinhan Premium Child Love Insurance, Non-dividend Shinhan Child Love Insurance Care<br>Environment-Friendly Product 3. Specialized Term Insurance in Bicycle Accidents<br>Non-dividend Shinhan Child Love Insurance Green |
|   | Jeju Bank              | Gojjawal Love Fixed Deposit/Installment Savings, Gojjawal Love Card, Low Carbon Prumi Installment Savings  |

| Offering preferential treatment for green industry and companies  | Classification     | Details  |
|--|--------------------|--|
|  | Shinhan Bank       | Support for new and renewable energy industry including solar power, wind power, fuel cell, etc.<br>Support for other new and renewable energy sectors(Wind Power, Fuel Cell, Cogeneration, Wood Chip Boilers)   |
|  | Shinhan Investment | Support for environmental SOC businesses including sewage treatment plants<br>Concluded a cooperative MOU with Daewoo International to promote joint business for CDM project<br>Environment-Friendly Product: Shinhan BNPP Tops Global SRI [Stocks], Shinhan BNPP Tops Beautiful SRI [Stocks], ING Green Focus Stock 1 [Stocks], Trust Genghis Khan MKF Green Growth, Dongyang Great Company (SRI) 1 [Stocks], Woori Frontier CSR SRI 1 [Stocks], KDB SRI Better World 1 [Stocks] |

 Please visit our website for more information about the "Reporting of Green Management".  
 Shinhan Bank <http://snic.kr/49ym>



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# Customer

## Disclosure of Management Approach

### Management Principle

As a leading financial institution in Korea, Shinhan Financial Group is building a group-wide customer relationship system, utilizing its comprehensive services that a financial group provides. The Group conducted a variety of 'Customer Satisfaction(CS)' programs and established 'Voice of Customers (VOC)' system in order to respond to customer complaints and opinions on a real-time basis. In addition, to protect valuable customer information, the Group has established the best information security system in the industry.

### 2010 Progress

- Maintained a leading position in customer satisfaction evaluations by external assessment agencies at home and abroad through differentiated services offering and integrated emotional marketing
- Continuously reduced the number of VOC complaints by utilizing real-time feedbacks from the VOC system
- Obtained globally renowned certificates, including ISO27001 for information protection, and ISO20000 for IT services
- Strengthened employee CS capabilities by conducting customer satisfaction trainings

### Strategic Direction

- Improve customer satisfaction by providing differentiated and professional financial services that fit with the customers' needs
- Expand the scope of CS activities to after sales services
- Provide specialized services, higher quality of services, and honest services to customers through the expansion of employee CS educations

## Premium Customer Service

### | Promotion of Differentiated Customer Services |

As a leading financial institution in Korea, Shinhan Financial Group is building a group-wide system for management of customer relations by taking advantage of the comprehensive services that a financial group provides. Our goal is to raise the level of customer satisfaction by sharing and analyzing customer information throughout the group and by providing professional financial services based on the results of the analyses. Furthermore, to ensure higher customer loyalty, the Group provides "Top Club" incentives for premium customers through special services including waiver of annual membership fees and service charges.

SFG continues to develop its wide variety of financial products by utilizing its in-depth understanding of customer needs and market trends. In particular, SFG provides special services for physically challenged customers, offering them convenient access to all financial services.



|   |  |   |
|---|--|---|
| Shinhan Bank<br><a href="http://snic.kr/49yo">http://snic.kr/49yo</a> | Eye Comfortable ATM  | Provides special services for the customers with low vision   |
|   | Customer Time-Saving Program                                     | Reduces waiting times, ultimately enhancing customer satisfaction and minimizing inconvenience and complaints   |
|   | Mobile CS Survey   | Improves services from the customers' point of view and efficiently collects market information   |
|   | CS Culture in the Shinhan Global Network                         | Offers a variety of support and training programs designed to fine-tune Shinhan's CS culture to local needs   |
| Shinhan Card<br><a href="http://snic.kr/49yo">http://snic.kr/49yo</a> | Internet Messaging Service                                       | Special service for hearing- or speech-impaired customers, as well as for younger customers who prefer consultation through instant-messaging, with the help of the Fingertips of Love Consulting Group |
|   | High Point Nano Card   | Provides cardholders with a full range of options to choose the services that best fit the customers' needs   |
|   | Premier Card   | Offers VVIP customers with exclusive prestige services  |
|   | Efficient Operation of Call-Centers                              | Responds to customer inquiries and requests with differentiated services by rendering highly customized consultations for each customer   |
|   | Gold Care Consultation Group                                     | A customized consultation service for customers over the age of 65 that immediately connects customers upon request to personal operators after ARS authentication                                      |
| Shinhan Investment  | IR Sessions, Information Meeting with VIPs, Research Conferences | Regularly provides investment information for individual and corporate customers  |
| Shinhan Life Insurance  | Customer-Oriented Products                                       | Conducts assessments of customer satisfaction with customers and financial planners at least twice a year   |
|   | Financial Management Forum                                       | Provides comprehensive practical financial information for customers  |
| Jeju Bank   | Wow Call Service   | A call service for new customers with a certain level of transaction, in which the branch managers give a call of thanks by the following day of transaction  |

### | Integration of Emotional Marketing |

SFG's major four subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance, participate in a group-wide joint emotional integration program in six selected regions including Seoul, Busan, Daegu, Gwangju, Incheon, and Jeju. The program aims for a uniform approach to emotional marketing through a synergy between subsidiaries. It also enables the Group to provide more diverse financial services to customers by achieving a fuller understanding of operational

differences between subsidiaries through field experiences at other subsidiaries and joint CoP activities. In addition, smaller, regional meetings provide a platform for communication between employees. In some regions, all branches collaborate in joint promotional and marketing activities, thus creating full synergy. SFG continues to enhance this synergy and to offer premium financial services to its customers.

# Honest Communication Channel and Information Security

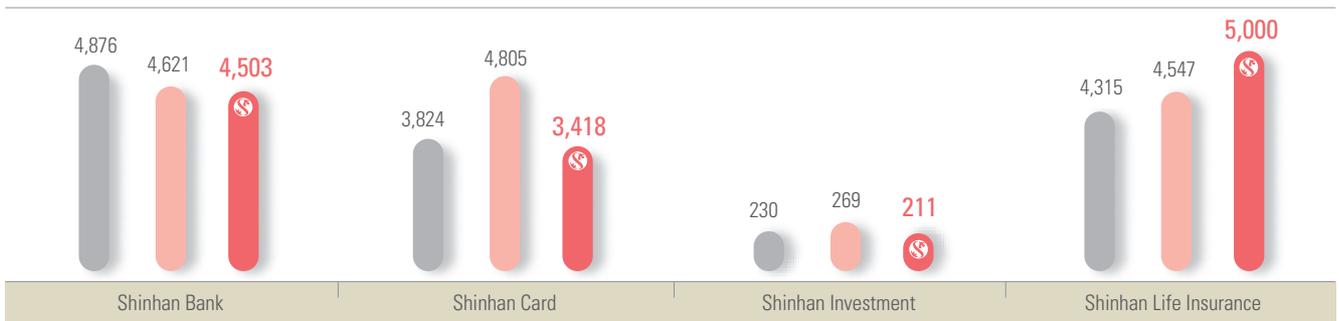
## | Operation of the Voice of Customer |

Acknowledging customer opinions as valuable assets in business development, SFG operates a VOC(Voice of Customer) desk, an upgrade from the VOC system, to collect feedback and then to promptly, fully resolve customer issues.

|                        |  |   |
|------------------------|--|---|
| Shinhan Bank           | VOC System                             | Maximizes operational efficiency by streamlining the entire process, beginning with the collection of feedback  |
|                        | VOC Counseling Desk                    | Resolves customer issues through prompt feedback  |
| Shinhan Card           | VOC System                             | Classifies customer complaints from VOC contact points(call centers, homepage, customer panels) into a "policy-related complaint", a "service complaint", and a "unreasonable complaint" to be assessed and improved in the CS Assembly |
|                        | Consumer Panel System                  | Analyzes VOCs to understand customer demands as early as possible, and uses the results for the development of new products and services  |
| Shinhan Investment     | Real-Time Complaint Settlement Process | Handles client complaints through financial advisors as soon as the complaints are received   |
| Shinhan Life Insurance | VOC System                             | Manages issues that arise through the entire CS process to avoid repeated complaints by emphasizing prevention  |

● No. of VOC Complaints

(Unit: )



\* The increase of complaints in 2009 at Shinhan Investment resulted from the introduction of new system in August 2009.

■ 2008 ■ 2009 ■ 2010

\*\*The increase of complaints in 2009 at Shinhan Life Insurance resulted from the increase of misselling caused by in the insurance industry, including introduction of new channels, cross-selling, and subsistence disputes for low-income groups in the wake of the global financial crisis.

## | Provision of More Accurate Information |

SFG provides its customers with accurate information on its financial products and services through leaflets, posters, handouts and electronic promotional material. These documents clearly convey key features of financial products and are carefully screened by the Compliance Department to avoid overselling or misleading statements. At the same time, SFG has established and is operating a complaint management program to resolve complaints as early as possible. To improve the efficiency of the program, the Group provides an evaluation system for the Office of Customer Complaint Management and guideline on pre-deliberation of complaints during the early stage of product development cycle, particularly in product design and marketing strategies, thereby reducing the risk of customer complaints. There have been no violations of advertising or marketing regulations during the reporting period.

## | Customer Information Security |

Abiding by the Financial Holding Companies Act and other regulations, SFG provides guidelines for exchange and utilization of personal credit information between subsidiaries, thereby strictly managing such information inside the Group. In addition, as the number of e-banking customers grows, the Group develops its information protection technology. It manages customer opinions and complaints related to protection of personal information by subsidiary, thereby promptly responding to any privacy issues raised.

Furthermore, SFG's customer protection and management system has obtained globally renowned certificates, including ISO27001 for information protection, and ISO20000 for IT services.

# Lasting Customer Satisfaction

## | Proactive Management of Customer Complaints |

To ensure a proactive response to customer complaints, SFG is currently reinforcing all resolution processes and expanding service improvement programs.

|                        |                                   |   |
|------------------------|-----------------------------------|---|
| Shinhan Bank           | Complaint Care Program            | Covers every stage of resolution from prevention to follow-up in three steps  |
| Shinhan Card           | Customer Satisfaction Committee   | Promotes various activities from the customer's point of view to reduce complaints on products and services or individual credit limits   |
| Shinhan Investment     | Investor Rights Protection Center | Collects and addresses client issues including complaints   |
| Shinhan Life Insurance | Complaint Prevention System       | Distinguishes complaints from public disputes and provides a prompt reporting system to address both internal and external, civil affairs |

## | Discretionary Authority for Compensation in Public Disputes |

As part of its effort to enhance customer service, SFG applies "Discretionary Authority for Compensation in Public Disputes," a scheme to curb financial losses incurred by customers from mishandling or systemic errors in its business processes. The scheme effectively facilitates reasonable and swift resolution of disputes to prevent controversy and customer defection. When compensation is requested, the persons in authority examine the case at hand and, together with the Deliberation Committee, reach a decision on whether to compensate. If applicable, compensation is then granted and follow-up measures are taken.

## | Customer Satisfaction Education |

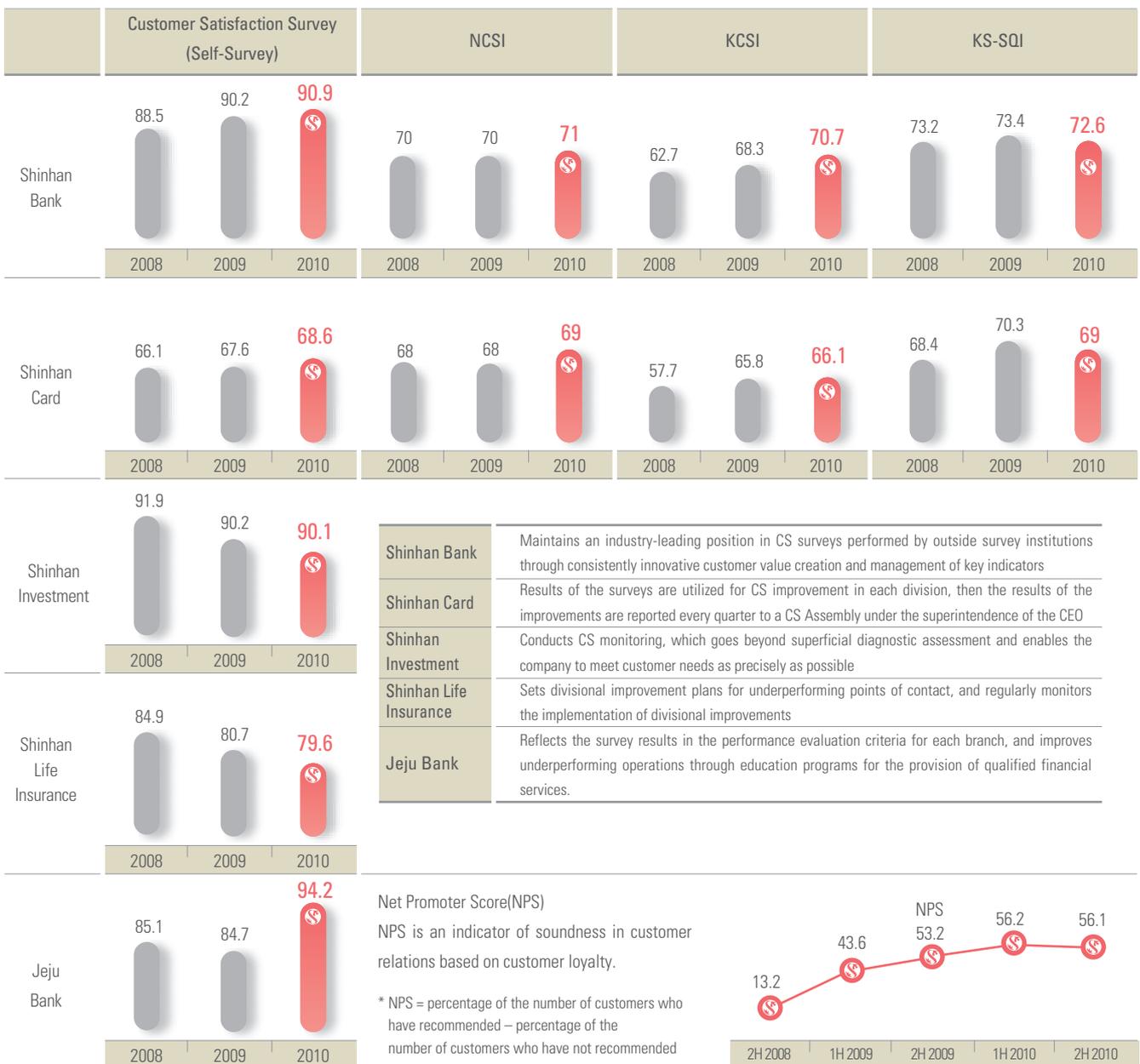
SFG holds education programs to help employees better understand how to render services and maintain contact with customers. Looking ahead, SFG will continue to foster professionalism, quality, and integrity in its customer service culture.

### ● Customer Satisfaction Education

|                        |                               |  |
|------------------------|-------------------------------|--|
| Shinhan Bank           | CS Academy                    | Improves the quality of CS education and enhances employee capabilities by introducing an interactive communication scheme through which trainees may provide feedback on the programs |
|                        | CS Mileage                    | Encourage employees to participate in CS activities and build up customer-oriented culture   |
|                        | CS Self-Assessment Program    | Measures the gap between customer perceptions and employee assessments on the level of service to upgrade customer service in a way that meets customer expectations                   |
| Shinhan Card           | Change Leader                 | Leads the changes and innovations in operation sites, and efficiently spreads organizational culture   |
|                        | CS Clinic                     | Assesses CS performance by division to upgrade customer services throughout the company  |
| Shinhan Investment     | CS Morning Broadcast          | Provides daily reminders on engagement manners for greeting customers  |
| Shinhan Life Insurance | CS Excellence Employee Award  | Contribute significantly to the company's methods for responding to the voices of customers, as well as to preventing and resolving customer complaints                                |
| Shinhan Capital        | CS Education for New Recruits | Provides customer satisfaction education for new recruits  |
| Jeju Bank              | Service Manual                | Implements standardization of customer service for excellence  |

### | Continuous Improvement in Customer Satisfaction |

Shinhan Financial Group conducts regular customer satisfaction evaluations and to determine the strengths and weaknesses of services. The Group also collects survey results from external institutions for comparison. SFG is able to continually upgrade the quality of its service at every level of customer contact.



## Major Products & Services by Subsidiary

 Please visit our website for more information about our products and services.

| Subsidiary  | Classification                   |  | Product Name   |
|---|----------------------------------|--|--|
| Shinhan bank<br><a href="http://snic.kr/49yp">http://snic.kr/49yp</a>       | Liquid Deposit                   |  | Kimdaeri Bankbook  |
|   | Accumulating Deposit             |  | Shinhan Installment Savings at Monthly Compound Interest, Shinhan Kimdaeri Installment Savings, JOB S.O.S Hope Installment Savings |
|   | Unredeemed Deposit               |  | MINT Fixed Deposit(2010 Hope! New Beginning 2ND)   |
|   | Foreign Currency Deposit         |  | Foreign Currency Change-up Deposit   |
|   | Gold Banking                     |  | Shinhan Gold Tech Bankbook   |
|   | Private Credit Loan              |  | Shinhan S-MORE My Car Loan   |
|   | Private Secured Loan             |  | Shinhan Security Deposit-based Loan  |
| Shinhan Card<br><a href="http://snic.kr/49yo">http://snic.kr/49yo</a>       | Business Loan                    |  | Shinhan Green Growth Loan, Job Creation Support Loan   |
|   | Premium                          |  | The Premier, The ACE, The BEST, The LADY BEST, The Classic, nano Platinum#, LOVE Platinum#   |
|   | Major                            | General type   | Shinhan HI-POINT, Shinhan VISA   |
|   |                                  | Selective type   | nano, nano f   |
|   |                                  | Oil/Automobile   | Big Plus GS Caltex, SK-Oiling, Shinhan GS Caltex Shine, Deferred High Pass   |
|   |                                  | Airline/Travel   | Sky Pass, Asiana Airline, J-Plus, Amex   |
|   |                                  | Shopping   | LOVE, Life Love, Morning Love  |
| Others  |                                  | Beautiful, Lady, 2030, 4050  |  |
| Shinhan Investment<br><a href="http://snic.kr/49yq">http://snic.kr/49yq</a> | Collective Investment Securities | MMF  | Shinhan Best Private MMF1  |
|   |                                  | Bond type  | Hi-plus, Premium Bond Wrap(Matching type 1ST)  |
|   |                                  | Mixed type   | Dongyang Moa Dream 10  |
|   |                                  | Equity type  | Shinhan BNPP Good Morning Hope, Shinyoung Marathon A1  |
|   | Mutual Fund                      | Domestic   | Mirae Discovery, Mirae Independence  |
|   |                                  | Overseas   | Fidelity China Focus, Fidelity India Focus, Templeton Global Fund  |
|   | ELS                              | OTC  | Capital Guarantee ELS  |
|   |                                  |  | Two Stock Knock-out ELS  |
|   | DLS                              | OTC  | DLS54th(Copper Call), 56th(Natural Gas Step Down), 82th(Sugar Call), 85th(Sugar Call), 110th(BDI Call)                             |
|   | Trust                            | Trust Product  | Savings Bank Fixed Deposit(Dongbu Savings Bank)  |
|   |                                  |  | Naemamdaero Trust  |
|   | Retirement Pension               | Pension Product  | PCA Retirement Pension Income Plus   |
|   |                                  |  | Shinhan BNPP Retirement Pension  |
| Samsung Retirement Pension Index  |                                  |  |  |
| CMA   |                                  | Shinhan S-More CMA, CMA Automatic Secured Loan Service                                       |  |
| WRAP ACCOUNT  |                                  | Premium ETF Mixed Wrap, Premium Bond Wrap(Matching type 1ST)<br>Global Raw Material ETF Wrap |  |

| Subsidiary             | Classification               | Product Name   |   |
|------------------------|------------------------------|--|---|
| Shinhan Life Insurance | Deposit                      | Shinhan Top Class Savings Insurance, Premium Savings Insurance   |   |
|                        | Pension                      | Rich Pension Insurance, Shinhan Lady Pension Insurance, Chamalchan Pension Insurance   |   |
|                        | Variable                     | Shinhan Variable Pension Insurance, Safe-up Variable Pension Insurance   |   |
|                        | Education                    | Shinhan Child Love Insurance Plus, Shinhan Premium Child Love Insurance  |   |
|                        | Term                         | Health   | Double-up Health Insurance, Shinhan Practical Medical Insurance, Shinhan Premium Health Insurance |
|                        |                              | Accident   | Shinhan All Touch Accident Insurance, Shinhan Nice Accident Insurance                             |
| Retirement             | Retirement Pension Insurance |  |   |
| Jeju bank              | Deposit                      | Tax-free All Life Savings, TOPS Honeymoon Bankbook, Jeju Dream Fixed Deposit, The Dream Bankbook   |   |
|                        | Loan                         | Elite Loan, Prime Loan for Professionals, Dream Loan for School Personnel, Jeju Happy Loan, Jeju Home Loan, Soho Plus Loan, Premium Loan for Hospital and Pharmacy |   |
|                        | Card                         | Jeju Platinum Card, Jeju Dream Card, Jeju F1 Card, Jeju Special Self-governing People Card, Dream Card for School Personnel  |   |

Customer Satisfaction Evaluation by Outside CS Survey Institutions

Shinhan Bank



Grand Prize for Seven Consecutive Years on "Korea Service Awards" (Korea Standard Association)



Number One Bank for Nine Consecutive Years in "Korean Standard Service Quality Index"(KS-SQI) (Korean Standard Association)



Number One Bank for Six Consecutive Years in Bank Sector on "Global Customer Satisfaction Competency Index"(GCSI) (Japan Management Association)



Number One Bank for Six Consecutive Years on "Global Management Grand Awards"(Japan Management Association)

Shinhan Card



Number One Credit Card Company for Three Consecutive Years in "Most Admired Companies in Korea" (Korea Management Association Consulting)



Grand Prize on "Korea First Brand Award" (Korea Customer's Forum)



Excellent Call Center on "Service Quality Index of Korean Industries" (Korea Management Association Consulting)



Grand Prize on "Korea Service Awards" (Korea Standard Association)



Number One Credit Card Company for Two Consecutive Years in "Korean Standard Service Quality Index" (KS-SQI)(Korean Standard Association)



Awarded the Grand Prize for Three Consecutive Years on "Customer Satisfaction Management" (Korea Management Association Consulting)

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# Employee

## Disclosure of Management Approach

### Management Principle

Having secured many talented employees, SFG is putting efforts into creating a great workplace via collaboration between labor and management, operation of a differentiated welfare system, and expansion of communication among employees. In addition, the Group is periodically conducting human rights education and human rights protection activities to protect employee rights and to prevent discrimination. Looking ahead, SFG will make continuous contributions and focus on the career development of employees to cultivate experts.

### 2010 Progress

- Continuous expansion of education on discrimination and human rights
- Multi-dimensional evaluation system to secure objectivity and fairness in promotion
- Cultivation of experts through career development system
- Balance between the work and personal life by expanding family-friendly management programs

### Strategic Direction

- Reinforcement of nurturing program for global talents
- Expansion of communication channels between employees
- Establishment of multi-dimensional welfare system to support health and welfare of employees



# Employee Rights and Labor-Management Cooperation

## | Equal Treatment and Employee Rights Protection of the Group |

SFG promotes the equality and human rights in working place and treat employees accordingly. In addition, SFG has labor unions and labor-management committees by each subsidiary. According to the collective agreement, the group guarantees free union activities and free admission of employees through prescribed procedures. The group also has an obligation to notify major changes regarding management matters.

## | Fair Employment |

In observance with the Labor Contract Act and Work-Family Balance Practices, SFG prohibits discrimination against sex, age, religion, and academic or regional background, and provides equal opportunities to veterans and the disabled in its recruitment process. The entire recruitment process utilizes fair screening criteria and those who are hired are subject to equal payment schemes as well as gaining fair opportunities for promotions and compensations. In terms of job security, the number of full-time employees has grown due to the Group's intension on rehiring irregular workers as regular employees. Thanks to the Group's efforts to pursue equal employment, the number of female managers has also increased.

## | Safeguarding Employee Rights |

Abiding by the labor and human rights principles of the UN Global Compact with its workforce, SFG prohibits forced labor and child labor. As the collective agreement and ethics regulations prohibit sexual harassment, abusive language and assault at the workplace, the Group prevents them by holding seminars for all employees.

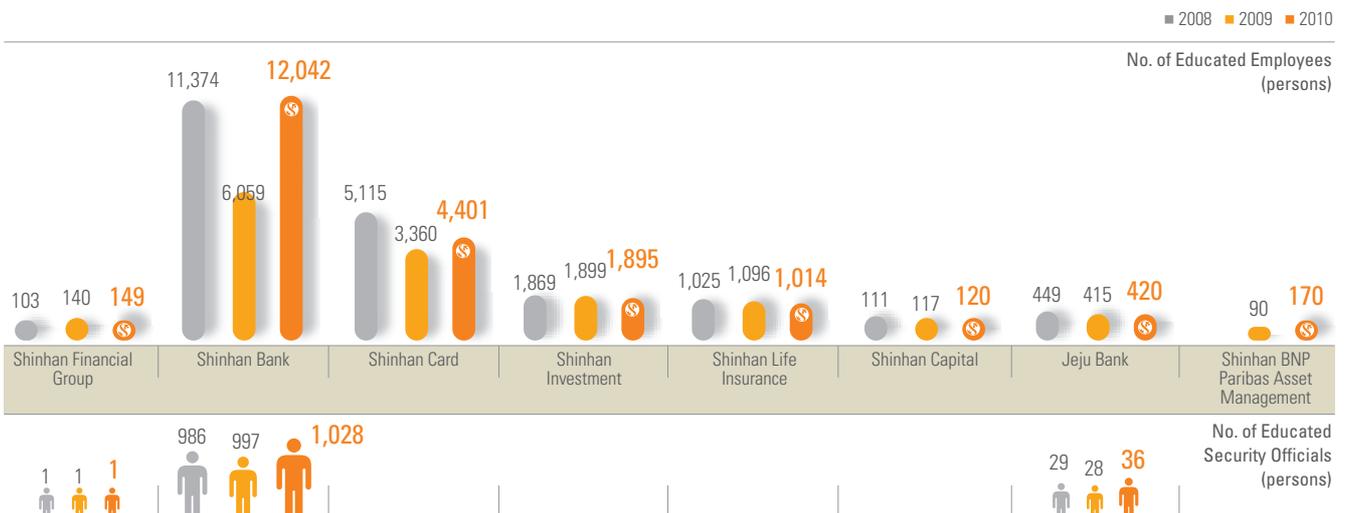
### ● Human Rights Education for Private Security Personnel

|              |                        |  |
|--------------|------------------------|--|
| Shinhan Bank | Prevention Education   | Twice a year or as needed, via visiting and intranet   |
| Jeju Bank    | Human Rights Education | Twice a year about human rights issues and relevant legal matters, work tips and other on-the-job information, as well as CS education |

## | Labor-Management Cooperation |

SFG promotes reliable and cooperative relationship between labor unions and the management through labor-management cooperation programs. Shinhan Bank and Shinhan Card convene labor-management cooperation training sessions with participation of the management and labor unions members, briefing sessions for management status, and joint outdoor activities. In addition, SFG's affiliated companies cooperate with the labor unions for sporting events, pep rallies and morale stimulation programs to boost internal communication between employees.

### ● Education on Human Rights by Subsidiary



\* The figures of Shinhan Financial Group include a security guard.

\* There are no data in 2008 for Shinhan BNP Paribas Asset Management because it started the business in 2009.

\* Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Capital, and Shinhan BNP Paribas Asset Management are not applicable to the above contents because there are no security guards.

\* The decline of attendees of human rights education in 2009 for Shinhan Bank resulted from the change of method from compulsory education in 2008 to self-initiated education in 2009.

\* Shinhan Card established call centers and DM centers to efficiently operate the businesses and outsourcing was also expanded, which resulted in the decline of attendees in 2009.

\* For Jeju Bank, some irregular employees including security guards and chauffeurs were substituted by workers of service companies in 2009, which resulted in the decrease of employees and the attendees in 2009.

# Securing Competitiveness by Strengthening Competence of Human Resources

## | Talent-Oriented Strategy and Rational Compensation System |

To secure the Group's competitiveness by strengthening competence of each human resource, SFG strives to foster global talents who possess professional knowledge, skills, and experiences. Furthermore, the Group conducts fair and rational compensation system by individual and team to encourage their best practice constantly.

## | Diverse Education Program at Home and Abroad |

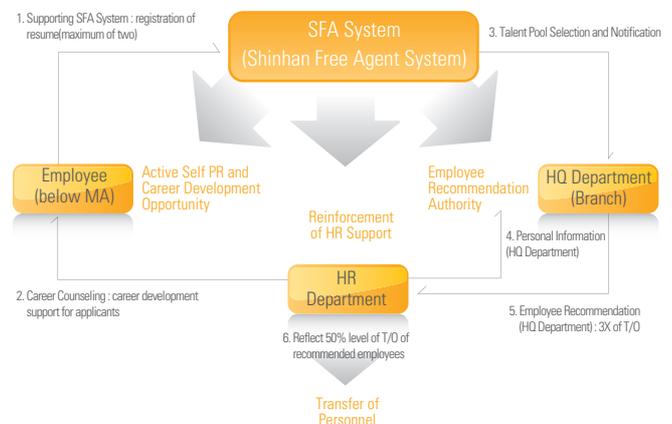
SFG provides supporting system for in-house education programs, employee's club activities, online education facilities, and training sessions. Additionally, the Group supports employees with tuition for master programs or language and IT learning centers, participation fee of seminars, and admission fee for financial certificate. To identify global talent early on, we have also launched global regional expert programs, and reactivated dispatching workforces to overseas branches. To nurture global talents, we established Hong Kong Finance Education Center, while supporting employees for full tuition for overseas MBA programs, short-term training at Shinhan Hong Kong Campus, and other overseas training sessions.

## | Multi-dimensional Evaluation |

SFG implements multi-dimensional evaluation system to secure objectivity and fairness through diverse evaluators, strengthen core competence through feedbacks for suggestion about improvement, and build transparent and fair HR management based on performance and capability.

## | Career Development and Job Education Programs |

SFG conducts the Career Development Program (CDP) to help employees to identify their career path through counseling with experts and setup plans to achieve the personal career goals. In preparation of job changes of employees caused by promotion or transfer, the company operates job education programs to support them to acclimate easily to new jobs and enhance their work efficiencies.



### ● Employee Education Programs and Multi-dimensional Evaluation System by Subsidiary

|                        |  |   |
|------------------------|--|---|
| Shinhan Bank           | Career Development Program System                    | Helps employees to identify their career path through counseling with experts and setup plans to achieve the personal career goals  |
|                        | SFA(Shinhan Free Agent)                              | Nurtures talents in the way what the organization requires, as well as self-motivated individuals to freely pursue job career   |
|                        | Global Specialist Nurturing Program                  | Overseas MBA, global financial experts programs, training at overseas branches  |
|                        | Multi-dimensional Evaluation System                  | Follows guiding indexes in the Code of Conduct for SHB Leader to execute multi-dimensional evaluation   |
| Shinhan Card           | Essential and Optional Job Education Programs        | Trains basic business and management skills, research programs and marketing analysis skills  |
|                        | Core Job college                                     | Trains marketing, management and sales skills   |
|                        | Shinhan Card-Seoul National University Marketing MBA | Fosters professional manpower by educating comprehensive knowledge and processes of the credit card industry including credit card marketing and risk management, along with field learning |
|                        | Multi-dimensional Evaluation System                  | Conducted by an outside specialized agency to improve objectivity and reliability of evaluation. Evaluated through an online survey   |
| Shinhan Life Insurance | Common Job Training Program                          | Trains basic business skills including word processing and CS management  |
|                        | Sales Management Job Training Program                | Education program for branch managers and office leaders  |
|                        | Leadership Training Program                          | Education program for executives, department heads, and branch managers to reinforce leadership skills  |
| Shinhan Investment     | Career Development Program                           | Offered in two options, including an open contest for all employees, and open lecture by area in which individual employees choose  |
|                        | Multi-dimensional Evaluation                         | Absolute evaluation through five-phased criteria for ten principles of leadership, including rational communication, fairness, decision-makings, and nurturing staffs                       |
| Jeju Bank              | Motivation and On-the-Job Training Program           | Provides marketing leadership college for new branch heads and managers, PB school for corporate financing experts and on-the-job training for newly recruited personnel                    |

# Great Work Place Campaign

## | Efforts to Establish Great Work Place |

SFG promotes the balance between work and personal life and conducts “Great Work Place” campaign to boost the trust and respect of employees toward the Group. As a result of these initiatives, Shinhan Bank won the grand prize in the financial institution category of the “Great Work Place” (GWP) award for seven consecutive years, and Shinhan Card won the grand prize of the “2010 Fortune Great Work Place in Korea” award for two consecutive years.

## | Family-friendly Management |

SFG promotes the balance between work and personal life, and conducts “Great Work Place” campaign to boost the trust and respect of employees toward the Group. To this end, SFG is operating a variety of family-friendly campaigns, including “Going Home Early on Every Wednesday” campaign. The group will continue to develop and introduce programs to increase the level of employee satisfaction.

|                        |   |  |
|------------------------|---|--|
| Group-wide             | Going Home Early on Every Wednesday                         | Encourages employees to go home early on every Wednesday to allow them to spend more time with family  |
| Shinhan Bank           | Weekend Trips   | Encourages employees to spend the weekend with family by taking a trip together  |
|                        | Congratulatory Money for New Birth                          | Supports KRW 1.0 million for the first born and KRW 1.2 million for the second born  |
|                        | Child Care Center   | Relieves the burden of parents, and boosts employee loyalty  |
| Shinhan Card           | Employee Children Program                                   | Provides briefing sessions for college entry exams, composition contests and English camps   |
|                        | Congratulatory Money for New Birth and Child Care Subsidies | Provides KRW 0.6 million for the first born, KRW 1.0 million for the second born and KRW 2.0 million for the third born  |
|                        | Disabled Family Member Supporting System                    | Supports employees with parents or grandparents that suffer from Alzheimer’s disease or stroke, or employees with disabled children. Provides one-time compensation of KRW 1 million, then KRW 100,000 every month |
| Shinhan Life Insurance | Congratulatory Money for New Birth                          | Provides KRW 0.5 million for new birth regardless of the number of children  |
|                        | Specialized Education Supporting System                     | Supports employees with disabled children with KRW 0.2 million every month from pre-school for two years until graduation from elementary school   |
| Shinhan Investment     | Employee Children Tuition Supporting System                 | Supports employees’ children in special circumstances who are enrolled in kindergartens and middle/high schools. Provides tuition and KRW 0.4 million on quarterly basis for the two years before the enrollment   |

## | Practical Employee Benefit Program |

SFG operates an optional employee benefits program by accumulating mileages and issuing cards, allowing employees and their family to choose the benefits according to their needs. The program is designated to use for

self development, health care, leisure, cultural activities, nurturing and education of children. In addition, SFG has introduced “Refresh Leaves” program to provide employees refresh time and promote long-term leaves.

|                        |                                    |  |
|------------------------|------------------------------------|--|
| Shinhan Bank           | Welpro Vacation System             | Recommends long-term leaves for more than 10 days to balance the work and life and give a refresh opportunity  |
|                        | Self-Development Supporting System | Provides KRW 3.6 million(monthly KRW 0.3 million) for full-time employees and KRW 1.8 million(monthly KRW 0.15 million) for temporary workers to use by charging the welpro card |
| Shinhan Card           | Cafeteria Program                  | Provides KRW 1.5 million worth of points, allowing employees to choose the benefits according to their needs   |
| Shinhan Life Insurance | Welfare Card Program               | Issues welfare card limited to KRW 0.7 million for all employees, excluding temporary workers  |
|                        | Vacation Supporting System         | Supports vacation expenses, equivalent to 50% of annual paid holidays compensation, to employees who use five consecutive days of fitness vacations, and annual/monthly leaves   |
| Shinhan Investment     | “S-café”                           | Support welfare points to employees, equivalent to from KRW 1.2 million to KRW 3.3 million annually  |
| Jeju Bank              | Selective Welfare System           | Provides paid sabbatical leave and transportation expenses   |

# Healthy Work Place Campaign

# Employee Communications

## | Diverse Welfare Program for Employee Health |

As a financial institution, SFG does not conduct an industrial safety & health committee, but the definition and compensation guidelines are identified in the industrial safety & health section of ILO agreement. SFG also discusses employees' safety & health issues at Labor-Management Committee meetings.

By putting its first priority on employees' health, every year SFG requires securitized health exams to all employees.

|  |   |
|--|---|
| Maternity Protection                   | Supports the promotion of childbirth and implements maternity leaves programs to encounter low birth rate and aged society  |
| Stress Management Program              | Provides self check-ups on stress status and treatment for those with high potential risk                                   |
| Health Management System               | Provides physical examination for employees and their families  |
| Vaccination Campaign                   | Provides the vaccinations for the hepatitis A, the flu, the H1N1 virus, and cervical cancer to employees and their families |
| Non-Smoking Campaign                   | Conducts non-smoking campaign for employees and gives a non-smoking patch for participating in the campaign                 |
| Diet Campaign                          | 180 Change for Life campaign, provides fitness equipments for participating employees with goal to reduce body fat          |
| Shoulder-Arm-Neck Syndrome Examination | Examines employees for the Shoulder-Arm-Neck syndrome and provides education about the disease                              |

## | Efforts to Expand Communications between Employees |

Shinhan Bank holds varied programs to raise employees' morale. The programs include a divisional program for better understanding of other team members, 7ST Heart-to-Heart Program for newly recruited personnel, a forum for the communication between CEO and employees, an online campaign for posting of good comments and replies, and a campaign for encouraging reading habits.

Through outsourced counseling and online consulting programs, we are listening to employees' complaints and strive to resolve them with practical solutions.

|                        |  |   |
|------------------------|--|---|
| Shinhan Bank           | Program to raise employees' morale                                     | Divisional program for better understanding of other team members, 7ST Heart-to-Heart Program for newly recruited personnel |
| Shinhan Card           | Consulting services for personal and professional problems             | Employee Assistance Program   |
| Shinhan Investment     | Elimination of unfair labor practices and prevention of discrimination | Whistle-Blower System   |
| Shinhan Life Insurance | Open communication between CEO and employees                           | CEO Communication Room  |

### Retiree Management

Abiding by the Labor Standards Act in Korea, SFG conducts retirement benefits program. SFG subscribes to employee retirement pension plans to secure retirement allowances for any employees that leave the company after at least 1 year of service in terms of pension and lump sum payments. The termination liabilities (selected from the larger amount by comparing the amount stipulated in the Labor Standards Act and the group's own retirement benefits regulations) are budgeted as an allowance for severance and retirement benefits.

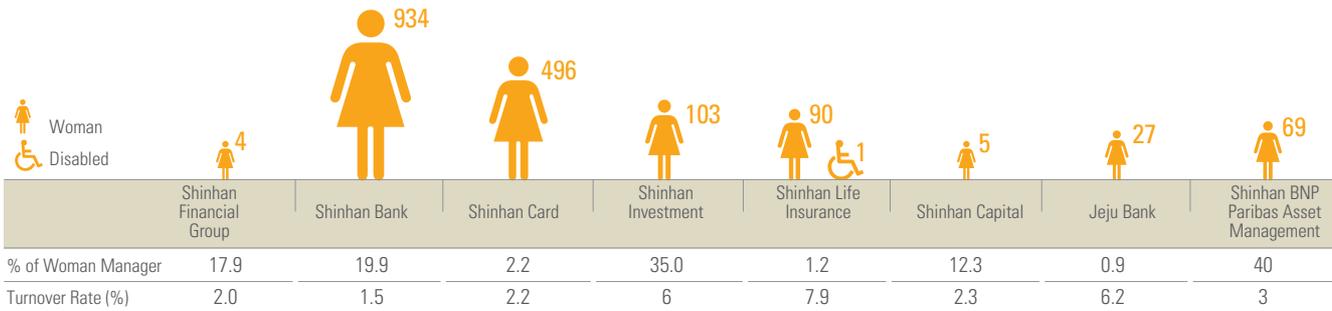
In addition, SFG created jobs for aged personnel by reemploying retirees for temporary position.



## | Employee Status of the Group in 2010 |



## No. of Newly Employed Social Minorities



\* Ratio of woman manager includes manager and upper levels.

\* No. of employees includes regular and contract ones.

\* Turnover rate: (No. of annual jobless / No. of employees)\*100

\* Job creation and turnover of Shinhan Financial Group mainly derives from the transfers between the company and subsidiaries (Turnover rate excludes the transfers between the company and subsidiaries).

\* No. of newly employed women of Shinhan Card includes the employees of call centers.

\* As of the end of 2010

## | Investments in Education by the Group |

| Classification                                    |      | Shinhan Financial Group | Shinhan Bank | Shinhan Card | Shinhan Investment | Shinhan Life Insurance | Shinhan Capital | Jeju Bank | Shinhan BNP Paribas Asset Management |
|---|------|-------------------------|--------------|--------------|--------------------|------------------------|-----------------|-----------|--------------------------------------|
| Education Expenses (KRW in millions)              | 2009 | 190                     | 16,400       | 4,025        | 2,425              | 788                    | 93              | 280       | 313                                  |
|   | 2010 | 316                     | 21,200       | 4,211        | 2,988              | 1,270                  | 223             | 249       | 367                                  |
| Education Expenses per Employee (KRW in millions) | 2009 | 1.74                    | 1.33         | 1.40         | 1.22               | 0.98                   | 0.82            | 0.67      | 1.69                                 |
|   | 2010 | 2.1                     | 1.57         | 1.45         | 1.45               | 1.07                   | 1.73            | 0.57      | 2.16                                 |
| Education Time per Employee (Hours)               | 2009 | -                       | 188          | 131          | 53.3               | 95                     | 2,129           | 180       | 5                                    |
|   | 2010 | -                       | 175          | 122          | 45.4               | 110                    | 100             | 170       | 25                                   |

\* The calculation of education time per employee of Shinhan Financial Group is difficult as the employee educations are carried out on individual or team level basis.

\* As of the end of 2010

**| Labor Unions and Joint Labor-Management Conferences of the Group in 2010 |**

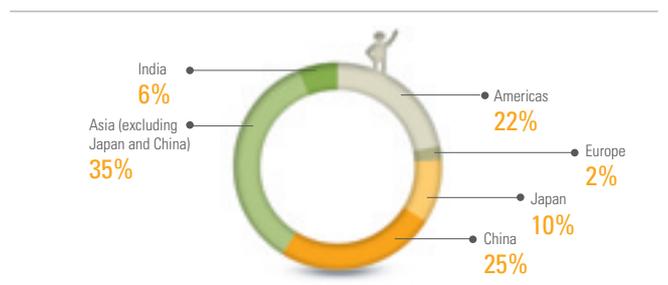
| Subsidiary                           | Labor Union   |                      | Joint Labor-Management Conferences |                   |                   |  |
|--------------------------------------|---|----------------------|------------------------------------|-------------------|-------------------|--|
|                                      | Name  | No. of Union Members | No. of Meeting                     | No. of Resolution | Participation (%) | Major Agenda   |
| Shinhan Financial Group              | -   | -                    | 3                                  | 9                 | 75                | Introduction of retirement pension(2010.06.08)<br>Agreement on use of compensatory vacation in 2010(2010.06.08)<br>Introduction of employee stock ownership campaign(2010.08.05)<br>Supporting smartphone purchases(2010.08.05)<br>Agreement on increasing salary in 2010(2010.12.27)<br>Supporting special physical fitness expenses(2010.12.27)<br>Increasing self-development expenses(2010.12.27)  |
| Shinhan Bank                         | Shinhan Bank Branch of Korean Financial Industry Union                    | 8,000                | 2                                  | 13                | 100               | Contribution of welfare funds(1Q10)<br>Diversifying the use of employee welfare funds(1Q10)<br>Reflecting business hours normalization into performance evaluation(1Q10)<br>Acknowledging work and academic experiences for temporary works who became full-time employees(1Q10)<br>Agreement on purchasing additional welfare places(2Q10)<br>Supporting transportation expenses for employees at distant areas(2Q10)<br>Supporting smartphone communication expenses(2Q10) |
| Shinhan Card                         | Shinhan Card Labor Union  | 2,629                | 4                                  | 17                | 100               | Regularization of vision tour(1Q10)<br>Contribution of welfare funds(1Q10, 4Q10)<br>Regularization of annual paid holidays(1Q10)<br>Establishment of employee mutual aid system(2Q10)<br>Labor-management seminar(2Q10)<br>Supporting smartphone communication expenses(3Q10)  |
| Shinhan Investment                   | Shinhan Investment Branch of Nationwide Securities Industry Unions        | 1,500                | 4                                  | -                 | 100               | Discussion on key agendas of the company including its retail, wholesale Shinhan and trading headquarters  |
| Shinhan Life Insurance               | Shinhan Life Insurance Branch of Nationwide Life Insurance Industry Union | 655                  | 2                                  | 6                 | 100               | Establishment of special educational support for disabled children of employees, improvement of vacation system, improvement of selective welfare system, reduction of operating hours of integrated computer system(1Q10)<br>Appointment of the member of employee assistance committee(2Q10)   |
| Shinhan Capital                      | -   | -                    | 5                                  | 5                 | 100               | Agreement on operating in-house welfare funds, business performances and business plans(2010.03.29)<br>Deferred retirement, supporting cultural expenses, increasing medical examination support(2010.04.05)<br>Annual vacation mandatory use system(2010.07.23)<br>Extension of loans for employee stock ownership plan, contribution of welfare funds, agreement on changing BOD member(2010.09.05)<br>Supporting cultural expenses(2010.09.28)                            |
| Jeju Bank                            | Jeju Bank Branch of Nationwide Financial Industry Unions                  | 307                  | 4                                  | 17                | 100               | Expansion of guarantee deposits on leases(2010.7.9)<br>Contribution of welfare funds(2010.7.9)<br>Agreement on changing the wage system of P3 and higher employees(2010.12.30)<br>Agreement on partially raising employee condolences expenditure(2010.12.30)<br>Regularization of annual paid holidays(2010.12.30)  |
| Shinhan BNP Paribas Asset Management | -   | -                    | 4                                  | 4                 | 100               | Business performances and business plans(2010.3.15)<br>Hearing difficulties of employees and collecting opinions(2010.6.21)<br>Giving out iPhone to employees(2010.9.6)<br>Contribution of welfare funds(2010.12.1)  |

● Percentage of Locally Hired Employees in Overseas Sites

(Unit: %)



● Percentage of Locally Hired Employees by Geography in 2010



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50 Win-Win Relationship through Financing



# Local Community

Disclosure of  
Management Approach

## Management Principle

SFG supports the "Era of Collaboration" and aims to make the world a better place for all members of the society. Adopting a systematic approaches for its social contribution activities, SFG is expanding its contribution to the society. In addition, the Group is encouraging employee participation and continuing its contribution to the Smile Microcredit Bank, as well as increasing investments into social contribution activities. Through these efforts, SFG strives to create mutual beneficiaries with all stakeholders.

## 2010 Progress

- Establishment of a group-wide social contribution organization
- Expansion of investments in social contribution activities and number of participants Bank
- Promotion of the Shinhan Smile Microcredit Bank
- Support for SMEs and investments for the society

## Strategic Direction

- Revitalization of a group-wide social contribution organization
- Expansion of targets for social contribution activities and number of participants
- Diversification of Smile Microcredit Bank program and expansion of beneficiaries
- Diversification of SME support program and investments for the society

## Preparation for the Era of Collaboration



### | Direction of Social Contribution Activities |

Based on the Group's full range of communication channels with various stakeholders, SFG assesses the needs and issues of local communities, and then sets the Group's mid-/long-term strategy and direction for its social contribution activities. SFG currently has set three core tasks –

“Coexistence for Welfare”, “Sympathy for Culture”, and “Symbiosis for Environment” – as its main CSR strategies, striving to provide fundamental and long-term solutions for social issues of local communities.



#### Coexistence

Coexistence means being or living together. Under the strategy of “Coexistence for Welfare”, SFG strives to uphold its corporate social responsibility for social minorities by promoting various supportive campaigns, including job creation and providing support for social enterprises.

#### Sympathy

Sympathy means stimulation of feelings. Under the strategy of “Sympathy for Culture”, SFG seeks to restore the feeling of togetherness in the society by preserving our traditions and cultural values. The Group's concern for cultural preservations encompasses both tangible and intangible cultural heritage.

#### Symbiosis

Symbiosis means living together in union. Under the strategy of “Symbiosis for Environment”, SFG extends investments into environment-friendly energy businesses, and aims to expand green campaigns to raise environmental awareness.

# Practicing Mutual Collaboration through Social Contribution

## | Social Contribution Activity |

SFG continues on a group-wide supports to meet the needs of society via employees' participation in the Shinhan Volunteer Service Group. Each subsidiary is also carrying out highly customized social contribution activities that fit with the needs of local communities that they operate in. In 2010, SFG spent a total of KRW 133,403 million into its social contribution activities, a KRW 34,514 million increase from the previous year. The number of participants in social contribution activities is also on a rise, recording 52,135 persons in 2010. Looking ahead, SFG will strengthen a systematic approach for its social contribution activities, and each subsidiary will endeavor to continue to better serve local communities via customized social contribution activities.

### Volunteering Organization

To maximize the effectiveness of volunteering activities and to proactively respond to the needs of local communities, SFG in April 2010 launched the Shinhan Volunteer Service Group, a group-wide volunteering organization participated by every employee. The organization operates in seven regions of the country, with full support from the Group's Social Contribution Executive Council. By region, the organization selects a regional representative (department manager or higher) and a regional leader (working-level personnel) in order to provide customized social contribution activities that fit with the characteristics of each region.

### ● Investment Costs for Social Contribution

(Unit: KRW in millions)



### ● No. of Participants in Social Contribution Activities

(Unit: persons)



\* The scope of data: Includes all major subsidiaries including Shinhan Financial Group  
 \*\* Social Contribution Investments: 1) The social contribution investments in 2010 include contribution funds and environmental funds carried out by Shinhan Card. 2) The social contribution investments in 2009, which amounted to KRW 98,889 million, do not include KRW 104,000 million provided for credit recovery funds by Shinhan Bank. With this amount, the social contribution investments in 2009 amount to KRW 202,889 million. 3) The social contribution investments in 2008 do not include data from Shinhan BNP Paribas.  
 \*\*\* No. of Participants in Social Contribution Activities: 1) 2008 data do not include data from Shinhan Financial Group and Shinhan BNP Paribas Asset Management.

## CASE STUDY

### SFG Volunteer Festival: the Symbol of Coexistence, Sympathy, and Symbiosis

Every year, SFG opens the "SFG Volunteer Festival", with participants consisting of employees and their family members of all subsidiaries. In 2010, the festival was held for a month from April 21, in which the Group reorganized the Shinhan Volunteer Service Group and announced its efforts for social contribution.

#### Eco-friendly Food Drive for Social Minorities

As the first activity of the SFG Volunteer Festival, the participants provided vegetable boxes to social minorities including senior citizens who are living alone and low-income families. The campaign is a part of the Seoul Green Trust Movement, giving out mini plant pots and vegetable seeds in a box, to provide eco-friendly foods and activities to occupy time.

#### Cultural Heritage Revival through the Touch of Shinhan Employee

To restore and preserve our cultural heritage, SFG carried out a series of "Cultural Assets Protection Activities". Over 1,200 members of the Shinhan Volunteer Service Group and their families participated in the activities, protecting and visiting our cultural heritages, numbering twenty-two in total, including the Gyeongbokgung Palace.

### | Communication with Local Community |

As a responsible corporate citizen, SFG strives to fulfill its role in social contribution by maintaining a communication channel with local community, as well as striving for further economic growth into the future. To effectively carry out social contribution activities, SFG is working together with local civic groups and public organizations to identify the needs within local communities. Shinhan Bank is setting an example by operating a library and cultural space for local residents, thereby improving its brand image. The Bank's building office is remodeled into a children's library, while the conference room of sales department is opened to local residents for social meetings and financial seminars with various topics such as real-estate and taxation. In addition, SFG promotes online communication. As an example, Shinhan Card is making efforts to promote donation by operating "Arumin", a unique website specializing in donation. The website is setup and operated through a various social contribution network to encourage donation.

#### The Story of Shinhan: The Most Beautiful Week in the World

Shinhan Bank annually carries out a smile campaign for the children of low income families in overseas countries. Through the campaign, the Bank provides support for cleft lip surgeries and oral care services to bring smile back on children's faces. In 2010, the Bank's medical service team visited Phnum Penh, Cambodia for a week from March 8, performing surgeries with a punishing schedule: from eight in the morning to the evening. However, none of the members of the team made a single complaint, but instead sympathized with the people who canceled visit due to fear or because they did not have the fare to travel to the hospital. The Bank's medical service team operated 13 patients, giving back their smiles, and carried out oral care services for 212 children. In the future, even without the help from Shinhan, we hope that these children can grow happily with adequate medical benefits.

li-Seop Shin, Social Contribution Team of Shinhan Bank

### | Social Contribution through Culture and Sports |

SFG is committed to conducting a variety of cultural preservation activities in order to revive the interest in traditional culture of Korea. SFG's efforts include campaigns to educate the public about our history and culture, as well as providing sponsorship and supports for diverse cultural and artistic activities. The Group's efforts are passed down to each subsidiary. Shinhan Bank is conducting a "Cultural Asset Love" campaign, as well as Mecenat programs for traditional culture, including "Children's Adventure to Palaces" program and "Traditional Culture Experience" program. Also, the Bank holds the "Shinhan Music Award" event, identifying and fostering outstanding talents in classic music to grow Korean music industry into another level.

In addition to providing support for cultural and artistic activities, the Group sponsors various sports events, such as "Seoul Wheelchair Marathon Competition" and "Seoul Mentally Handicapped Basketball Competition(Shinhan Card)", in order to raise awareness for the disabled and foster talented athletes with disabilities. The Group also operates a woman's basketball team and operates a skating rink, as well as proving supports for unpopular sports such as wushu.

#### ▼The Most Beautiful Week in the World



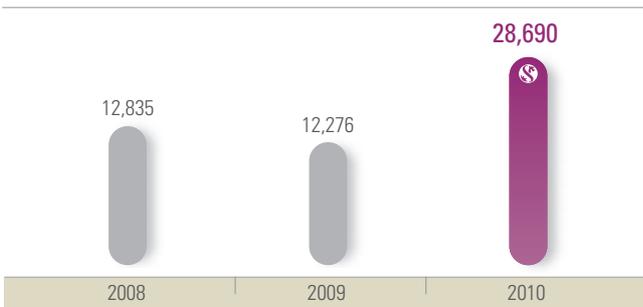
## | Social Contribution through Education |

### Providing Financial Education

The importance of financial education is being emphasized, thus increasing the needs for systematic finance education at early age. To respond to the growing needs for financial education, SFG is carrying out economy education program to foster knowledge on economy. Each subsidiary of the Group offers unique financial education courses, such as basic finance, basic financial transaction, and balanced financial operations, with special education teams to improve the overall quality of programs. In addition to offering education for children and students, SFG also conducts financial education for other various stakeholders, including multi-cultural families, North Korean defectors and lower classes households, as well as immigrant women from multi-cultural families, in order to prevent financial losses incurred from the lack of financial knowledge and to improve financial skills. By subsidiary, Shinhan Bank provides basic financial education for the children of multi-cultural and low-income families, while Jeju Bank conducts economy education for single parent families, as well as offering financial education for multi-cultural families and immigrant women.

#### ● No. of Participants in Economy Education

(Unit: persons)



\* The total of economy education data from Shinhan Bank, Jeju Bank, and Shinhan Card

\*\* 2008 and 2009 data do not include data from Shinhan Card.



### Realization of Sharing through a Scholarship Program

SFG established the Shinhan Scholarship Foundation to support underprivileged students with financial difficulties. Through the foundation, SFG is operating a variety of fellowships programs such as a general scholarship program and a mentoring system, as well as providing support for academic research organizations and educational institutions. For the general scholarship program, the foundation conducts annual evaluation of junior high/high school/college students, from December to the end of January, on the bases of the students' background and school records, in order to select beneficiaries for its scholarship program. In line with the Group's efforts, the number of beneficiaries and the amounts of scholarship are increasing every year, and the foundation provided KRW 1,770 million to 417 students in 2010. For the mentoring system, the foundation selects the beneficiaries for scholarship program among underprivileged college students, who in exchange become mentors for high school students. In 2010, the foundation has supported KRW 404 million for 91 college students, who subsequently visited 39 high schools in Seoul to conduct mentoring education. In addition to these programs, the foundation also provides support for academic research organizations and educational institutions that research in the field of finance, economy, and management. From 2008 to 2010, the foundation has provided support for the after-school study sessions of five to six schools recommended by the Seoul Metropolitan Office of Education, awarding them with KRW 500 million to KRW 600 million every year. Looking ahead, through the foundation, SFG will continue its efforts to offer educational program for underprivileged social group, while cultivating future talents.

#### ● No. of Beneficiaries and the Amounts of Scholarship



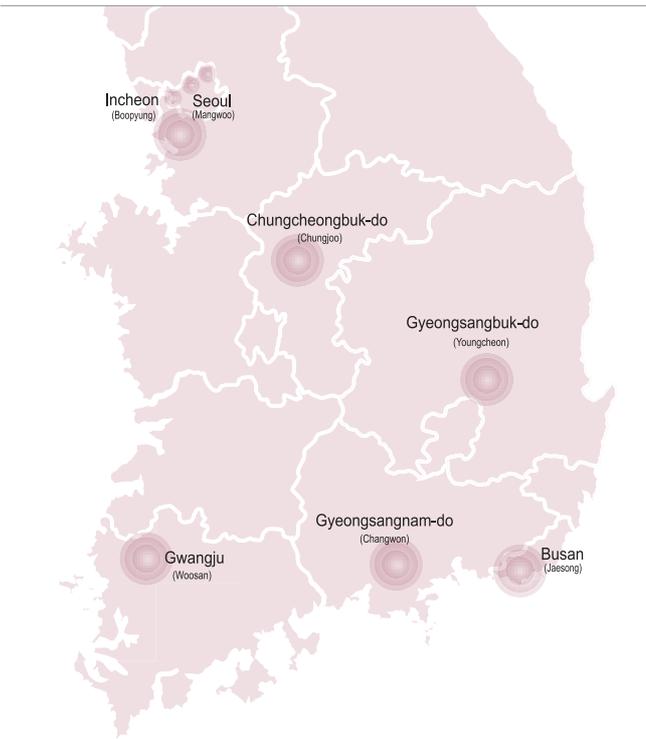
■ No. of Beneficiaries(persons) ■ Scholarship(KRW in millions)

# Win-Win Relationship through Financing

## | Supports for Financially Marginalized People |

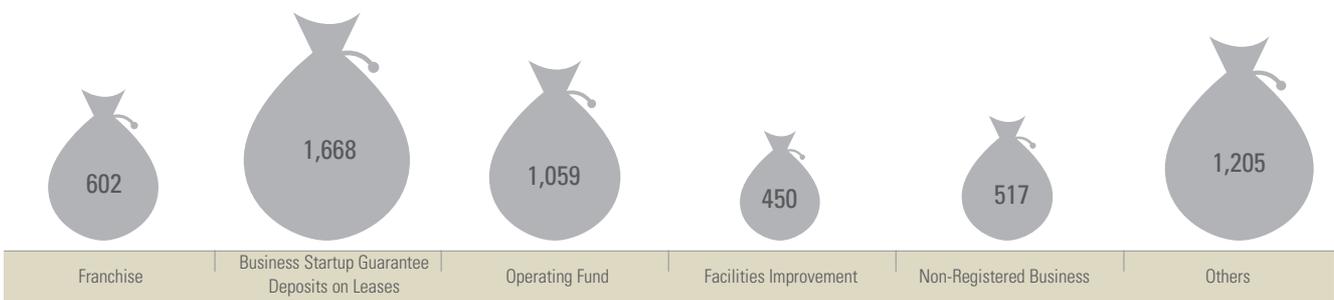
To help financially marginalized people achieve greater social and financial independence, SFG founded the Shinhan Smile Microcredit Bank. For next five years from 2009 to 2013, the entire Group will contribute KRW 70.0 billion to the Shinhan Smile Microcredit Bank and KRW 37.6 billion to the Smile Microcredit Bank, totaling KRW 107.6 billion, to underprivileged groups for supporting their business startups and operation without collaterals and guarantees. As of April 2011, the Group has contributed KRW 30 billion to the Shinhan Smile Microcredit Bank and KRW 34.1 billion to the Smile Microcredit Bank. The Group is operating a total of eight branches as of December 2010, and KRW 5,500.3 million of such loans were made to 539 persons.

Additionally, the Group has introduced new financial products, including the “FLY Multi-Child Family Support” and the “Shinhan Freight Business Support”, as well as expanding the scope of benefit to traditional markets, delivery businesses, and veterans. In 2010, the Group has provided KRW 1,204 million worth of newly developed products. Furthermore, loans granted by the Shinhan Smile Credit Bank topped KRW 16.0 billion as of May 2011, becoming the first financial institution to break this mark, and such loans were made to 1,100 persons. Going forward, SFG will continue its efforts to reflect the needs of communities in the development of financial products, and plans to expand its branches, as well as the borrowing limit of its loans.



● Product of Smile Microcredit Bank

(Unit: KRW in millions)



## CASE STUDY

### Shinhan's efforts to provide a better smile microcredit bank service

To offer better access to its microcredit bank program, SFG is not only expanding the number of branches, but also is conducting a “Visiting Service”. The history of service dates back to February 2, 2010, when the Shinhan Microcredit Bank visited the Bupyeong Traditional Market to receive applications for its loans. Since then, the Shinhan Microcredit Bank conducted 14 visits in 2010 and 30 visits in 2011, totaling 44 visits of the “Visiting Service” and the “Mobile Smile Consultation Center”.

**| Investment for the Society |**

In consideration of social impact and responsibility as a financial institution, SFG is making community-centered investments, such as investing in CSR-centered companies through SRI Fund as well as investing in SOC and providing loans. As an example, Shinhan Card has developed the “Beautiful Card” to encourage cardholders to participate in sharing activities, thereby cultivating the culture of donation.

Additionally, the Group is also putting efforts to make investments into local communities and SMEs. In particular, the Group organized various funds, which will help resolve liquidity problems among SMEs, as well as revitalize local economy. SFG is also waiving commissions for financially marginalized families until the end of 2012. Through these social contribution efforts, SFG is paving the way for the revitalization of local economy and the improvement of the quality of life for marginalized people.

**Support for SMEs**

SFG is contributing its efforts to support technologically competitive SMEs, but with weak financial structures and liquidity problems, by providing them with mid-/long-term loans at prime rates. The Group also provides tailored services for SMEs, including management consulting, investment supports, and M&As management. In addition, SFG is conducting the “Job-S.O.S II” project, which includes programs for supporting SMEs’ employment and reducing interest rates for the leasing of facilities.



**CASE STUDY**

Shinhan Bank’s “Regional Win-Win Fund”, Shinhan Card’s “Beautiful Card”, Shinhan Life Insurance’s “SRI Fund”, “BTL Investment”, and “SOC Investment”

**CASE STUDY**

Shinhan Bank’s SME support program

**Shinhan Smile Story. A relationship that started from a leaflet**

Despite the ambitious plan to be a successful business man, I experienced many business failures in the course of life due to a lack of preparation, as well as misreading the trends in the market. As a result of these failures, my credit hit the bottom, and I had no properties at all. However, to continue on with life, I became a chauffeur and worked day and night, but I could barely pay for tuition for my children. Along the way, I also opened a Jokbal restaurant, but the cost of domestic pig’s trotters hiked almost twice after the foot-and-mouth disease hit Korea. Accordingly, the profitability of restaurant was slashed tremendously, and I was pressured to the point that I was about to give up everything. Then, I had a chance to meet an employee of Shinhan Smile Microcredit Bank. Suspecting that it was a private moneylending business, I listened absently to the employee’s explanation. But due to further business trouble, I revisited the Shinhan Smile Microcredit Bank. This time, I consulted everything from the location to general operation of new business. Thanks to the help of the Shinhan Smile Microcredit Bank, I could open the world’s best seafood kalguksu restaurant. At first, I dismissed the Shinhan Smile Microcredit Bank’s claim that it is there to revitalize the livelihood of ordinary people, but now I know that this statement is true. My family would like to express our gratitude to the Shinhan Smile Microcredit Bank for helping us stand up one more time.

# Subsidiaries Social Responsibility Management

- 53 Shinhan Bank
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# Shinhan Bank

Beautiful Bank, The Sprout of Hope



## | Social Responsibility Management of Shinhan Bank |

The 'first class bank becoming pride' which is the vision of Shinhan Bank is filled with an intention to become a bank aiming toward the ideal where all stakeholders can become its pride.

We are setting our goal as providing the pride, hope and value which transcends the expectations that the bank can provide until we set our position as a bank where various stakeholders all people including our customers and employees.

Based on the management strategy filled with the intentioned of giving pride and hope to stakeholders, Shinhan Bank has set the social responsibility management vision as 'Hope-Sharing for future generation' to establish and perform the strategy of giving shape to this vision.

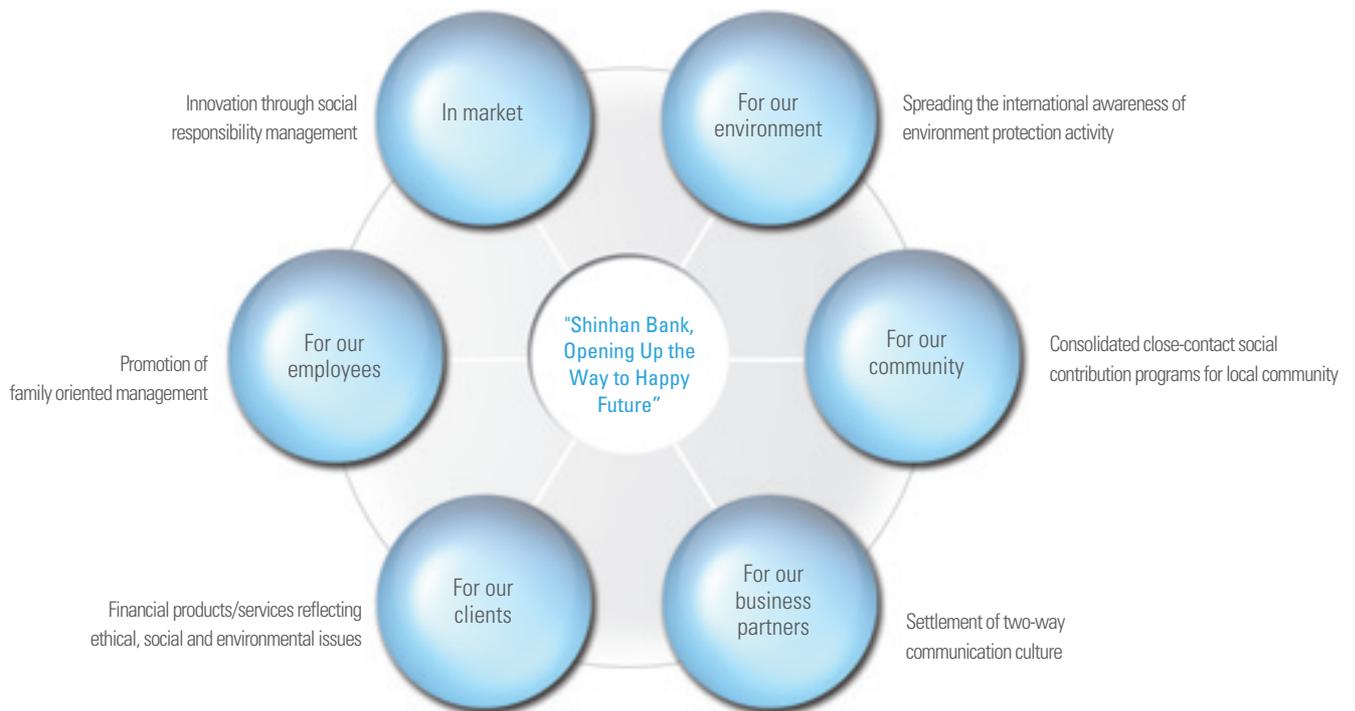
### Our efforts as Corporate Citizen

Social contribution activity

### Our efforts for Environment

Green management activity

### ● 'Shinhan Bank Social Responsibility Management' Objectives



**| The Multilateral Social Responsibility Management of Shinhan Bank |**

Shinhan Bank is performing social responsibility management reflecting the characteristics of industry according to the mission of ‘benefiting the world with the power of banking’. The regional volunteer group under Shinhan volunteer group is organized while communicating with the local community by performing volunteer service for the region where the business site is located. In addition, it is practicing the life of gaining more by sharing more through steady social welfare activity, art and physical fitness support including academics, release of public interest products promoting social contribution activity and eco-friendly management.

**Region Oriented Social Contribution Activity:**

- Small and Medium enterprise employment creating support project
- ‘Making Beautiful Village’ activity created with local residents
- Preserving about 70 cultural assets using about 1,200 branches nationwide ‘One Keeper for One Cultural Asset Relay’
- The volunteer service activity connected with region by each operations division

**Steady Social Welfare Activity:**

- ‘Blood-Organ Donation of Love’ participated by all executives and employees
- Settlement of donating culture participated together by employees and customers
- Underprivileged class support project through public corporation

**Promotion of Support on Various Social-Cultural Areas:**

- First bank to operate a “Korean Financial History Museum”
- Financial economics education for future generation
- Sending teachers abroad project
- Opening of Shinhan musical awards and operation of Shinhan gallery
- Operation of Shinhan S-Bird women’s basketball team

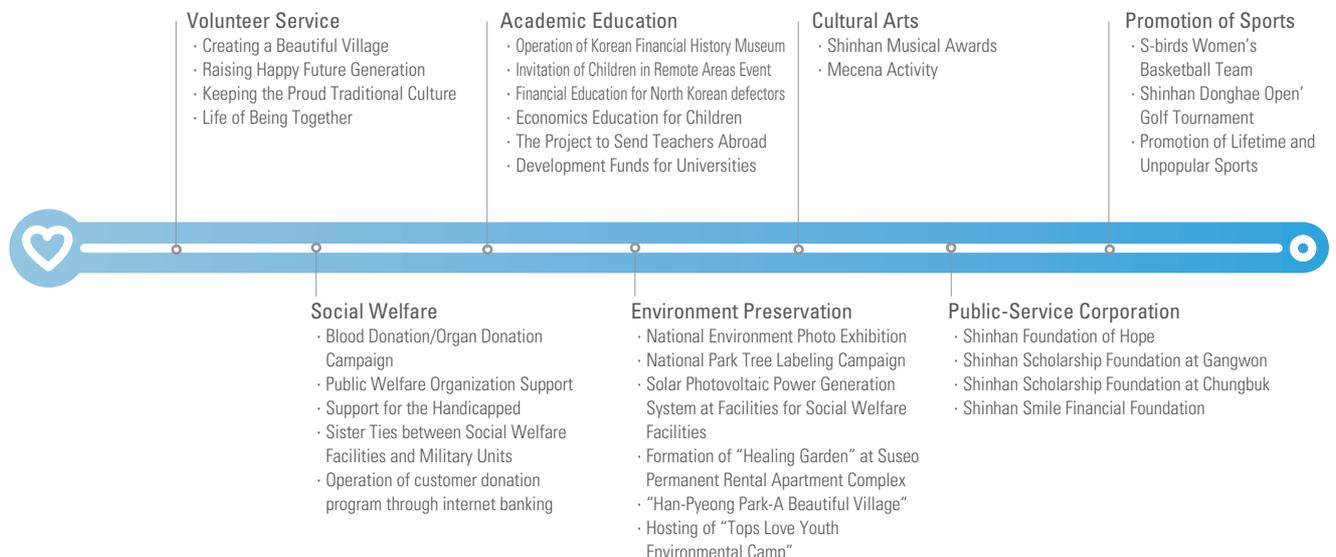
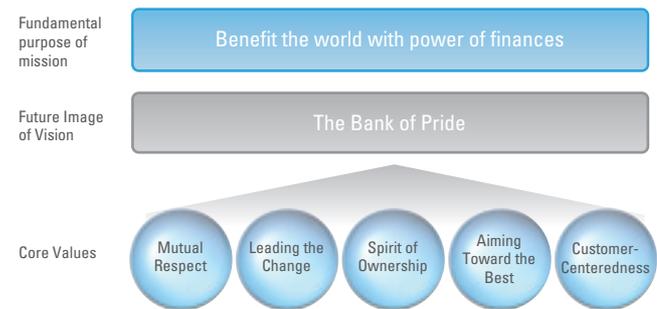
**Release of Public Interest Products:**

- Shinhan monthly compound interest installment savings, national pension assurance account, Job S.O.S
- Hope installment savings/hope corporate account, Hoguk fixed deposit

**Eco-Friendly Management:**

- Solar energy generating facility support of welfare facility, National Park Tree Labeling Campaign
- Various eco-friendly management activities including national environment photo contest exhibit

● Management Philosophy of Shinhan Bank



## Our efforts as Corporate Citizen

: The exclusive social contribution activity of Shinhan Bank

### | Differentiated Financial Support of Small and Medium Enterprises |

Shinhan Bank has provided actual benefits to small and medium enterprises by implementing the guarantee fee system as the first in the financial circles through special contribution of trust guarantee fund and technology credit guarantee fund while implementing the diversified and differentiated exclusive small and medium enterprise support policy of Shinhan Bank such as releasing 3 types of new products on corporate credit for small and medium enterprises or 'interest rate exemption system compared to facility' for small and medium enterprises with weak financial structure and having difficulty in liquidity although the technology is outstanding.

|                          | Guarantee Fee Support through Special Contribution to KCGF-TCGF | Interest Rate Exemption Compared to Facility of Small and Medium Enterprise | Enterprise Release of 3 Types of New Products on Credit for Support of Small and Medium Enterprise |
|--------------------------|---|---|--|
| Limit and Support Amount | Limit of 3.7 Trillion Won                                       | 1,355 Billion (As of December, 2010)  | Limit of 2.3 Trillion  |
| Enforcement Period       | December, 2010  | August, 2010  | June, 2010   |

### | Create Employment for Small and Medium Enterprise Project |

Shinhan Bank has created about 3,000 employments through 'Job S.O.S 4U project performed until August, 2010 based on 37 billion won formed by voluntary return of salary by all employees. Subsequently, the 'JOB S.O.S II Project' which is newly under performance since August, 2010 is a program supporting 'installment savings of hope' to newly hired workers of small and medium enterprises by 300,000 won a month for 3 years and evaluated as a differentiated employment creating project. In addition, the 'Shinhan Hope Employment Expo' was held in October, 2010 and May, 2011 to prepare the opportunity of connecting small and medium enterprises and young job seekers while planning to make the best effort to solve the problem of youth unemployment and for the small and medium enterprises to raise sustainability by securing outstanding workers by creating 5,000 jobs until the first half of 2011.

#### ● Job-S.O.S 4U Project Performance (April, 2009-August, 2010)

|                    | Small and Medium Enterprise Employment Support Program  | Raise of Accounting Workers and Employment Connection for Social Enterprises   |
|--------------------|---|--|
| Details            | Supporting 80% of salary for 1 year if a regular employee of small and medium enterprise is newly hired | (Preliminary)Support of accounting worker training cost and labor cost of 1 year if a social enterprise hires a professional accounting worker |
| Created Employment | 1,178 Companies 2,980 People  | 148 Companies 191 People   |
| Financial Source   | 37 Billion Won (Voluntary return of salary by employees)  |  |

#### ● JOB S.O.S II Project Performance (In progress, August, 2010 ~ 2014)

| Supporting Enterprises | Created Employment | Financial Source                        |
|------------------------|--------------------|---|
| 1,074 Companies        | 3,019 People       | 56.4 Billion Won (Shared by Affiliates) |



▲ The Reorganized Beautiful Bank Homepage

### | Blood Donation/Organ Donation of Love |

The 'Blood Donation Campaign of Love' where all employees and customers participate by the supervision of YF(Young frontier) and GF(gal force) that are young leader organization of Shinhan Bank in order to share dreams and hope with the children suffering from leukemia and pediatric cancer is being held at the main office auditorium and blood donation bus touring the branches nationwide. Also, since Shinhan bank has performed signing of organ donation pledge campaign with 'Organ Donation of Love Headquarters' in July, 2005 in order to participate in making hopeful society come true by participating in the voluntary organ donation pledge movement of love, about 2,100 people have participated in the organ donation pledge since 2010.

1,700 People

2010 Blood Donation Status



2010 Support to Organ Donation of Love Campaign Headquarters  
20 Million Won(1 catapult, production of organ donation registration card)  
5 Year Sum In a Total of 75 Million Won

### | Korea Financial History Museum |

Shinhan Bank has established a specialized museum on financial history for the first time in our country to view the financial development of our country at a glance and help the understanding of general public toward finances. About 4,000 related materials including main documents, books, negotiable securities, photographs and objects since the introduction of modern finances are exhibited. Various experience corners such as children's experience study or permanent experience of economy education corner, etc have been prepared while being operated to raise general understanding on financial education through 'Shinhan Economic Academy' which is an exclusive education site for financial economy education.

28,559 People

2010 Korea Financial History Museum Visitors



## Our efforts for Environment

: The exclusive green finances/management activity of Shinhan Bank

Shinhan Bank is making challenge toward greater future based on uncommon philosophy of raising values on all interested parties, pursuing coexistence while cherishing the society and environment beyond maximizing the value of company.

Also, Shinhan Bank that has introduced environment friendly management to keep the pace with trend of times when the role of banks toward environment is being emphasized is trying to fulfill the social responsibility of bank by extended development of green financial products or setup of green corporate evaluation model of this year supervised by the Ministry of Environment this year as well as the environment protection activity to hand over beautiful and clean environment to the children. Even in the future, we'll lead the green financial market through various green management activities of our bank.

### | Green Support for Customers |

#### Green Industry Support

Shinhan Bank had started supporting first among the domestic banks in the field of solar energy generation to separately release Shinhan solar power loan while releasing 'Shinhan green growth loan' giving loan interest and fee privileges on companies operating green energy industry such as renewable energy · LED, etc, companies operating low carbon ·high efficiency new growth engine industry or companies possessing environment related certificates. We are also actively supporting the environment policy to reduce greenhouse gas discharge by supporting 889.8 billion won in energy use rationalization funds.

#### The Support to Induce Environment Friendliness

The hope energy installment savings was released for saving energy and practicing green life by individual customers while also spreading plans to practice green life through e-mail and homepage. We're also continuing support to raise environment awareness by hosting the youth environmental resource volunteer camps as well as environmental photo contests and exhibitions. We're planning to extend credit support on environment friendly companies and reflect environment friendliness on credit rating starting with 'tax-exempt green fixed deposit ·green loan' supporting funds raised from personal finances to companies that have received green certification at low interest.

|                             |   |   |
|-----------------------------|---|---|
| Promotion of Green Finances | <ul style="list-style-type: none"> <li>Differentiated green financial product/system</li> <li>Green support for customers</li> </ul>                  | <ul style="list-style-type: none"> <li>Renewable energy business support</li> <li>Promotion of new carbon finances project</li> </ul>                 |
| Leading Green Management    | <ul style="list-style-type: none"> <li>Settlement/operation of green Management system</li> </ul>   | <ul style="list-style-type: none"> <li>Independent greenhouse gas reduction activity</li> <li>Green purchase activity ·green communication</li> </ul> |
| Environment Risk Management | <ul style="list-style-type: none"> <li>Incentive support on green companies</li> <li>Environment risk management/credit System improvement</li> </ul> | <ul style="list-style-type: none"> <li>Raise/operation of green specialist group</li> </ul>   |

### | Leading Green Management As A Sound Corporate Citizen |

Shinhan Bank is continuing a differentiated green management activity in the field of environment for sustainable management as a sound corporate citizen.

#### Planting Tree and Tree Label Attachment Project

Shinhan Bank is steadily planting trees which is the only source of reducing carbon while awakening the nature protection awareness to mountain climbers by attaching tree label with nature friendly details at main national parks nationwide or Seoul Grand Park or Yongsan War Memorial.

**990** Million Won

2010 Accumulated Amount of Support



Attached 34,254 labels at 20 Places including Deokyusan(2,206), Seoul Grand Park(1,613), Naejangsan(1,500)

#### Performance of General Achievement Evaluation Contest on Carbon Neutralization

The general achievement evaluation contest which is the greatest event of Shinhan Bank was performed as carbon neutralization event by recycling of resources, use of public transportation and Onmapi campaign. In particular, the banner used in this year's events were recycled into pencil cases and bags, which were eventually awarded to employees as a prize.

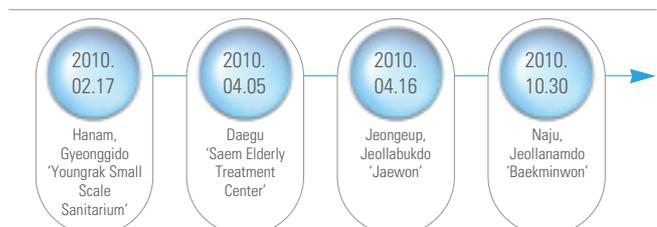
#### Setup of Solar Energy Power Generation System and Rooftop Garden at Welfare Facilities

For the participation of coping with global warming by underprivileged people, Shinhan Bank is supporting the setup of solar energy power generation system and rooftop garden at welfare facilities for physically disadvantaged, etc.

#### Raising Employee Awareness and Raising Specialists

The steady education to cope with climate changes by employees under organization is in performance while cheering for practicing together and performing green specialist raising education through green life practice pledge by each individual

#### ● 2010 Solar Energy Power Generation System Setup of Welfare Facilities



# Shinhan Card

Beautiful World, Beautiful Support



## | Sustainable Management of Shinhan Card |

Shinhan Card is clearly communicating its performance and plans to inner and outer interested parties including customers, shareholders and local community, etc for making social and environmental values come true along with economic value while pursuing sustainable quantitative and qualitative growth by doing so.

For the sustainable growth, Shinhan Card is dividing the task of practice by each stage after dividing the management strategy into introduction stage, settlement stage and proliferation stage. In 2010, it has set up the sustainable management system along with making 'sustainable management' strategy task using characteristics of financial industry such as environment and public interest products come true to move up the 'sustainable management' of Shinhan Bank.

### Our efforts as Corporate Citizen

Social contribution activity

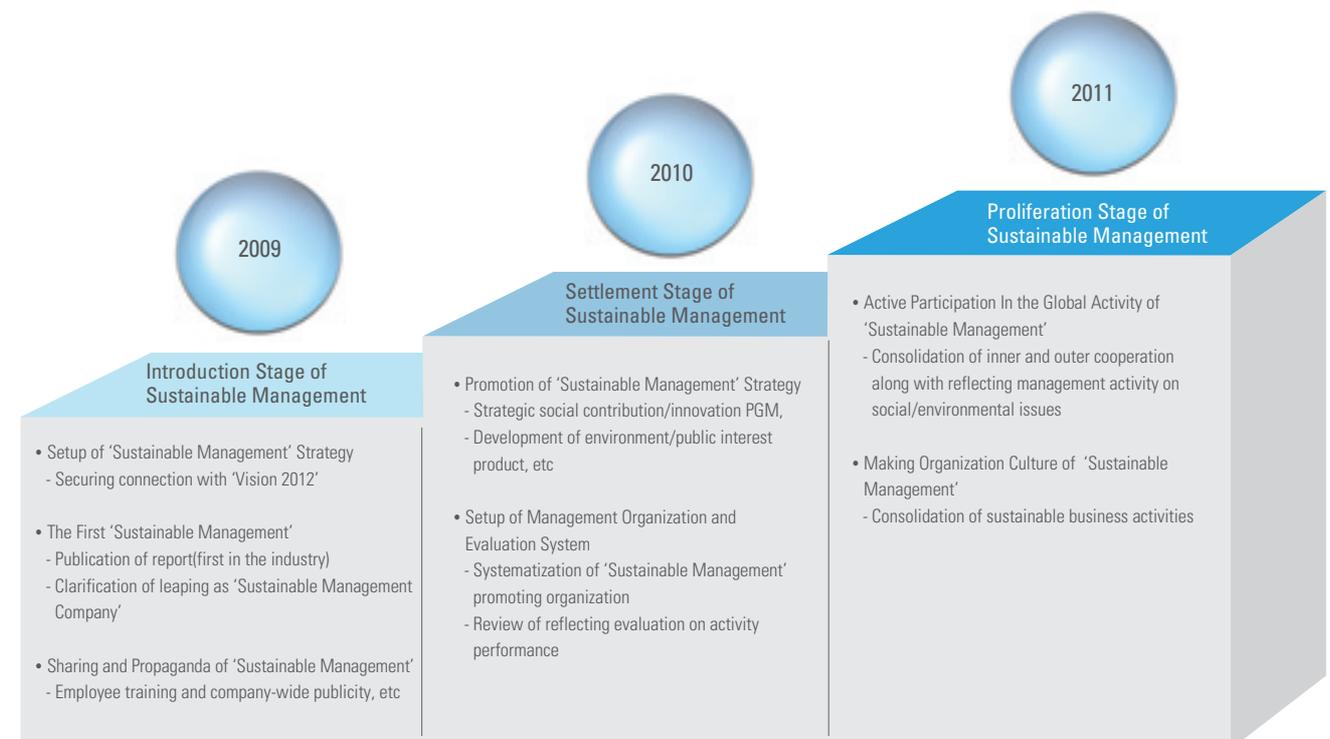
### Our efforts through education

Education activity

### Our efforts for Environment

Green management activity

### ● 'Sustainable Management' Strategic Master Plan



## Our efforts as Corporate Citizen

: Social Contribution Activities

### | Social Contribution Activity Promotion Objectives and Strategy |

Shinhan Card is spreading the corporate activity of pursuing the happiness of entire society where the company belongs to. For this, the ‘strategic social contribution activity’ that can highlight the advantage of company called credit card business while making a ‘systematic social contribution activity’ where continued activity and support are possible. We are providing the best donation solution to practice this. A total of 18.6 billion won was donated through various social contribution channels of Shinhan Card throughout the year of 2010 with the increase of 1.6 billion won compared to previous year. Also, we are contributing to the settlement of ‘1 man 1 good deed, 1 company 1 good deed’ culture through the setup of social contribution network and settlement of volunteer service culture by employees \_customers. Not only that, but we are supporting various social contribution activities such as ‘Seoul Social Welfare Walking Contest’.

#### Providing the best donation solution:

Operation of the first donation Site of financial world <Areumin>  
 Issue of one and only exclusive donation card <Beautiful Card>  
 Donation through the first smart phone app of financial world, “Smart Shinhan”

#### Setup of Social Contribution Network

Setup of social contribution network together with NPO, Shinhan Card, affiliates and customers

#### Settlement of Volunteer Service Participation Culture

Operation of <Areumin volunteer group> organized as employees  
 Operation of “Customer volunteer group” organized as customers

### | Areumin |

Areumin’ is one and only exclusive donation site of financial world and we’re making effort to settle down the donation culture in small amounts by multitude through this. Currently, as we had set up network with about 170 public interest groups, we’re providing the opportunity for customers

to easily and conveniently participate in the donation culture. We’re also supporting information sharing and participation activity on social contribution activity through internet bulletins such as Areumin Participation Area and Donate, etc. The donations of Areumin is used in various fields of society including environment, handicapped, women, children/youth, elderly and culture arts while about 3.7 billion won(as of May, 2011) has been collected so far .

\* ‘Areumin’ means beautiful people

### | Beautiful Card |

For the spread of donating culture, Shinhan Card is issuing ‘Beautiful Card’ which is one and only exclusive donation card in the country and this is a card made for only donation without additional benefits for members. For the donation method, the partial donation, periodic donation or fixed and periodic donations are possible at the same time while you can also donate by making payment with credit card in addition to donating with points. We’re also reserving 0.5~0.6% of used amount donation exclusive ‘Areum Point’ while you can donate to a desired place among the donation areas in each of about 400 fields in the society through ‘Areumin’ which is an exclusive donation site.

#### ● Areumin and Beautiful Card Donation Status

(Unit: Million Won)



## Our efforts through education

: Education Activity

Shinhan Card is supporting the formation of environment friendly reading environment for supporting the growth of future generation while planting dreams toward future for them by delivering vivid sound of knowledge and reality related to economy - finances - credit such as economics education for youth along with educational environment support project.

### | Areumin Library |

Shinhan Card is providing environment friendly reading environment for underprivileged children and youth through Areumin Library support. We're performing the project of making environment friendly libraries targeting about 230 regional youth centers nationwide for about 1 year from November, 2010 to October, 2011.

#### We are supporting environment friendly improvement of learning environment

We're supporting the organization of environment friendly interior space along with eyesight protection lighting, harm-free wallpaper and floor pad for the formation of pleasant and safe reading environment using environment friendly materials. We're also continuing the activity of replacing aged study tools for the environmental improvement of poor regional youth centers.

#### Books recommended for children and youth are supported

We're providing various things to read and pleasant reading environment along with support of reading environment. About 1,000 books recommended for children and youth are supported for each center. Not only that, but the online reading encouragement events such as book report, etc are performed every month.

#### Book computerization system and online community are supported

We're supporting online community for encouraging systematic book management support along with steady and qualitative reading program within the center. We're also encouraging online community activity for sharing activity and communication between centers.

### | Economics Education for Youth |

We're actively participating in the - Financial Education Network for Youth - with the Financial Supervisory Service to raise . corporate image and brand value targeting youth who are potential customers of the future while consolidating the relationship with the Financial Supervisory Service at the same time. From December, 2009 to December, 2010, the education was performed targeting about 15,000 students in 34 elementary, middle and high school in Seoul and nationwide. We're also providing the opportunity of financial education for the youth of

underprivileged low income families by providing education once a month in connection with 'Areumin Library' which is the main social contribution activity of Shinhan Card related to education while contributing to growth of sound financial ability by doing so. The economic education of youth by Shinhan Card had received the FSS director's award recommended by FSS in the '2010 Kyunghyang Financial Education Awards'.

**15,000** People

Participants of Economics Education for Youth



## INTERVIEW

*Children and Future, Executive Secretary* **Doo Joon Park**

Shinhan Card Areumin Library is a project preparing the basis for complete self growth of children while striving for emotional stability by supplying recommended books for children/youth of underprivileged area and forming pleasant reading environment as a project to improve poor reading environment and study area of regional youth centers nationwide. We're trying to spread a steady development and support of reading program, connection of volunteer service group activity with university students targeting outstanding activity agencies or groups and public agencies of various sectors, seasonal camp targeting outstanding students(reading camp) along with book sharing publicity campaign targeting regular citizens(customers). Though this, we're expecting to gain social trust called an ethical company contributing to improvement and solution of awareness on social problems toward knowledge education along with development of social welfare.

### | Youth Support Project |

The effort for youth by Shinhan Card also stays together with their social contribution activity and cultural activity along with the support through education. We're supporting scholarship by selecting 10 'beautiful youths' with clear dreams and hopes toward the future year since 2006 to provide the opportunity of volunteer service of restoring to society by donating their talents. Not only that, but we're performing 'our happy club' support program of supporting club activity of children and youth of low income families since 2010. We're currently supporting 8 clubs including orchestra, dance and ballet, etc while providing the opportunity to restore their talents to the society through culture sharing performance.

## Our efforts for Environment

In pace with the promotion of green growth and policy based promotion of new growth engine industry that are important visions of the government, Shinhan Card is inducing green consumption of customers while trying to fulfill the roles and responsibilities as a leading business in the industry by discovering and promoting the factors that can be implemented and steadily promoted to support the environment friendly industry.

### | Green Management |

Shinhan Card is inducing green consumption and supporting environment friendly industry in pace with raising related industries as green growth and new growth engine of the country. We're practicing the following plans in order to promote the green management of Shinhan Card.

1. Development of green product/service: Release of eco products, new establishment of exclusive eco corner within shopping mall
2. Spread of green marketing: Joint promotion of green marketing with environment friendly distribution stores, spread of prior occupation marketing on hybrid cars
3. Improvement of environment friendly process: Applying card plate of environment friendly material, Downsizing and improvement of printouts/distributions such as bills

## ISSUE

### Decorating 'Beautiful Namsan' by Beautiful People

Shinhan Card is spreading an ecological environment protection support activity with 'Namsan' which is the symbol of our national spirit as the base in connection with the green management. Activities such as outdoor botanical garden environment cleaning activity and decorating theme garden, etc are performed periodically on the second week of every month while spreading nature protection activity based on Namsan circulation highway at the north on fourth week of every month. We have also performed 'Decorating Namsan' volunteer activity to face spring and plant removing volunteer activity for protecting the ecosystem of Namsan.

### | The Effort of Shinhan Card toward Green World |

#### Donation of Used PC

We're contributing to 'low carbon green growth' such as donating 750 used PC's by participating in the 'Seoul IT Hope Sharing World' supervised by city of Seoul.

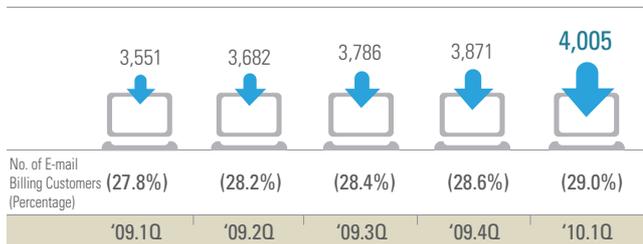
#### Greenhouse Gas Reduction Activity

We're saving discharge of indirect greenhouse gas and saving fuel costs at the same time by reducing the movement from business trips related to regional/local headquarter meetings through video conference system. Not only that, but the cars for business are replaced from mid-sized cars to semi mid-sized cars to reduce greenhouse gas as well as raising the energy efficiency.

#### Change to E-mail Bills

We're contributing to saving resources and environmental protection by extending e-mail bills while about 4 million people(based on credit cards as of April 1, 2010) are participating in this effort.

(Unit: Thousand People)



#### Compact Car Love Card and No-Driving Day Program Card

Followed by encouraged use of compact cars by the government, the compact car love card issued to refund part of oil taxes for compact car owners. Not only that, but the no-driving day program card is providing automotive tax discount service for car owners participating in no-driving day program.

#### New Establishment of Environment Friendly Products within Shopping Mall

We have newly established a corner on targeted products such as environment friendly daily supplies or organic products, etc to spread green marketing to induce customers to practice environmental protection.

# Shinhan Investment Corp

The Society of Sharing and Living Together



## | Social Responsibility Management of Shinhan Investment Corp |

Shinhan Investment Corp is spreading various social contribution activities in order to make the 'society of sharing together and living well together'. Followed by launching volunteer service group 'New Love' in 2006 starting with volunteer service club in 2002, we've been practicing social contribution for the last 10 years such as forming executive practice group of social contribution in 2010. Shinhan Investment Corp is setting up top 3 visions of social contribution and the strategies to follow in order to make social contribution activity more specific and perform systematically. The top 3 visions of our company are regional social contribution through cultural art support, setting up the society of living together through support of underprivileged class of people and raising talents of future generation by cultivating future generation while setting up the strategies and corresponding tasks for executing each vision.

| Vision   | Strategy   |
|--|--|
| Regional social contribution through cultural art support                                    | Using resources owned by our company<br>Cultural artist support<br>Contributing to local community                           |
| Setting up the society of living together through support of underprivileged class of people | Support of underprivileged class<br>Coexistence of city and farms<br>Participation of social contribution by all employees   |
| Raising talents of future generation by cultivating future                                   | Expressing hope of future generation<br>Providing high quality financial education<br>Shinhan scholarship foundation support |

## Our efforts as Corporate Citizen

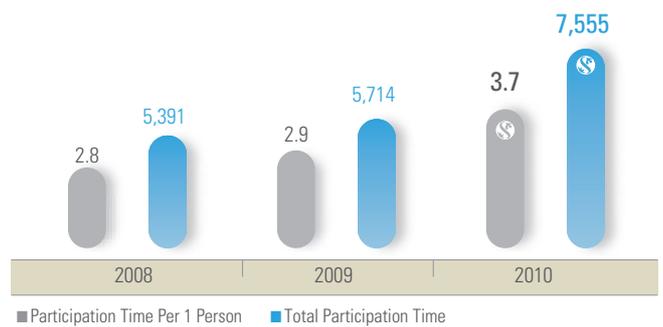
- Setting up the society of living together through support of underprivileged class of people
- Regional social contribution through cultural art support
- Raising talents of future generation by cultivating future generation

## | Social Contribution through 'New Love' |

Shinhan Investment Corp is operating a company-wide volunteer service organization called 'New Love'. All employees belong to a volunteer service activity organization of each region while the organization of each regional unit is formed by regional representative or leader and organization members. The number of volunteer activity participants in 2010 is 830 people and reduced by 8% compared to previous year while the participation time of volunteer activity is 7,555 hours (9.1 hours per person). Although the volunteer service participation time was somewhat reduced by performing more systematic and specialized volunteer activity, the participation time was increased by performing periodic and planned volunteer activities.

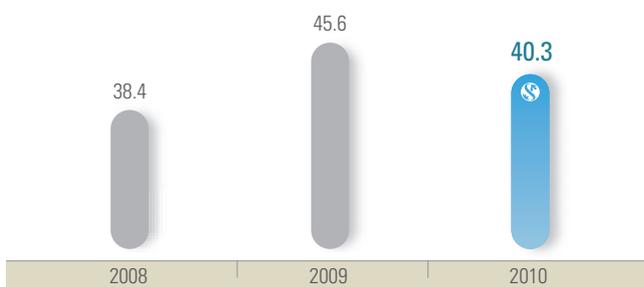
### ● Volunteer Activity Participation Time

(Unit: Hours)



### ● Ratio of Volunteer Activity Participants

(Unit: %)



**| Setting up the society of living together through support of underprivileged class of people |**

Shinhan Investment Corp is operating the support of underprivileged class activity, coexistence of city and farm activity and participation of social contribution by all employees activity, etc while the activity details followed by main strategies are shown as the table below. Especially, the ‘Moa Moa Happy’ event which is a leftover amount donation program of less than 10 thousand won from the monthly salary is a unique fund raising method for underprivileged class of Shinhan Investment Corp and all employees are participating in the program. We’re also spreading social contribution activity on social events requiring urgent help along with steady and periodic social contribution activities such as helping underfed children and premature babies, sister tie of 1 company 1 village relationship and visit to other facilities, etc.

| Support of Underprivileged Class   | Coexistence of City and Farm  | Participation of Social Contribution by All Employees   |
|--|---|---|
| Preparing the stepping stone for our neighbors who are at the shady spot of our society to live by becoming independent. | Sharing warm affection by maintaining close ties of 1 company 1 village relationship. | Participation of social contribution activity by all employees through a unique fund raising method for underprivileged class of our company called ‘Moa Moa Happy’ |

**Social Contribution through Donation**

The pure amount of donation by Shinhan Investment Corp is 1,319 million won reaching up to 0.94% of net profits. Our company is operating various employee participation system to practice an active donation activity. First, we’re operating the ‘Moa Moa Happy’ event which is a leftover amount donation program of less than 10 thousand won from the monthly salary and this system is taking place as the main employee donation program of our company. Not only that, but we have donated the entire profits from asset bazaar performed with Korea Children’s Foundation and donated the sales profits by opening up a handmade card exhibition.

**Coexistence of City and Farm**

We’re helping the shorthanded rural area through coexistence of city and farm program while contributing to the vitalization of regional economy. We’re operating repair and remodeling of village as well as helping the shorthanded rural area through 1 company 1 village relationship activity while spreading the event to help the economy of rural area through promotion of direct sales market by opening up 1 company 1 village agricultural product market. Not only that, but we’re performing an event of purchasing agricultural products through rice sharing event to donate this to underprivileged class while the agricultural product in the amount of 17 million won was purchased in 2010 to be handed out to the underprivileged class in Youngdeungpo-gu area.

**Support of Underprivileged Class**

Shinhan Investment Corp is preparing a stepping stone so that the vulnerable and underprivileged class of our society can live a better life. We’re practicing love toward our neighbors through vegetable garden sharing of love event, making kimchi and New Year’s day sharing activity, etc. We’re also performing various events related underprivileged elders such as free rationing for underprivileged elders or Parent’s Day water bottle sharing event, etc. We’re also joining the improvement of social awareness toward multicultural families through events such as performing repair of houses for the children of multicultural families. Especially, Shinhan Investment Corp is operating various programs for the handicapped. We’re performing the activity of inviting families of blind people during spring flower festival of each year to let them hold the memory of spring flower. We’re also spreading the support of event on international wheelchair marathon, etc. Not only that, but we’re planning to extend the employment of blind people in the future although the employment rate of blind people is remaining at a low standard of 0.05% at this time in relation to the employment policy of blind people. We’re also giving a lot of help on the damages created by social issues that are created along with such areas that Shinhan Investment Corp is steadily making effort on. We had spread an event of supporting rice to Yeonpyeongdo residents after the Yeonpyeongdo incident of 2010.



**| Regional social contribution through cultural art support |**

Shinhan Investment Corp has the vision of local community contribution activity through cultural and arts support while considering the main strategies as using resources owned by our company, cultural artist support and contributing to local community in order to implement this. We had spread a handmade card exhibition and sales event with Holt Children’s Welfare Center at the first floor lobby of main office in December, 2010 to use the entire profits for the underprivileged class. Not only that, but we are supporting artwork exhibition for painters while supporting the cultural arts activity of local community by operating Shinhan Investment Corp gallery.

| Using resources owned by our company   | Cultural artist support  | Contributing to local community  |
|--|--|--|
| Using first floor lobby and outdoor lobby of our company as exhibition area of cultural artworks | Contributing to the development of cultural arts industry by providing cultural artwork exhibition area for poor cultural artist | Providing leisure of life by exhibiting cultural artworks for people living and working in Yeoido area |



**| Raising talents of future generation by cultivating future generation |**

The effort to raise talents of next generation by Shinhan Investment Corp is providing financial education using the characteristics of industry called financial industry along with the scholarship project for future generation. We’re contributing to raising the talents of next generation while helping youths of low income families at the same time by contributing a total of 5.05 billion won to Shinhan Scholarship Foundation in 2005 and 2009. We’re also performing the project of delivering hope to the children suffering from pediatric cancer, etc through education. In July, 2010, an economics education was performed at places like main office and Shinhan Bank financial museum for about 20 blind children of Siloam. The economics lecture that can be easily understood was performed on these children while performing account opening experience, visit to financial history museum and economy gift giveaway event at the same time. We’re providing high quality financial education using the nature of financial industry for normal children and youths along with the financial education for these underprivileged children while also opening up economics academy for university students.

| Expressing hope of future generation  | Providing high quality financial education   | Shinhan Scholarship Foundation support  |
|---|--|---|
| The support activity for planting the appearance of beautiful society for children struggling with pediatric cancer or underfed children, etc | Supporting to become financially independent by having proper view on economy through specialized education programs such as economics education for children that has highlighted the characteristics of investment company | Contributing to raising the talents of next generation through donation of support funds to the scholarship foundation of Shinhan Financial Group |

● Providing Youth Financial Education

| Year | Subjects                                   | Details                                   |
|------|--|---|
| 2010 | 20 people from Siloam Center for the Blind | Opening account and financial museum, etc |
| 2009 | 40 people from Yoonjung Elementary School  | Basic education of stocks and funds, etc  |
| 2008 | 40 people from Siloam Center for the Blind | Basics of finances and currency, etc      |

# Shinhan Life Insurance

36.5 Love, 365 Forever



## | Social Responsibility Management of Shinhan Life Insurance |

Shinhan Life Insurance is promoting sustainable management in order to achieve New Leader of life insurance while trying to be more greatly responsible for customer values which is not the outer scale. We're also implementing the image of new life insurance leader where the value followed by accomplishment of vision is shared to all interested parties along with growth of the company. Especially, the '36.5 Love, 365 Forever' was decided as slogan of Shinhan Life Insurance in order to practice the activity for society while growing as a company which fulfills social responsibility of living together by steadily operating various volunteer activities such as having 1 man account campaign for helping underprivileged neighbors or saving chump change of salary campaign, etc. Especially, Shinhan Life Insurance is dreaming of green life through the investment of think about the society and environment such as low carbon green financial product and SRI fund, etc.

## Our efforts for Environment

Investment for environment

## Our efforts as Corporate Citizen

Investment for society

## | Activity of Interest Parties |

Shinhan Life Insurance has established a sustainable management mission targeting main interested parties such as customers, shareholders, local community and employees of company while promoting by having intentions for sustainable management. The optimum insurance policy and providing services for abundant life of customers is determined as activities for customers while spreading

sustainable management for employees by providing workplace where employees and insurance agents make their dreams and happiness come true. We're also guaranteeing profit of shareholders by providing the best corporate values to our shareholders. In order to practice the mission by such interested parties effectively, we're selecting and operating main strategies and details to practice by each interested party.

| Interested Party | Main Strategy   | Details to Practice  |
|------------------|---|--|
| Customer         | A. Company-wide CS innovation                         | Setup of exclusive CS organization<br>Extension of customer support center by region<br>Extended operation of call center<br>New establishment of CS consultation body   |
|                  | B. Development of customer centered new products      | Leading children's insurance market<br>Consolidation of assurance insurance policy (life, health) - Shinhan Big Life Life Insurance  |
|                  | C. Providing joint service of group companies         | S-MORE service<br>Operation of group integrated top customer service<br>Extended insurance benefit payment service at bank windows   |
| Employee         | A. Consolidation of communication within organization | Extended CEO communication<br>Extension of communication channels<br>Performance of various emotional events- NEW LEADER advancement contest   |
|                  | B. Operation of performance based fair organization   | Field based reorganization of main office - Smart, Slim, Shift<br>HR management that does not draw lines   |
|                  | C. Consolidation of internal capability               | Consolidation of talent raising system<br>Presentation of FC vision - Selection of ex FC branch managers and department heads FC   |
|                  | D. Setup of knowledge management system               | Setup of integrated knowledge management system<br>Support of knowledge management activity- Opening of Hero's Club site   |
| Shareholder      | A. Promotion of righteous business                    | Drastic improvement of imperfect sales<br>Exceeding 10 billion in insurance premium at the beginning of month  |
|                  | B. Sound profit structure                             | Exceeded growth of industry's growth rate in total assets or profits and losses<br>Highest standard risk management system in the insurance industry<br>Receiving AAA in the insurance benefit payment ability evaluation for 3 years in a row |
|                  | C. Ethical management                                 | Setup of ethical management system<br>Permanent law abiding monitoring system  |

## Investment for the Society

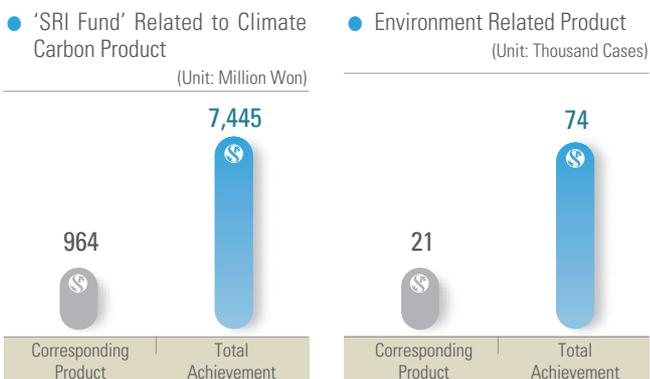
The social contribution of Shinhan Life Insurance is coming true through the investment for environment and society. We're making green investment and green earth through the products for climate changes and environment. We're also spreading the activity of making a better society through funds that have considered various social disputes from SRI fund to the funds investing on social facilities.

### | Green Investment, Green Life |

Shinhan Life Insurance is releasing life insurance policies related to environment and low carbon, etc. The 'SRI Fund' related to climate carbon product, environment related products and low carbon green financial products are typical green investment programs of Shinhan Life Insurance reflecting various issues of the environment.

The SRI funds related to climate changes and carbon by Shinhan Life Insurance has a total of 9 types on sale and this reaches up to 13% with 964 million out of total performance of 7,455 million. We're reducing the carbon discharge from operating cars, selling low carbon green financial products to recommend the use of bicycles and releasing bicycle coverage product as the first in the industry.

We're operating products for preventing environment related disease such as top 3 'environmental disorders' designated by the Ministry of Environment such as atopy, asthma and allergic rhinitis along with the products related climate change and low carbon.

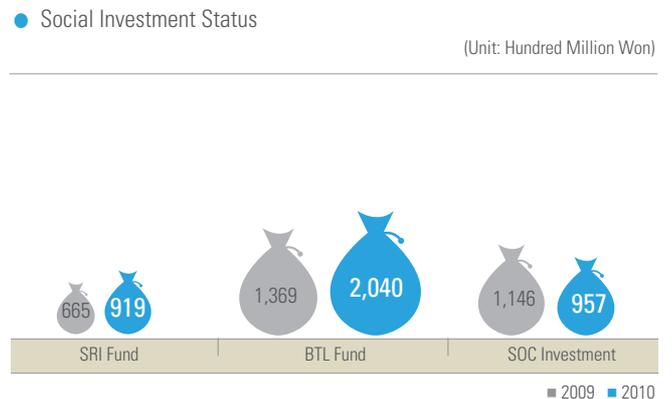


### | Investment for Society |

Shinhan Life Insurance is spreading social contribution activity through active social investment using the characteristics of financial industry along with the social investment of indirect method such as the investment of smile finances. We're investing in various social purposes such as SRI investment, SOC investment and BTL investment while investing 5.5% by applying positive method among total amount of investments and funds. The SRI investing on enterprises fulfilling social responsibility is steadily being extended and was increased by 25.4 billion compared to the previous year.

Along with this, we're also actively spreading the SOC investment of investing on indirect capital of society such as bridges or social infrastructure, etc. We're promoting the SOC investment through the investment on Eulsukdo Bridge, The Second Seohaean Expressway, Seoul Metro Line 9 and Seoul Outer Beltway (based on December, 2010). Not only that, but we are extending investment on military facilities and public education facilities through BTL investment.

The investment for society by Shinhan Life Insurance is being extended to the investment on renewable energy which is recently becoming a dispute while also not neglecting other investments on environment.



\* SRI(Social Responsible Investment,) fund is the one invested on companies that fulfill social responsibility

\*\* SOC(social overhead capital) is a social science term which is called in various ways such as 'indirect social capital', 'social capital' or 'indirect capital' meaning various types of public facilities becoming basis of industrial development such as transportation (communication-water supply), power supply such as electricity, public sanitation, road, river, port and airport, etc. Recently, social welfare and living environment facilities such as schools, hospitals and parks are also included.

\*\*\* BTL(Build-Transfer-Lease) is one method of construction business to collect rent after renting to the government after a private investor builds public facilities, etc while the ownership is transferred to the government when the collection of invested amount is complete. There are military apartments, public elementary -secondary schools, aged buildings and aged drain pipe works for the business target of BTL method.

### Activities for the Society

Shinhan Life Insurance is making a warm society through active and diverse communication with the society such as volunteer activity, donation and support, etc while contributing to the national economy and social development through the social role of the company.

#### | Communication with Local Community through Volunteer Service |

The volunteer activity of Shinhan Life Insurance is organized as various activities including activities connected with Shinhan Financial Group and activities spreading together with concerned agencies of local community, etc along with the independent activity of our company. The stepping stone of love activity is a typical independent activity of Shinhan Life Insurance while activities such as Amsa Rehabilitation Center Activity(Prestigious Winners), Gangnung Saebom Recuperation Center, Gangnung Parent Love Activity(Gangnung Branch) and Hwaseong Infirmary(Underwriting Dept), etc by each branch. Not only that, but we're performing social contribution activities with concerned agencies such as Cheonggyecheon Walking Contest event of Rare Incurable Disease Day, etc.

#### | Social Contribution through Funds |

Shinhan Life Insurance is continuing social contribution activity through donation and fund support along with volunteer service activity. We're paying red cross membership fee through payment of membership fee and collection of donations while even paying for contribution on the great earthquake of Japan that had recently occurred. We're operating 'Save Chump Change Matching Grant' for the support of pediatric cancer patients while operating child insurance matching grant policy with Blind Prevention Foundation, Rehabilitation Engineering Center and Korea Heart Foundation, etc. We're also supporting projects of life insurance association designated corporations such as Habitat, Chungcheon Rehabilitation Center, Pohang Welfare Center for the Blind, Salrome Sharing House or Korea Orphanage, etc. Shinhan Life Insurance is leading in forming more funds for more diverse and wide ranged social support.

#### ● Social Contribution Investments

(Unit: Million Won)



### CASE 1

#### Christian Insurance Donation Support

We're extending the sharing management even further such as sending 1% of Shinhan Christian Insurance sales to welfare organizations each year by concluding a donation agreement with World Vision which is an international relief development organization on the level of spreading donation culture. Not only the donation support, but we're also spreading the building house of hope volunteer activity for the children who are living under poor housing environment. This image of Shinhan Life Insurance activities is becoming very helpful in raising outer image of company such as being introduce through various media such as TV.

### CASE 2

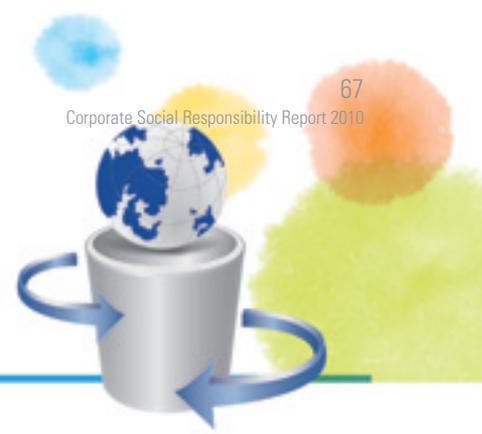
#### Child Insurance Profit Donation Activity

Shinhan Life Insurance has developed 'Shinhan Hope and Love Insurance' which is a Micro Insurance to help low income poor children and providers who are having difficulty in receiving insurance benefits from economic burden, etc. We're providing support to get coverage from risks such as various diseases, calamities and deaths, etc for free through the contribution of dormant insurance premium while helping the handicapped people and their family members to receive insurance benefits by developing special contract on preference of handicapped people in order to practice noblesse oblige as a public interest business.



# Shinhan Capital

Best Partner, No.1 Capital!



## | No. 1 Special Credit Company, Social Responsibility Management of Change Leader |

Shinhan Capital is playing a leading role in accomplishing the strategic goal called 'establishing no.1 financial brand of Korea' until 2010 along with a vision called 'World Class Leading Financial Group' of Shinhan Financial Group. To accomplish this, 'the credit specialized company representing Korea to lead financial market' is set as the vision of Shinhan Capital. In 2010, we're implementing 3 types of key promotion strategies called 'diversification of key sales capability', 'systematic risk management' and 'consolidation of inner competitiveness' under a strategic goal of 'consolidating basis for qualitative growth through accumulation of core competence by each business'. As a result of such effort, we have accomplished no. 1 in the market in the scale of net profits during the term among corporate finance specialized credit companies(as of end of June, 2010).

Shinhan Capital is spreading various volunteer activities and green activities based on social contribution activities using the advantage of financial group. Typically, we're spreading the smile finances activity of helping economic independence of financially underprivileged class such as low income class or handicapped people. Not only the financially underprivileged class, but we're devoting effort on coexistence and cooperation of large, medium and small enterprises such as raising financial accessibility while solving the financial problem of outstanding small and medium businesses going through liquidity problem on company level. We're also devoting a lot of effort in solving global warming problems such as making green office movement and environment preservation activity, etc.

Shinhan Capital is spreading a strategic social contribution with the group by having 'coexistence', 'sympathy' and 'symbiosis' that are 3 types of key promotion areas by Shinhan Financial Group as the foremost task of practice by the company.

### Our Efforts:

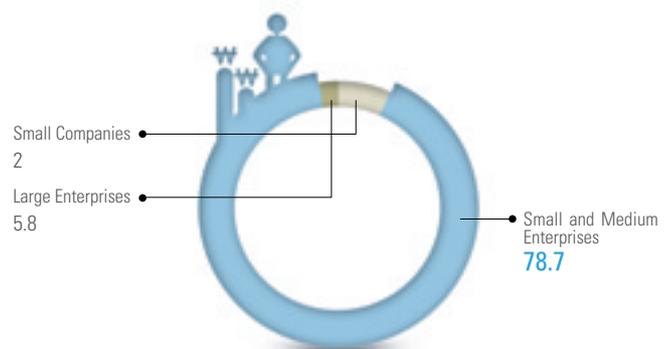
Effort toward loans, social contribution activity and green on small-medium enterprises

## | Loans on Small-Medium Enterprises |

Shinhan Capital is supporting the outstanding small and medium enterprises that are having difficulty in raising funds by extending loans on small and medium enterprises. In 2010, 78.7% of entire credit was implemented targeting small and medium enterprises while small companies also take up 2%. (Remaining 13.5% is household credit) Shinhan Capital is practicing coexistence and cooperation on small and medium enterprises by the government by extending loans to small and medium enterprises

### ● Ratio of Loans to Small-Medium Enterprises

(Unit: %)



## | Risk Management |

Shinhan Capital is focusing on the management of credit risk, market risk, liquidity risk and operation risk in order to repay the trust of customers and maximize the value for shareholders. We're managing the market risk by limiting to price fluctuation risk of the stocks acquired by corporate restructuring investment and venture investment along with the decision of total credit limit considering the credit risk. Not only that, but we're managing the liquidity risk of validating adequacy of liquidity management by calculating cash flow of next 3 years in quarter units and managing the operation risks such as interior report and internal control system. As a risk management organization, the board of directors sets the basic objectives and limit of risk management while the risk management committee and risk management team manages the implementation and limit observation of risk management policy determined by the board of directors.

**| Social Contribution Activity |**

Shinhan Capital is spreading various social contribution activities such as the activities for underprivileged class including elders who live alone or children of low income class. We're spreading the education activity targeting elementary school students on fourth Saturday of every month by connecting with the general social welfare center of Beondong Complex 3 while steadily spreading activities such as providing lunch at the senior citizen's center, year-end making kimchi volunteer activity, sharing rice of love and household chore service(cleanup, walking, chat) by visiting elders who live alone. We're also spreading cleanup and meal helper activity by visiting Raphael's House once a month. In addition, we're steadily performing volunteer activities on social facilities while performing nature volunteer activities such as planting trees, etc.

● Social Contribution Activity Investment Costs

(Unit: Million Won)



**| The Effort toward Green |**

Shinhan Capital is spreading various green finances activities from carbon reduction activity through environment friendly office up to customized green products considering the environment.

**Providing Customized Green Product**

Shinhan Capital is spreading green finances activity using the characteristics of financial industry. Typically, we're performing automotive finances support for reduction of greenhouse gas such as electrical cars or hybrid cars.

**Effort of Shinhan Capital toward Green Earth**

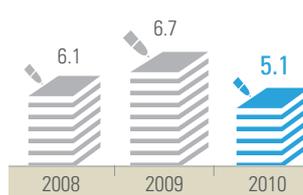
Shinhan Capital steadily performs the environmental activity toward green earth. First, it is leading in making green earth through the activity of its employees. The 1 company 1 village decoration movement, planting trees at Jungrang camping woods activity and environment friendly tree label attaching activity are the main environment protection activities of Shinhan Capital while also participating in the Green Arboretum tree planting event supervised by Seoul Green Trust. Not only that, but we're improving the awareness of employees toward environment related to green management and green earth while leading their participation by opening up an environment photo contest exhibit of employees. Also, we have spread the activity of helping low income families along with the effort toward environmental protection by spreading a 'box vegetable garden supply activity' for the supply of environment friendly food of underprivileged families and the carbon reduction activity during the volunteer activity grand festival period with Shinhan Financial Group. Not only that, but we're participating in the effort of global level through green house gas information disclosure project (CDP) and UNEP FI(UN Environment Program-Financial Initiative).

**Making Green Office**

Due to the nature of financial industry, all activities of Shinhan Capital having greatest influence on the environment take place in the office. The company minimizes the environmental effect through the effort of trying to make an environment friendly office. First, the energy consumption is minimized and carbon generation is reduced by purchasing low power eco-friendly monitor. We're also concentrating low carbon effort by minimizing the use of paper which is the most widely used material in the company such as the use of reusable paper and minimizing the use of paper while minimizing the use of water supply through water saving activity. As a result of such effort, the use of paper was reduced by 1.6 ton compared to previous year while the use of water was also reduced by 144m3. Shinhan Capital will actively spread the reduced paper and water supply along with the effort toward green office in the future.

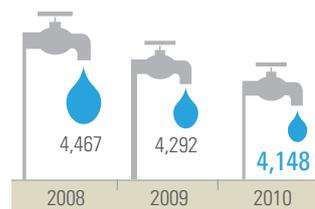
● Paper Usage

(Unit: ton)



● Water Supply Usage

(Unit: m³)



\*Excluding Ansan/Gangnam/Daejeon branches

# Jeju Bank

## Local Top Bank, Unchanging Belief



### Local Top Bank, Jeju Bank

Jeju Bank is a regional bank of Shinhan Financial Group based on the trust of local residents built up with qualitative relation type information and know-how along with steady local community contribution activity accumulated by breathing with the region for 40 years. Jeju Bank has the sense of duty in providing high standard financial service to the Jeju area customers and ultimately contributing to the growth-development of regional economy of Jeju Island area. In order to enter the steady growth period of 2016, Jeju Bank not only makes the best effort in substantial management and preemptive risk management based on retail sales as a member of Shinhan Financial Group, but promoting social/ environmental regional close contact administration as the bank of Jeju Island residents.



### ● Social Contribution Investment of Jeju Bank

(Unit: Hundred Million Won)



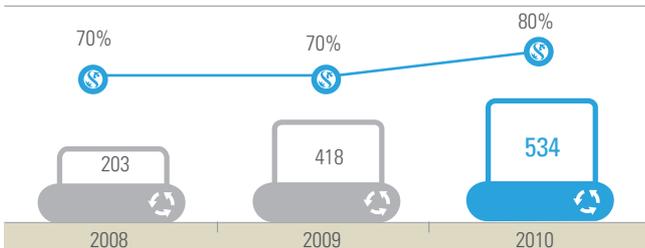
### ● No. of Employees Participating In Social Contribution

(Unit: People)



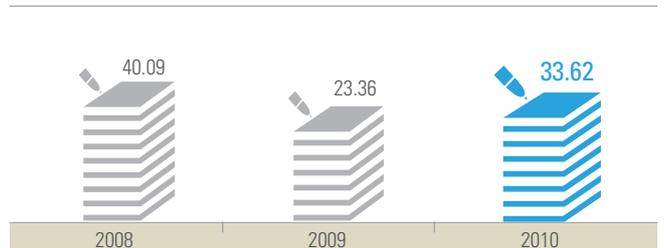
### ● Use of Recycled Toner

(Unit: PCS)



### ● Total Usage of Raw Materials(Paper)

(Unit: ton)



\* Prepared based on the service products and important papers shipped from main office to branch office while the weight is prepared based on 5g per 1 sheet of A4 paper



**| Differentiated Relation Type Regional Close Contact Social Contribution Activity |**

Jeju Bank is clearly aware of the fact that regional contribution is an essential factor for sustainable development after consolidating responsibilities as a corporate citizen in order to become an enterprise which is respected by customers and society. By doing so, Jeju Bank is steadily spreading diverse and substantial social contribution activities in order to leap as a bank which is truly loved by Jeju Island residents including the promotion of traditional market through Jeju love gift certificates.

**| The Environment Friendly Effort of Employees for Clean Jeju |**

The 'Jeju Bank Pureumi Movement' started to become a great help for the image of clean Jeju which is the key of Jeju tour and taking initiative in forming clean environment of my hometown Jeju Island by Jeju Bank is setting the position as pure nature love movement in which the participants reach up to about 5,000 people over a total of 61 sessions after being started for the first time for the publicity of hosting APEC summit in Jeju Island in April, 2004. Especially in 2010, it is also actively participating in online and telephone votes in addition to the environment cleanup activity wishing for nomination of Jeju Island as top 7 natural scenery of the world. In addition, Jeju Bank is steadily spreading the activity for clean environment and preservation of ecosystem in the local community through 'sea cleanup activity', '1 company 1 mountain 1 river movement', '1 company 1 Oreum' and 'Gotjawal expedition', etc.

| Name of Social Contribution Program                            | Details  |
|--|--|
| Sale of Jeju Love Gift Certificate                             | In order to step forward in promoting the stagnant traditional market, the issue support and sales agency of Jeju Love Gift Certificate in connection with Jeju Special Self Government Province on September 12, 2006, directly purchased by employee   |
| Cultural Asset Keeper Movement                                 | The activity of studying and preserving the culture and history filled with spirit and soul of Jeju Island by visiting historic sites and museums of Jeju Island   |
| I Love Jeju Youth Poster/ Digital Camera Photo Contest Exhibit | Held and awarded in order to induce cultivation of proper mentality and sound leisure activity while heightening the desire of potential creation as the youths trying to keep and protect the nature of Jeju Island voluntarily participate such as Proud Jeju(environment, custom and culture, etc) and global warming prevention(earth love). |
| Youth Financial Education                                      | Forming a sister tie of '1 school 1 branch' by recognizing the importance of education on proper economic sense and overspending habit of youths who are leader of Jeju Island in the future. Currently giving lectures by visiting about 70 elementary, middle and high schools within the province.  |

Especially Jeju Bank will devote special interest and effort in decorating and preserving well as precious clean Jeju Oreum by measuring type types and samples of plants living there as well as periodic environment cleanup activity for the protection of ecosystem at the Bukoreum (located at Deokcheon-ri, Gujwa-eup) designated as '1 group 1 Oreum'.

Also, Jeju Bank is actively practicing environment friendly life at work. We're operating S-E-S(Saving Energy Spirit) program as a program to form a work environment of taking initiative in saving supplies and expenses through energy saving practice ability during summer and winter. We're also actively participating in the indirect greenhouse gas discharge reduction activity as well as saving expenses through a program to save energy in general including electricity and oil. We're also spreading a self regulated energy saving activity by changing the light off time of signs at all branches and 365 corners outside of branches according to sunrise/sunset time.

# Shinhan BNP Paribas Asset Management

Putting Priority on Customer Satisfaction,  
The Best Asset Management Company



## The Asset Management Company in Korea

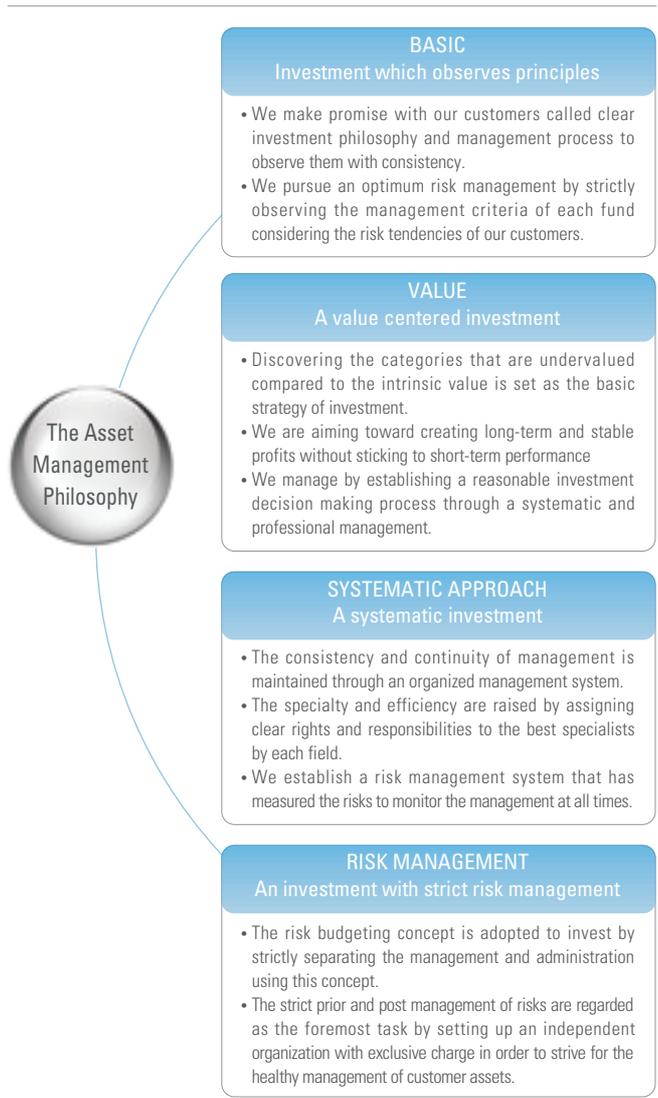
Shinhan BNP Paribas Asset Management is thinking of customer satisfaction as priority up to management capability, product development and investor service beyond the outer scale such as simple consignment scale or market share, etc. Accordingly, Shinhan BNP Paribas Asset Management is developing various products and performing outstanding product management by putting priority on the investment principle of thinking about the future of customers first. Shinhan BNP Paribas Asset Management will make even more effort in the future to leap as the best asset management company representing Korea based on trust and reliability.

### | The Asset Management Philosophy of Thinking About the Future of Customers |

Shinhan BNP Paribas is managing the valuable assets of our customers based on four basic asset management philosophies called BASIC, VALUE, SYSTEMATIC APPROACH, RISK MANAGEMENT.

### | An Asset Management Company Fulfilling Social Responsibility |

Shinhan BNP Paribas Asset Management possesses various product line system targeting the entire world. In order to guide the most suitable product for customer needs, Shinhan BNP Paribas Asset Management is providing investment tendency test on the web and operating a fund school for easy communication of unfamiliar financial terms and asset management system. Also, Shinhan BNP Paribas Asset Management is opening up an 'Art Economy Camp' with famous musical actors and vocalists in order to raise art ability and creativity along with the economics education which is adjusted to the level of children. Also by providing 'Decorating Children's Study; and 'Family Trip Gift Certificate' through draw targeting customers who join 'Shinhan BNPP Tops Mother Love Children's Reserve Type Fund' until June, 2011, Shinhan BNP Paribas Asset Management is trying to leap as an asset management company fulfilling the social responsibility to fit the characteristics of industry.

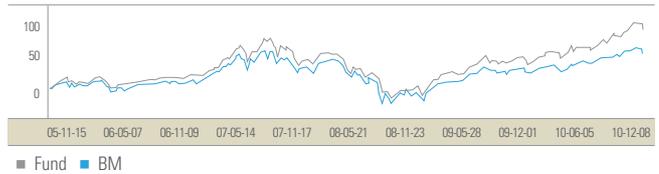


**| The Asset Management Ability Recognized by the World |**

Shinhan BNP Paribas Asset Management is repaying for the valuable assets consigned by customers with outstanding asset management. In case of 'Shinhan BNPP Good Morning Hope Security Investment Trust No. 1 [Stock] [C1 Class]' which is a product investing on long term growth stocks based on profitability and growth value being the main product at the same time has recorded the fund profit rate of 205.04% after being set up. Also, 'Shinhan BNPP Bonjour China Opportunity Stock Investment Trust (H) [Stock] (Type A1)' of investing Chinese stocks that are relatively under evaluated between markets is accomplishing exceeded profit rate of 21% a year by performing absolute value strategy and relative value strategy at the same time. Also, 'Shinhan BNPP Tops Beautiful SRI Securities Investment Trust No1 [Stock] (Type )' which is a SRI product has accomplished huge margin of excessive profit from pre-emptive entry of material business and IT business. Such outstanding asset management of Shinhan BNP Paribas Asset Management is recognized by domestic and foreign financial specialized agencies such as being nominated as the most outstanding asset management company of Korea in 2010 by The Asset of Hong Kong and receiving 2010 Best of the Best Awards at Asia Asset Management .

● Shinhan BNPP Tops Beautiful SRI Security Investment Trust No. 1 [Stock] (Type)

Accumulated Profit Rate from the Date Established (Unit : %)



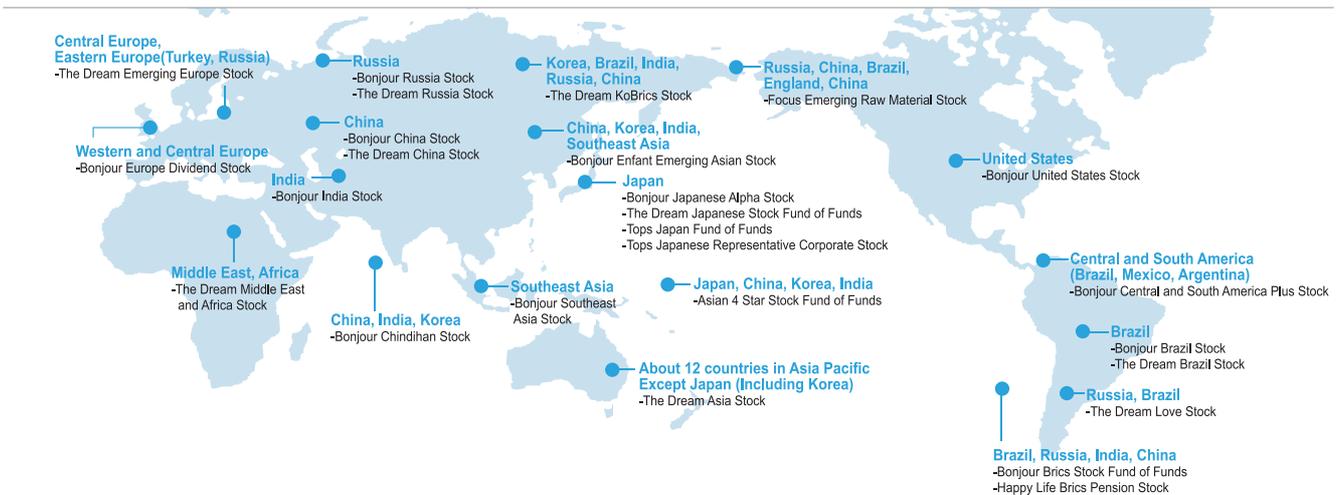
|                                 | 3 months<br>(10.11.14-11.02.14) | 6 months<br>(10.08.14-11.02.14) | 9 months<br>(10.05.14-11.02.14) | 1year<br>(10.02.14-11.02.14) | 2 years<br>(09.02.14-11.02.14) | 3 years<br>(08.02.14-11.02.14) | 5 years<br>(06.02.14-11.02.14) |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Fund Performance                | 8.90                            | 21.61                           | 23.70                           | 38.79                        | 94.30                          | 37.48                          | 80.53                          |
| Comparison Index                | 5.08                            | 14.64                           | 17.94                           | 25.14                        | 65.22                          | 18.93                          | 51.21                          |
| Performance to Comparison Index | 3.82                            | 6.97                            | 5.76                            | 13.64                        | 29.09                          | 18.55                          | 29.31                          |

\* BM=KOSPI Composite Index\*95% + CALL Index\*5%

● Various Global Product System of Shinhan BNPP

|                |   |
|----------------|---|
| Value Stocks   | Tops Value Stock<br>Tops Mother Love Children's Installment Type Equity Fund<br>Prestige Value Stock<br>Prestige Value Stock Installment Type Equity Fund   |
| Stock Dividend | Prestige High Dividend Stock<br>Growth Stock  |
| Growth Stock   | Tops e Stock<br>Tops Premium Stock<br>Tops Noblesse Type Style Stock<br>Korean Main Corporation Stock<br>BEST Moa Moa Installment Type Equity Fund<br>Miraedeun Installment Type Equity Fund<br>Worker's Plan Stock<br>Bonjour Korea Stock<br>Future Planning |
| Sector         | Beautiful SRI Stock<br>Korea Tech Stock   |
| Index          | Tops Fundamental Index Stock<br>Country Love Index Stock, Tops Long-Term Housing Stock  |

|                           |  |
|---------------------------|--|
| Composite                 | Tops Easy Trading System Composite Order<br>Tops Installment Type Composite Order<br>Tops Serial Installment Type Dividend Composite Order<br>Optima Portfolio Bond Composite Order<br>Volatility Plus Stock Composite Order<br>BEST Very Rich Installment Type Composite Order<br>BEST Long-Term Housing Composite Order<br>Prestige Installment Type Stable Composite Order<br>Prestige Valuable Stock Stable Composite Order<br>Prestige Stable Composite Order |
| Bonds                     | Tops Bond No. 1<br>Tops Stable Plus Bond<br>CDA Government and Public Bond<br>Trustworthy Bond<br>Value Plus Bond<br>Tops Installment Type Bond<br>Tops Midterm Government and Public Bond<br>BEST CHOICE Short-Term Bond<br>Tops Turn Around Type Style Bond  |
| Derivatives/ Alternatives | Tops Moa Fundamental Index Derivative<br>BEST Index Plus Alpha Derivative<br>Kospi 200 Index Derivative  |
| Other                     | Happy Life Pension<br>Retirement Pension<br>Tops Life Retirement Pension<br>New Type of Personal Pension   |



# Appendix

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# Contents of Award Winning



## Customer Satisfaction

- Number One Bank for Eight Consecutive Years in Service Quality Index -Shinhan Bank
- Awarded the Grand Prize for Six Consecutive Years in Bank Sector on 'Korea Service Awards', Korean Standard Association -Shinhan Bank
- Number One Bank for Five Consecutive Years in Bank Sector on 'Global Customer Satisfaction Competency Index(GCSI)', Japan Management Association Consulting -Shinhan Bank
- Nominated as a Best Brand by Customer's Choosing on '2009 Korea Highest Brand Awards', Brandstock -Shinhan Bank
- Nominated for Good Advertisement by Customer's Choosing, Campaign 'We are routing you' -Shinhan Card
- Nominated for '2009 Master Brand Awards', Korea Brand Management Association -Shinhan Card
- Number One Credit Card Company on '2009 Korea Service Quality Index', Korean Standard Association -Shinhan Card
- Nominated for 'Most Reliable Credit Card Company by Customer's Choosing', Korea Civil Movement Association for Customer's Right -Shinhan Card
- Excellent Financial Company for Financial Consumer Protection, Financial Supervisory Authority -Shinhan Card
- Awarded the Grand Prize for Three Consecutive Years on 'Customer Satisfaction Management', Korea Management Association Consulting -Shinhan Card
- Nominated for Excellent Call Center on 'Service Quality Index of 2010 Korean Industries', Korea Management Association Consulting -Shinhan Life Insurance
- Awarded the Grand Prize on '2010 Customer-Centered Management', The Federation of Korean Information Industries -Shinhan Life Insurance



## Employee Satisfaction

- Awarded the Grand Prize for Six Consecutive Years in Bank Sector on 'Korea Great Work Place Awards', Joongang Newspaper/GWP Korea -Shinhan Bank



## Environmental Management

- Awarded the Grand Prize in Bank Sector on Green Awards, Environmental Media -Shinhan Bank
- Awarded the Grand Prize for Six Consecutive Years on 'Environment Preservation Activities through One Company for One Area Movement' -Jeju Bank
- Carbon Disclosure Project(CDP), Korean Committee for CDP -Shinhan Financial Group



## Sustainability Management

- Designated the most 'sustainable performer' among Korean financial institutions by the Dow Jones Sustainability Index of Korea (DJSI Korea) and included on the DJSI Asia-Pacific Index, U.S. Dow Jones, Swiss SAM, Korea Productivity Center -Shinhan Bank
- Nominated as a Best Corporate Governance Company with a Strong rating, Corporate Governance Service -Shinhan Financial Group



## Corporate Responsibility Management

- Awarded the Grand Prize for Four Consecutive Years in Corporate Responsibility Sector on 'Global Standard Management Awards', Korea Management Association (Inducted into Hall of Fame for Five Consecutive Years in 2010) -Shinhan Bank
- Awarded the Grand Prize for Three Consecutive Years in the Overall Competition on '2009 Social Contribution Awards', Korea Journalists Forum (Awarded the Grand Prize in the Overall Competition for Four Consecutive Years in 2010) -Shinhan Bank
- Awarded the Grand Prize for 'the 14th Fighting Small Business Support Loan Awards', Maeil Economy Newspaper -Shinhan Bank
- Awarded the Certification in '2009 Seodaemun-gu Volunteer Fair' -Shinhan Card
- Nominated for Grand Prize on 'Social Welfare Service', Seoul Welfare Foundation -Shinhan Card
- Awarded the Grand Prize on '2009 Corporate Social Responsibility', Hangeok Economy Newspaper -Shinhan Card
- Awarded the Grand Prize in the Culture and Art competition for Four Consecutive Years on '2009 Social Contribution Awards', Korea Journalists Forum -Shinhan Investment



## Management Excellency

- Number One Bank for Six Consecutive Years in Most Admired Companies in Korea, Korea Management Association Consulting -Shinhan Bank
- Number One Bank for Two Consecutive Years in PB on 'Korea Standard-Premium Brand Index', Korean Standard Association -Shinhan Bank
- Awarded the Grand Prize for Five Consecutive Years in Bank Sector on '2009 First Brand Awards', Korean Customers' Forum -Shinhan Bank
- Awarded the Grand Prize as a Trust Company on 'the Company of Korea 2009', Korean Customers' Forum -Shinhan Bank
- Best Retail Bank in Korea Best Retail Bank, The Asian Banker -Shinhan Bank
- Number One Credit Card Company for Three Consecutive Years in Most Admired Companies in Korea, Korea Management Association Consulting -Shinhan Card
- Nominated as a Number One Company in Credit Card Sector on 'Global Brand Competency Index Rating', Japan Management Association Consulting -Shinhan Card
- Rated as 'A' Grade for Two Consecutive Years on 'the Credit Rating of Long Term Foreign Bonds', JCR(Japan Credit Rating Agency) -Shinhan Card
- Number One Credit Card Company on '2009 BSTI(BrandStock Top Index)', Brandstock -Shinhan Card
- Number One Company in Credit Card Sector on '100 Brand of Korea in 2009' and '2010 Brand Star', Brandstock -Shinhan Card
- Nominated for '2009 Korea Highest brand', Brandstock -Shinhan Card
- Awarded the Grand Prize on 'This Year's Brand' and '2010 Korea First Brand', Korean Customers' Forum, Hangeok Economy Newspaper -Shinhan Card
- Awarded the Grand Prize on 'Knowledge Management of Mail Economy', Mail Economy, Booz & Company -Shinhan Card
- Number One Credit Card Company on 'Korea Standard-Premium Brand Index', Korean Standard Association -Shinhan Card
- Awarded the Grand Prize on 'Master Brand Awards 2009', Co-organized by Hankyung.com, Donga.com, imbc -Shinhan Card
- Awarded the Grand Prize for Six Consecutive Years in Brand Marketing Sector on '12th Hankyung Marketing Awards', Korea Economic Daily -Shinhan Investment
- Rated as a Best Sales Company for Two Consecutive Years on '2009 Fund Sales Company Evaluations', Korea Investors Protection Foundation -Shinhan Investment
- Nominated for 'Best Fund Sales Company' on 'Moneytoday-Morning Star Fund Awards', Co-organized by Moneytoday and Morningstar -Shinhan Investment
- Nominated for '2010 Creative Management Company that Brought Honor to Korea', Joongang Newspaper -Shinhan Investment
- Awarded the Grand Prize on '13th Herald Business Insurance Awards' -Shinhan Life Insurance
- Rated as 'AAA' Grade for Two Consecutive Years on 'the Insurance Industry's Credit Rating', Korea Investors Service -Shinhan Life Insurance
- Awarded the Grand Prize for Two Consecutive Years on '2009 Korea Luxury Brand Awards', Korea Sustainability Management Evaluation -Shinhan Life Insurance
- Awarded the Grand Prize on '2009 Asia Economy PB Awards' -Shinhan Life Insurance
- Nominated for '2009 Highest Brand in Korea', Brandstock -Shinhan Life Insurance
- Awarded the Grand Prize on '2010 First Brand', Korean Customers' Forum -Shinhan Life Insurance

# Membership Status

## Shinhan Bank

Century 21 Executives Club, Korea Employers Federation, American Chamber of Commerce, Korea Derivatives Expert Committee, Korea Federation of Banks, National Strategy Institute(NSI), Korea Service Management Association, Carbon Disclosure Project(CDP), Century 21 Financial Vision Forum, The Korean Economic Association, Korea Insurance Development Institute, Korea options, swaps & derivatives Association(KOSDA), Finance Forum, Primary Dealer Association, Korea Forum for Progress, Derivatives Trading and Foreign Exchange Expert Committee, CIO Roundtable, Korea Money and Finance Association, Brand Power Forum, Korea Forex Club, International Council for Small Businesses, Financial Information Security Council, Korea Fire Safety Association, The European Union Chamber of Commerce in Korea, CS Management Information Committee, Korea Management Association(KMA), Samsung Economics Research Institute, Korea Accounting Association, Korea Federation of Small and Medium Business, Corporate Finance Forum, Korea Heat Energy Engineers Association, Global Compact Network Korea, CS Leaders Club, Korea Marketing Study Group, Council of the Foreign Exchange Market Operations, Korea-Japan Economic Association, Bond Market Association, The Korean Financial Engineering Society, Korea Foreign Company Association, Business Ethics and Sustainability Management for Top performance, Ham Radio Deluxe Support Forums, Korean Business Council for the Arts, Seoul Economist Club, Korean Japanese Association, Korea CEO Forum, The Korea Chamber of Commerce & Industry, Korea Council of Volunteering, Junior Achievement Korea, Korea Financial Investment Association, The Korean Museum Association, Seoul Financial Forum, Korea-China Business Center, Korea Association for Chief Financial Offer, The Republic of Korea National Red Cross, Korean Finance Association, Association for Korea Investment of Korean resident in Japan, Knowledge Management Research Center, Korean Association of Real Estate Investment Consulting, Institute for Global Economics, Institute for Overseas Koreans, Associate Financial Planner Korea, East Asia Society for Regional Financial Cooperation in Asia, The Korea Political Science Association, The Federation of Korean Industries, Korea Core Industrial Technology Investment Association, Asia Society Korea Center, 136 Forum Linkage with Korea Green Foundation, The Institute of International Auditors, The Korea International Trade Association, Korea Statistics Promotion Institute, Korea Association of Emergency Disaster Safety & Security, United Nations Environmental Programme National Committees for the Republic of Korea, Korea Sustainability Investing Forum, IdenTrust, Manbun Club Linkage with Green Foundation

## Shinhan Card

Century 21 Financial Vision Forum, Seoul Economist Club, World Future Forum, The Korea Chamber of Commerce & Industry, Financial Services Commission, Green Finance Council, The Credit Finance Association of Korea

## Shinhan Investment

Korea Financial Investment Association, Korea Deposit Insurance Corporation, Korea Management Association(KMA), SERI-CEO Forum, Korea CFO Forum, The Institute of International Auditors, Korea Listed Companies Association International Corporate Governance Conference, Korea Capital Market Institute, Korea Center for International Finance, Institute for Global Economics, Global Finance Forum, Century 21 Financial Vision Forum, Green Investment Forum Korea, The Federation of Korean Industries, Seoul Chamber of Commerce & Industry, Korea Employees Federation,

The Korea International Trade Association, Korea Petrochemical Industry Association, Korea Tire Manufacturers Association, Korea Automobile Manufacturers Association, Korea Iron & Steel Association, LawNB Corp., Association of Compliance Officers, Financial Information Security Center, Financial Security Agency, Financial Information Security Association, One-time Password Center, SignKorea(KOSCOM), Retirement Fund and Development Council, Interbill Corp., Korea Information Service, INC., Bloomberg, Ethics & Compliance Officer Association in the Federation of Korean Industries, Primary Dealer Association, Korea options, swaps & derivatives Association(KOSDA)

## Shinhan Life Insurance

Korea Life Insurance Association, Korea Insurance Development Institute, Korea Insurance Research Institute, The Korea Chamber of Commerce & Industry, Korea Risk Management Society, The Korea Life Insurance Medical Association, Korea Insurance Academic Society, The Institute of Actuaries of Korea, Academy of Actuaries of Korea, Korea Insurance Jurisprudence Society, Association for Korea Investment of Korean resident in Japan, Century 21 Financial Vision Forum, Korea Accounting Institute, Financial Security Agency, Korean Bar Association, Korean Personal Improvement Association, Retirement Fund and Development Council

## Shinhan Capital

The Credit Finance Association of Korea

## Jeju Bank

Jeju Chamber of Commerce & Industry, Jeju Employees Federation, The Republic of Korea National Red Cross Jeju Branch, Korea Freedom Federation, Association for Korea Investment of Korean resident in Japan, International Peace Foundation, Jeju Center for Inter-Korea Exchange & Cooperation, Jeju Finance Forum, Jeju Special Self-Governing Provincial Tourism Association, Jeju Convention & Visitors bureau, Jeju Korean Japanese Association, Jeju Distributors Association for Developing Win-win Relationship, Federation of Small Business in Jeju

## Shinhan BNP Paribas Asset Management

Full Membership with the Korea Financial Investment Association Signed Up Securities, Associate and Asset Management Company

## | UN GLOBAL COMPACT |

As a responsible corporate citizen, SFG upholds the 10 Principles of the United Nations Global Compact, a set of core values in the areas of human rights, labor standards, the environment, and anti-corruption. Shinhan Bank joined the Global Compact in May 2008 and reports on its implementation of the 10 Principles through Communications on Progress (COP).

|                 | Principle   | GRI G3.1 Guideline   | Page                                   |
|-----------------|---|--|--|
| Human Rights    | 1. Businesses should support and respect the protection of internationally proclaimed human rights; and                     | HR1 HR2 HR3 HR4 HR5 HR6 HR7 HR8 HR9                          | 13, 36, 38                             |
|                 | 2. make sure that they are not complicit in human rights abuses   | HR1 HR2 HR8  | 13, 36, 38                             |
|                 | 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; | HR5 LA4 LA5  | 36, 38, 43                             |
| Labor Standards | 4. uphold the elimination of all forms of forced and compulsory labor;  | HR7  | 36, 38                                 |
|                 | 5. uphold the effective abolition of child labor; and   | HR6  | 36, 38                                 |
|                 | 6. eliminate discrimination in respect of employment and occupation   | HR4 LA2 LA10 LA13 LA14                                       | 10, 38, 42                             |
| Environment     | 7. Businesses should support a precautionary approach to environmental challenges;  | 4.11, EC2, S05, EN18, EN26, EN30                             | 12, 22, 23, 26, 27, 56, 65, 68, 75     |
|                 | 8. undertake initiatives to promote greater environmental responsibility; and   | EN2 EN5 EN6 EN7 EN10 EN13 EN14 EN18 EN21 EN22 EN26 EN27 EN30 | 22, 23, 24, 25, 26, 27, 56, 65, 68, 75 |
|                 | 9. encourage the development and diffusion of environmentally friendly technologies   | EN2 EN5 EN6 EN7 EN10 EN18 EN26 EN27                          | 22, 23, 24, 25, 27, 68, 75             |
| Anti-corruption | 10. Businesses should work against all forms of corruption, including extortion and bribery                                 | S02 S03 S04  | 13, 38                                 |

# Independent Assurance Statement

## Dear stakeholders of Shinhan Financial Group

The Korea Productivity Center (KPC) had been engaged by Shinhan Financial Group (SFG) to verify the contents of its 2010 Social Responsibility Report (here and after called "the Report"). This Independent Assurance Statement is prepared on the basis of information presented by SFG.

### | Responsibility and independence |

The responsibility of this sustainability report belongs to SFG. KPC's role is to provide the independent assurance statement to stakeholders. As an independent assurance agency, KPC did not participate in preparation of any part of the report, nor have any conflicts of interest with SFG to maintain our independence.

### | Assurance standards |

The assurance follows the AA1000AS (2008) standard of Inclusivity, Materiality, Responsiveness principles, and adopted Type 1 Accountability Principles and the assurance engagement was carried out to provide a moderate level of assurance. In addition, the assurance checked the contents of the report to assess its compliance with the GRI G3 Guideline.

### | Limitation |

According to the assurance standards mentioned above, this assurance does not verify the credibility of submitted data. In addition, the assurance covers the SFG's sustainability report and focuses on systems and activities on its headquarters in Korea, excluding overseas branches and domestic branches. Therefore, the result of assurance may change if additional procedures are performed.

### | Methodology |

In order to form our conclusion, KPC undertook the steps outlined below to assess the report.

1. Verified the suitability of selected major issues and its contents in the report by conducting a media research and a benchmarking analysis
2. Checked the reporting level and the description of the indicators and the financial services sector supplement (FSSS) of the GRI G3 Guideline, to confirm that the report meets the GRI G3 A application level
3. Checked the contents and the quality of the report to assess its compliance with the principles listed in the GRI G3 Guideline
4. Evaluated the suitability of the contents of the report, and checked for errors in statements by conducting a comparative analysis with comparable sources
5. Verified the validity of key data and information by conducting a spot inspection on SFG's Seoul headquarter, and confirmed the internal process and system

### | Verification Conclusion |

Based on our review, we conclude that the sustainability report provides a fair and an objective view of SFG's CSR activities and performances. In addition, we have confirmed that SFG has met the requirements for the GRI Application level A, as proclaimed by the company.

### Inclusivity : stakeholder participation

SFG clearly distinguishes its stakeholders into shareholders, customers, employees, business partners, local communities, media, NGO, and the government. Through the assurance, we confirmed that the company has organized a variety of communication channels to actively communicate with stakeholders. SFG operates a "Voice of Customer(VOC) System" to collect feedbacks from customers, and then to promptly, fully resolve customer issues. To encourage employee communication, SFG also operates an internal intranet bulletin board. By subsidiary, Shinhan Bank runs a divisional program for better understanding of other team members, Shinhan Card operates "Employee Assistance Program(EAP)", and Shinhan Life Insurance operates "CEO Communication Room". In particular, we put a high valuation on Shinhan Card's "Arumin", a website specializing in donation that provides information on the company's social contribution activities and creates a network between a contributor and a beneficiary. We recommend that SFG would take a more systematic approach in establishment of communication channels to encourage participation from a wide variety of stakeholders, as well as periodically manage and report its progress.

### Materiality : Selection and reporting of key issues

As a financial institution, SFG clearly defined its main stakeholders and drew major issues related to sustainable management. To collect opinions from both internal and external stakeholders, SFG periodically carried out surveys, and organized diverse issue pools based on international standards that assess the level of sustainability, including the Dow Jones Sustainability Index and ISO26000. Based on these efforts, SFG conducted a materiality evaluation, measuring the interests of both internal and outside stakeholders, as well the impacts that they may have on the company's business and its operations, to come up with a series of key issues, including: economic value creation, profit sharing, social contribution activities, product information service, and investments into the environment. We verified that these issues are described in a balanced way throughout the report. In particular, we put a high valuation on the reports regarding green management, differentiated customer services, and social contribution through financial education and financial products. We recommend that SFG would systematically establish and manage communication channels with stakeholders to draw more specific and unique issues.

**Responsiveness : the organizations response to issues**

We have confirmed that SFG is conducting a variety of activities to properly respond to sustainability issues. SFG was designated the most “sustainable performer” among Korean financial institutions by the Dow Jones Sustainability Index of Korea(DJSI Korea) for two consecutive years in 2009 and 2010, as well as becoming the first Korean financial institution to be included on the DJSI Asia-Pacific Index. In addition, in line with sustainability strategies of coexistence for welfare, sympathy for culture, and symbiosis for environment, SFG in April 2010 launched a group-wide volunteer group to participate in volunteering activities for local communities, as well as providing cultural and sports events sponsorships. SFG also carried out financial educations, scholarship programs, and supports for financially marginalized people. In particular, we put a high valuation on the disclosures of greenhouse gas emissions and preparation for climate change through the Carbon Disclosure Project(CDP). We recommend that SFG will not only disclose performances in response to issues but also disclose mid-/long-term sustainability strategies and plans in the report, to help the understanding of stakeholders.

**| Recommendations |**

KPC puts a high valuation on SFG, for its diverse efforts and results to improve sustainability, and we recommend the following for further improvements.

1. Establishment of mid-/long-term sustainability strategies and plans, and description of the results in the report
2. Establishment and continuous improvement of a group-wide CSR system, and description of the results in the report
3. Establishment of systematic communication channels with stakeholders, and linking with sustainable management for further development
4. Development of a variety of indicators to measure the results of sustainable management, and linking the results with financial performances to improve the level of sustainable management
5. Management of performance indicators through an operation of integrated system, and utilization of the system in preparation of the report

*Dong-Kyu Choi*

June 2011

Dong Kyu Choi, Chairman of Korea Productivity Center



*김동수*

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Head

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Young Hwan Kim  
Researcher

Since the inception in 1957, the Korea Productivity Center has grown to become a professional consulting firm, leading the growth of the assurance industry in Korea by cultivating experts and accumulating know-how in the business. Through the establishment of KPC sustainable management center, the company has supported and promoted sustainable management of businesses, as well as the sustainability of the entire industry in Korea. Since 2009, the Korea Productivity Center has been announcing the Dow Jones Sustainability Index of Korea (DJSI Korea) in collaboration with the Dow Jones Indexes in the U.S. and the SAM in Swiss, allowing domestic companies to objectively compare their level of sustainability with leading overseas companies and to improve upon. Having been officially certified by the AccountAbility, a leading global organization in corporate responsibility and a developer of the AA1000 standard, the Korea Productivity Center is licensed of conducting independent assurances. In addition, the company's assurance committee is comprised of professionals who have accumulated years of experience in sustainability assurance, as well as completing professional education programs.

# GRI G3 Index

| Performance Indicator | GRI Disclosure Requirement  | ISO 26000 Clauses   | Extent of Reporting | Page   |
|-----------------------|---|---|---------------------|--|
| 1.1                   | Statement from the most senior decision-maker of the organization   | 6.2   | ●                   | 2-3  |
| 1.2                   | Description of key impacts, risks, and opportunities  | 6.2   | ●                   | 8-9, 12                                      |
| 2.1                   | Name of the organization  |   | ●                   | 4  |
| 2.2                   | Primary brands, products, and/or services   |   | ●                   | 34-35  |
| 2.3                   | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures  | 6.2   | ●                   | 4-5  |
| 2.4                   | Location of organization's headquarters   |   | ●                   | 4  |
| 2.5                   | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report           |   | ●                   | 5  |
| 2.6                   | Nature of ownership and legal form  |   | ●                   | 4  |
| 2.7                   | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)   |   | ●                   | 5  |
| 2.8                   | Scale of the reporting organization   |   | ●                   | 4  |
| 2.9                   | Significant changes during the reporting period regarding size, structure, or ownership   |   | ●                   | 4-5  |
| 2.10                  | Awards received in the reporting period   |   | ●                   | 74   |
| 3.1                   | Reporting period (e.g., fiscal/calendar year) for information provided  |   | ●                   | About This Report                            |
| 3.2                   | Date of most recent previous report (if any)  |   | ●                   | About This Report                            |
| 3.3                   | Reporting cycle (annual, biennial, etc.)  |   | ●                   | About This Report                            |
| 3.4                   | Contact point for questions regarding the report or its contents  |   | ●                   | About This Report                            |
| 3.5                   | Process for defining report content   |   | ●                   | 8-9  |
| 3.6                   | Boundary of the report  |   | ●                   | About This Report                            |
| 3.7                   | State any specific limitations on the scope or boundary of the report   |   | ●                   | About This Report                            |
| 3.8                   | Basis for reporting on joint ventures, subsidiaries, and other entities that can significantly affect comparability from period to period and/or between organizations                                  |   | ●                   | Not applicable due to the nature of business |
| 3.9                   | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report |   | ●                   | Not applicable due to the nature of business |
| 3.10                  | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement  |   | ●                   | Not applicable due to the nature of business |
| 3.11                  | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report  |   | ●                   | Not applicable due to the nature of business |
| 3.12                  | Table identifying the location of the GRI Standard Disclosures in the report  |   | ●                   | 78-81  |
| 3.13                  | Policy and current practice with regard to seeking external assurance for the report  | 7.5.3   | ●                   | 76-77  |
| 4.1                   | Governance structure of the organization  |   | ●                   | 10-11  |
| 4.2                   | Indicate whether the Chair of the highest governance body is also an executive officer  |   | ●                   | 10-11  |
| 4.3                   | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members                                     |   | ●                   | 10-11  |
| 4.4                   | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body  |   | ●                   | 10-11, 41                                    |
| 4.5                   | Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance  |   | ●                   | 10-11  |
| 4.6                   | Processes in place for the highest governance body to ensure conflicts of interest are avoided  |   | ●                   | 10-11  |
| 4.7                   | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics            |   | ●                   | 10-11  |
| 4.8                   | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation               | 6.2   | ●                   | 6-7  |
| 4.9                   | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance  |   | ●                   | 10-11  |
| 4.10                  | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance  |   | ●                   | 10-11  |
| 4.11                  | Explanation of whether and how the precautionary approach or principle is addressed by the organization   |   | ●                   | 12   |
| 4.12                  | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses  |   | ●                   | 22-23, 68, 75                                |
| 4.13                  | Memberships in associations (such as industry associations) and/or national/international advocacy organizations  |   | ●                   | 75   |
| 4.14                  | List of stakeholder groups engaged by the organization  |   | ●                   | 8-9  |
| 4.15                  | Basis for identification and selection of stakeholders with whom to engage  |   | ●                   | 8-9  |
| 4.16                  | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group  |   | ●                   | 8-9  |
| 4.17                  | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns   |   | ●                   | 8-9  |
| Economic              | Disclosure on Management Approach   | 6.2, 6.8  | ●                   | 15   |
| EC1                   | Direct economic value generated and distributed   | 6.8, 6.8.3, 6.8.7, 6.8.9                                    | ●                   | 16   |
| EC2                   | Financial implications and other risks and opportunities for the organization's activities due to climate change  | 6.5.5   | ●                   | 22   |
| EC3                   | Coverage of the organization's defined benefit plan obligations   |   | ●                   | 41   |
| EC4                   | Significant financial assistance received from government   |   | ●                   | Not applicable due to the nature of business |
| EC5                   | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation   | 6.4.4, 6.8  | ○                   |  |
| EC6                   | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation  | 6.6.6, 6.8, 6.8.5, 6.8.7                                    | N/A                 |  |
| EC7                   | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation  | 6.8, 6.8.5, 6.8.7   | ●                   | 38, 43                                       |
| EC8                   | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.  | 6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9        | ●                   | 46-51  |
| EC9                   | Understanding and describing significant indirect economic impacts, including the extent of impacts.  | 6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9 | ●                   | 18-19  |

● Disclosed Fully ○ Disclosed Partially

| Performance Indicator | GRI Disclosure Requirement   | ISO 26000 Clauses                    | Extent of Reporting | Page  |
|-----------------------|--|--------------------------------------|---------------------|---|
| Environmental         | Disclosure on Management Approach  | 6.2, 6.5                             | ●                   | 20  |
| EN1                   | Materials used by weight or volume   | 6.5, 6.5.4                           | ●                   | 24-25   |
| EN2                   | Percentage of materials used that are recycled input materials   |                                      | ●                   | 24-25   |
| EN3                   | Direct energy consumption by primary energy source   |                                      | ●                   | 24-25   |
| EN4                   | Indirect energy consumption by primary source  |                                      | ●                   | 24-25   |
| EN5                   | Energy saved due to conservation and efficiency improvements   |                                      | ●                   | 24-25   |
| EN6                   | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives  |                                      | ●                   | 23-25   |
| EN7                   | Initiatives to reduce indirect energy consumption and reductions achieved  |                                      | ●                   | 23-25   |
| EN8                   | Total water withdrawal by source   |                                      | ●                   | 24  |
| EN9                   | Water sources significantly affected by withdrawal of water  |                                      | N/A                 |   |
| EN10                  | Percentage and total volume of water recycled and reused   |                                      | ●                   | 24  |
| EN11                  | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas  |                                      | 6.5, 6.5.6          | N/A   |
| EN12                  | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas                                     | N/A                                  |                     |   |
| EN13                  | Habitats protected or restored   | N/A                                  |                     |   |
| EN14                  | Strategies, current actions, and future plans for managing impacts on biodiversity   | N/A                                  |                     |   |
| EN15                  | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk  | N/A                                  |                     |   |
| EN16                  | Total direct and indirect greenhouse gas emissions by weight   | 6.5, 6.5.5                           | ●                   | 23-25   |
| EN17                  | Other relevant indirect greenhouse gas emissions by weight   |                                      | ●                   | 23-25   |
| EN18                  | Initiatives to reduce greenhouse gas emissions and reductions achieved   |                                      | ●                   | 22-23, 68, 75   |
| EN19                  | Emissions of ozone-depleting substances by weight  | 6.5, 6.5.3                           | N/A                 |   |
| EN20                  | NOx, SOx, and other significant air emissions by type and weight   |                                      | N/A                 |   |
| EN21                  | Total water discharge by quality and destination   |                                      | ○                   | 24  |
| EN22                  | Total weight of waste by type and disposal method  |                                      | ○                   | 24  |
| EN23                  | Total number and volume of significant spills  |                                      | N/A                 |   |
| EN24                  | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | 6.5, 6.5.4, 6.5.6                    | N/A                 |   |
| EN25                  | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff                          |                                      | N/A                 |   |
| EN26                  | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation  |                                      | ●                   | 27  |
| EN27                  | Percentage of products sold and their packaging materials that are reclaimed by category   | 6.5, 6.5.4, 6.7.5                    | N/A                 |   |
| EN28                  | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations  | 6.5                                  | ●                   | There are no violations   |
| EN29                  | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce                                   | 6.5, 6.5.4, 6.6.6                    | N/A                 |   |
| EN30                  | Total environmental protection expenditures and investments by type  | 6.5                                  | ●                   | 26-27, 56, 65   |
| Labor                 | Disclosure on Management Approach  | 6.2, 6.4, 6.3.10                     | ●                   | 36  |
| LA1                   | Total workforce by employment type, employment contract, and region  | 6.4, 6.4.3                           | ○                   | 42-43   |
| LA2                   | Total number and rate of employee turnover by age group, gender, and region  |                                      | ○                   | 42  |
| LA3                   | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations  | 6.4, 6.4.3, 6.4.4                    | ●                   | 39-41   |
| LA4                   | Percentage of employees covered by collective bargaining agreements  | 6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10     | ●                   | 43  |
| LA5                   | Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements   | 6.4, 6.4.3, 6.4.4, 6.4.5             | ●                   | 60 days   |
| LA6                   | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs                             | 6.4, 6.4.6                           | N/A                 |   |
| LA7                   | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region  |                                      | ●                   | Work-related injuries<br>Shinhan Bank: 3 injuries<br>Shinhan Card: 1 injury |
| LA8                   | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases                                 | 6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8 | ●                   | 41  |
| LA9                   | Health and safety topics covered in formal agreements with trade unions  | 6.4, 6.4.6                           | ●                   | 43  |
| LA10                  | Average hours of training per year per employee by employee category   | 6.4, 6.4.7                           | ○                   | 42  |
| LA11                  | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings  | 6.4, 6.4.7, 6.8.5                    | ●                   | 41  |
| LA12                  | Percentage of employees receiving regular performance and career development reviews   | 6.4, 6.4.7                           | ○                   | 39  |
| LA13                  | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity  | 6.3.7, 6.3.10, 6.4, 6.4.3            | ●                   | 38  |
| LA14                  | Ratio of basic salary of men to women by employee category   | 6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4     | ●                   | 10, 38, 42  |
| Human Rights          | Disclosure on Management Approach  | 6.2, 6.3                             | ●                   | 36  |
| HR1                   | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening   | 6.3, 6.3.3, 6.3.5, 6.6.6             | ○                   | 13  |
| HR2                   | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken  | 6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6      | ○                   | 13  |
| HR3                   | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained                                | 6.3, 6.3.5                           | ●                   | 38  |
| HR4                   | Total number of incidents of discrimination and actions taken  | 6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3     | ●                   | 38<br>No incidents of discrimination  |

| Performance Indicator  | GRI Disclosure Requirement  | ISO 26000 Clauses                                       | Extent of Reporting | Page   |
|------------------------|---|---|---------------------|--|
| HR5                    | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights                           | 6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8<br>6.3.10, 6.4.3, 6.4.5 | ●                   | 38<br>Not applicable due to the nature of business                     |
| HR6                    | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor   | 6.3, 6.3.3, 6.3.4, 6.3.5,<br>6.3.7, 6.3.10              | ●                   | 38   |
| HR7                    | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor                             | 6.3, 6.3.5, 6.4.3, 6.6.6                                | ●                   | 38   |
| HR8                    | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations  | 6.3, 6.3.5, 6.4.3, 6.6.6                                | ●                   | 38   |
| HR9                    | Total number of incidents of violations involving rights of indigenous people and actions taken   | 6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7                         | ●                   | 38<br>No incidents of violations involving rights of indigenous people |
| Society                | Disclosure on Management Approach   | 6.2, 6.6, 6.8   | ●                   | 45   |
| S01                    | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting                            | 6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7                         | ●                   | 18-19, 26, 49-51, 55-56, 58, 62, 65-69                                 |
| S02                    | Percentage and total number of business units analyzed for risks related to corruption  |   | ●                   | 100%   |
| S03                    | Percentage of employees trained in organization's anti-corruption policies and procedures   |   | ●                   | 13, 38   |
| S04                    | Actions taken in response to incidents of corruption  | 6.6, 6.6.3  |                     | No incidents of corruption   |
| S05                    | Public policy positions and participation in public policy development and lobbying   | 6.6, 6.6.4, 6.8.3                                       | N/A                 |  |
| S06                    | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country   |   | N/A                 |  |
| S07                    | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes  | 6.6, 6.6.5, 6.6.7                                       | N/A                 |  |
| S08                    | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations   | 6.6, 6.6.7, 6.8.7                                       | ●                   | There are no violations  |
| Product Responsibility | Disclosure on Management Approach   | 6.2, 6.6, 6.7   | ●                   | 29   |
| PR1                    | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | 6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5                         | N/A                 |  |
| PR2                    | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes           |   | N/A                 |  |
| PR3                    | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements  | 6.7, 6.7.3, 6.7.4, 6.7.5,<br>6.7.6, 6.7.9               | ●                   | 31, 100%   |
| PR4                    | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes   | 6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9                  | ●                   | 31   |
| PR5                    | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction  | 6.7, 6.7.3, 6.7.6, 6.7.9                                | ●                   | 32-33  |
| PR6                    | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship   |   | ●                   | 31   |
| PR7                    | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes           | 6.7, 6.7.3, 6.7.6, 6.7.9                                | ●                   | 31<br>There are no violations  |
| PR8                    | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data   | 6.7, 6.7.7  | ●                   | 31<br>There are no violations  |
| PR9                    | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services  | 6.7, 6.7.6  | ●                   | There are no violations  |

| Performance Indicator | GRI Disclosure Requirement  | Extent of Reporting | Page                          |
|-----------------------|---|---------------------|-------------------------------|
| FS1                   | Policies with specific environmental and social components applied to business lines  | ●                   | 19, 26, 49-51, 53-71          |
| FS2                   | Procedures for assessing and screening environmental and social risks in business lines   | ●                   | 19, 26, 49-51, 53-71          |
| FS3                   | Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions              | ●                   | 12                            |
| FS4                   | Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines                         | ●                   | 13, 29-30, 32-33, 37-38, 56   |
| FS5                   | Interactions with clients/investees/business partners regarding environmental and social risks and opportunities  | ●                   | 13, 29-30, 32-33, 37-38, 56   |
| FS6                   | Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector  | ●                   | 15, 19, 50, 55, 67            |
| FS7                   | Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose                               | ●                   | 19, 49-51, 55, 58, 62, 65-69  |
| FS8                   | Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose                        | ●                   | 26, 56, 65                    |
| FS9                   | Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures                                     | ●                   | 10-12                         |
| FS10                  | Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues     | ●                   | CSR Highlights, 19, 26, 47-48 |
| FS11                  | Percentage of assets subject to positive and negative environmental or social screening   | ●                   | 65                            |
| FS12                  | Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting | ●                   | 10-11                         |
| FS13                  | Access points in low-populated or economically disadvantaged areas by type  | ●                   | 30                            |
| FS14                  | Initiatives to improve access to financial services for disadvantaged people  | ●                   | 30                            |
| FS15                  | Policies for the fair design and sale of financial products and services  | ●                   | 29                            |
| FS16                  | Initiatives to enhance financial literacy by type of beneficiary  | ●                   | 49, 54-55, 59, 61, 63, 68-71  |



## Statement GRI Application Level Check

GRI hereby states that **Shinhan Financial Group** has presented its report "Shinhan Financial Group Corporate Social Responsibility Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 24 June 2011

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI logo.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because Shinhan Financial Group has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.*  
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**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 20 June 2011. GRI explicitly excludes the statement being applied to any later changes to such material.



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This report was printed with soy-based ink on eco-friendly paper.