

Drawing a Sustainable Future

Shinhan Financial Group CSR Report 2013



Compassionate Finance
sharing the future



Report Overview

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

About This Report

In 2005, Shinhan Bank was the first Korean bank to publish the CSR report, and since 2009, Shinhan Financial Group published its report at the group level for the first time in the financial sector. From 2012, we uploaded the same CSR report in book report form on the SFG's website, so that our stakeholders can have easy, fast access to SFG's CSR management. The 2013 CSR Report includes the principles, systems, major activities and performances, implementation tasks and goals of the group's 9 CSR strategies. Additionally, we provide information on the CSR activities and achievements of major group companies divided into separate sections, ensuring both consistency and differentiation of the group report. (In the case of certain social and environmental indicators, the information may vary from the previous year's report due to changes made in the scope and standard of data collection.)

Principle and Guideline

The Shinhan Financial Group CSR Report 2013 has been drawn up based on the GRI (Global Reporting Initiative)'s new sustainability reporting standard, G4 Guideline, disclosed in May 2013. In particular, we conducted studies and evaluations on various global issues on CSR, as well as analyzed domestic situations, to be reflected in establishing SFG's own CSR strategies and included in the table of contents for the 2013 report. The financial information included in this report follows the Korean International Financial Reporting Standards (K-IFRS), which uses the unit of the Korean won KRW (₩). The report period is from January 1, 2013 to December 31, 2013. As for quantitative data, they have been collected for three years to enhance comparability, and the scope of the data reported covers the domestic head office and branches of 8 major group companies, including Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital and Jeju Bank. This accounts for 96% of all group companies in terms of the number of employees. (Some data in the report include all group companies)

Independent Assurance

In order to improve the credibility of the performance information and review the appropriateness of the process for drawing up this report, it has been assured by an independent certification institution, DNV · GL based on the three principles of AA1000AS(2008). We disclosed the results on pages 92~93 to improve the credibility for stakeholders.

Shinhan WAY



Shinhan Financial Group's Value System shows the group's aims and establishes standards for thinking and behavior of all employees

Mission

Making the world a better place with the strength of finance

Compassionate Finance sharing the future

Core values



Customer



Respect



Change



Excellence



Ownership

Vision

World Class Financial Group





Compassionate Finance Sharing the Future

The beginning of Compassionate Finance Sharing the Future

Since Shinhan Bank was founded in 1982, Shinhan Financial Group has wisely overcome the Asian Financial Crisis in 1998 to firmly position itself as Korea's leading financial group, with the transformation into a holding company in the 2000s through business diversification and external growth. As a result of the 2008 financial crisis, the global financial environment changed from pursuing the interests of shareholders to actively accepting the demands of stakeholders and addressing various social issues. Compassionate Finance is working towards changing the business management system to meet recent trends, thereby focusing on long-term and sustainable business management instead of just seeking short-term profits and growth. In 2013, we expanded the scope further to implement the Compassionate Finance Sharing the Future, which makes contributions to customers and society through the financial business, to satisfy both the company's economic value and the local communities' social value.

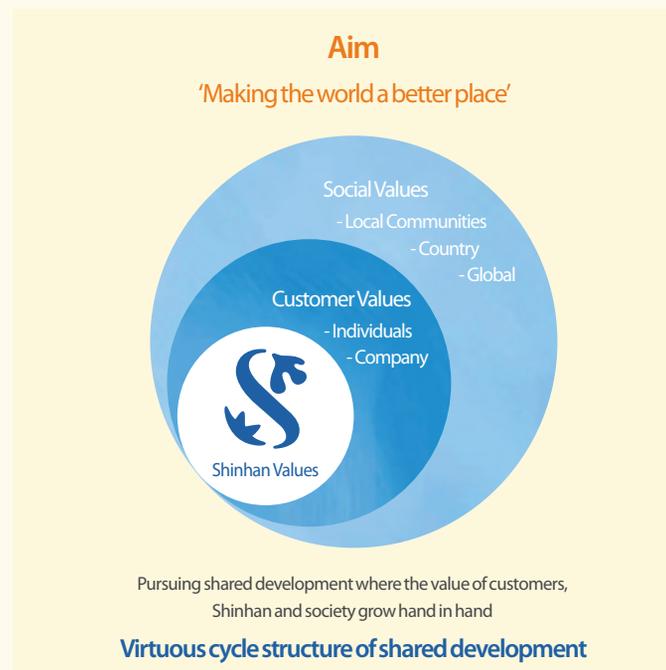
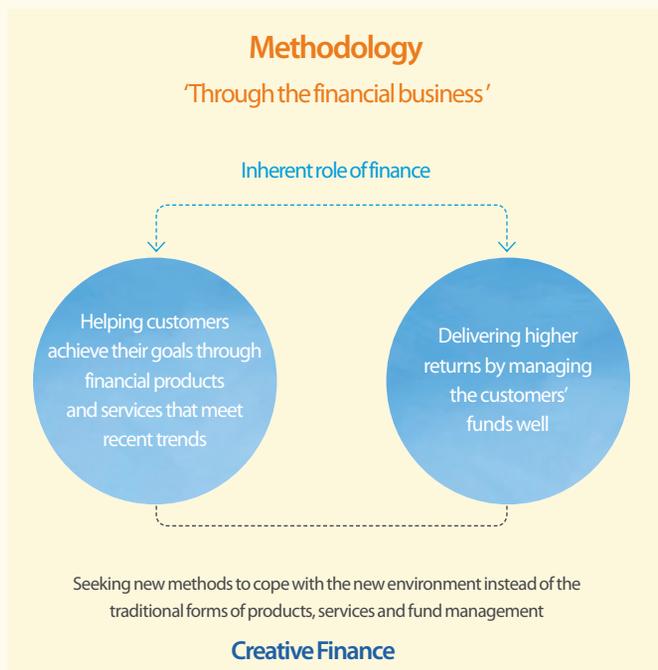
What is the Compassionate Finance Sharing the Future?

Shinhan Financial Group's mission of 'making the world a better place through the strength of finance' refers to establishing a virtuous cycle structure for shared development and seeking new and different methods to cope with the new environment, allowing the value of customers, Shinhan and society to grow hand in hand, instead of the traditional forms of products, services and fund management. As a financial company, Compassionate Finance Sharing the Future can have the true meaning only when we utilize our expertise, know-how and resources in the relevant field. If you look at the inherent role of finance demanded by today's age, it includes helping our customers achieve their goals with

financial products and services that meet recent trends and delivering higher returns by managing the customers' funds well. However, the tools required for fulfilling the inherent role of finance, such as financial products, services and fund management, have changed in the new era and environment. For instance, after the financial crisis, the enormous social and economic transition periods brought a huge change in present times. Therefore, we need to find new and different methods that cope with the new environment, instead of the traditional forms of products, services and fund management. This new methodology is called the 'creative finance'.

The aim of Compassionate Finance Sharing the Future is 'making the world a better place'. This means seeking customer and social value that were overlooked before because of focusing on short-term performances, while also rethinking about the spirit of the company's foundation and reviving it. If the Creative Finance delivers higher returns on customers' funds and provide financial support to promising companies in need, it will increase our customers' value. As a result of increased customer value, more customers will want to do business with Shinhan, thereby further increasing Shinhan's value. Furthermore, during the process of doing business with more customers, if Shinhan helps them become successful and fulfills the inherent role of finance by efficiently distributing economic resources, it can also increase the social value. The value of customers, Shinhan and society growing hand in hand to achieve shared development is called the virtuous cycle structure for shared development.

In the end, Compassionate Finance Sharing the Future, an improved version of Compassionate Finance, is striving to make the world a better place by establishing the virtuous cycle structure for shared development through the methodology of Creative Finance.





The implementation plan of the Compassionate Finance Sharing the Future

Shinhan Financial Group has been implementing the Compassionate Finance to ensure differentiation in financial performances, brand value and sustainability. In order to realize the Compassionate Finance Sharing the Future, we will strengthen differentiated competitiveness to fulfill the inherent role of finance. This is why we plan to internalize the Compassionate Finance Sharing the Future so that it becomes a part of the sales staff's daily duties, as well as implement the Creative Finance to develop new forms of products, services and fund management methods. As for internalizing the Compassionate Finance Sharing the Future, we plan to establish work principles for each subsidiary that can be applied as implementation standards at the work site and fulfill practice programs, while also creating indicators to monitor the level of internalization of the Compassionate Finance Sharing the Future. The Creative Finance is aiming to find various operation methods to cope with the recent trends and increase the customers' assets and the rate of return for fund management. Besides seeking a wide variety of investment methods other than equity and bonds, we also plan to launch compound investment and loan products that are not totally dependent on loans.

Performances of the Compassionate Finance for major group companies

Shinhan Bank

Financial economic education

Shinhan Bank opened the Youth Financial Education Center's Gwanghwamun Campus, a financial education and experience space with the same facilities as its branch for the first time in Korea to hold various programs, including the Shinhan Children Financial Experience Class for Children and the Shinhan Financial School. In 2013, a total of 23,820 persons received the education through various programs held 223 times.

Startup education for small business owners

SFG is implementing a group-wide program with professional institutions for small business startups, so that the working classes can get easy access to the startup education. In 2013, we provided startup education for a total of 5,781 small business owners to enable them to cherish new hope.

Corporate Success Program (CSP)

SFG held the Corporate Success Program (CSP) to select 138 companies with outstanding sales and technology capabilities, but experiencing temporary liquidity crisis, and provided financial support of KRW 219 billion to help with normalizing the company in a diverse means including: supporting new fund, suspending loan repayment and reducing interest rates

Shinhan Card

Operating a consulting and evaluation group exclusively for silver generation

Due to the increase of silver customers in the aging society, Shinhan Card provided personalized consulting services through an exclusive consulting group for silver generation, who were excluded from marketing targets before in terms of effectiveness, so that they can enjoy various benefits without being left out. The services for silver customers included extending the time limit for registering PIN numbers through ARS and confirming identification through ages or Chinese zodiac signs. In 2013, a total of 56,000 calls were made to provide consulting services.

Supporting interest-free installments for hospital expenses of long-term low-income customers

If a long-term low-income customer (more than 10 years of records and less than KRW 26 million of annual income) is in temporary financial difficulty due to the large amount of hospital expenses, Shinhan Card lessen the customers' burden by supporting interest-free installments, helping them to overcome such difficulty. In 2013, we supported KRW 1.9 billion to 650 persons.

Notifying customers about unused points to be used through the group channel

Shinhan Card notifies the customers about the present status of points becoming extinct and how to use them, so that the unused points, which are customers' property, can be used in various ways to increase the group synergy.

Shinhan Investment Corp.

Introducing an evaluation system for customers' return on assets

Shinhan Investment Corp. introduced an evaluation system for customers' return on assets, which is a new concept of employee evaluation system in line with customers' profits and employees' performance. Since 2012, the system had been used to evaluate employees based on the customers' rate of return on stocks, which was expanded to the overall customer asset portfolio to include all financial products.

Held the Compassionate Finance Camp

Shinhan Investment Corp. held the Compassionate Finance Camp for middle and high school students who are interested in economy, to provide better understanding about finance and help them accumulate basic knowledge needed for financial economic activities in the future. In 2013, we held the camp 33 times for 967 persons.

Shinhan Life Insurance

Helping customers collect unpaid insurance benefits

Shinhan Life Insurance has conducted a campaign to return unpaid insurance benefits to customers who have not yet collected them even though they are eligible for it. In 2013, we gave unpaid insurance benefits of KRW 61 billion to customers in 29,914 cases, as part of our efforts to fulfill the inherent role of insurance

Discounts on insurance premiums for the socially disadvantaged

In 2013, Shinhan Life Insurance provided financial support to the socially disadvantaged by providing discounts on insurance premiums in a total of 56,182 cases, including low-income households, disabled families and multi-child families.



We will take the lead in promoting financial economic education.

SFG provides financial economic education for all age groups from the elementary school students who are the future generation to the senior citizens who are financially underprivileged, as part of the group's representative social contribution activities that contribute to society through the inherent role of finance.



신한은행과 함께하는

신한어린이 금융체험교실





We offer compassion to the local communities in overseas countries.

Shinnhan card's 'Arumin University Student Overseas Volunteer Group' work towards improving the educational environment of vulnerable children in developing countries, such as providing education and books, establishing libraries and supporting bilateral cultural exchange programs.

2013 Snapshot

Financial Performance

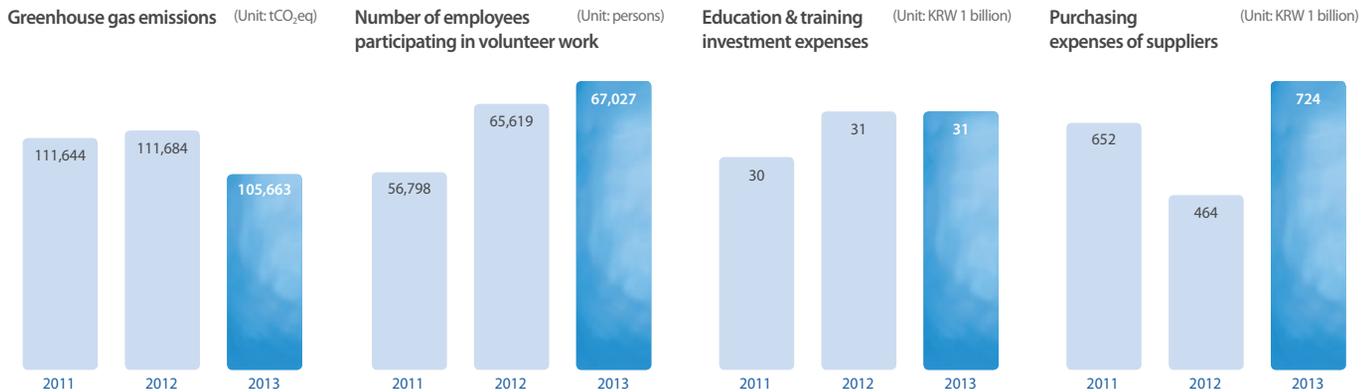


Credit ratings

	Shinhan Bank	Shinhan Card
S&P	A	BBB+
Moody's	A1	-
Fitch	A	A-
JCR	-	A

* The total assets, net profits and operating income before provisioning were rewritten due to the change in the International Accounting Standards.

Environmental & Social Performance



Award/Certification



Included in the DJSI World
DJSI Asia Pacific (5 consecutive years)
DJSI Korea (5 consecutive years)
1st in the banking sector in Korea (5 consecutive years)



Global sustainability management
Ranked 30th among the Global 100 Most Sustainable Corporations by the Davos Forum (highest ranking Korean company)



CDP 2013 Selected
as the financial sector (bank) leader for carbon disclosure
Acquired highest score in the financial sector in Korea



The 2013 evaluation of companies with good corporate governance
Received A+ grade in the evaluation and the Corporate Governance Excellence Awards



Received the Sustainability Report Award in 2013 Korean Sustainability Conference (Hosted by the Korean Standards Association)



Received the government prize as Korea's the Most Loved Company (Hosted by the Ministry of Trade, Industry & Energy and the Small and Medium Business Administration)

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CEO Message

After the financial crisis, the importance of corporate social responsibilities (CSR) has grown day by day, bringing widespread perception among many companies that sustainable growth can be achieved through shared development with society.

Under the group's mission of 'Compassionate Finance' since 2011, referring to making the world a better place through financial business, Shinhan Financial Group (SFG) is striving to have a positive impact on the society as a whole with its management activities, covering from the important decisions made in management to the daily duties of employees.

Our efforts are receiving a favorable evaluation domestically and internationally. SFG not only became the first Korean financial holding company to join the DJSI World Index, but was also ranked 30th among the Global 100 Most Sustainable Corporations by the Davos Forum. This was the highest ranking of any Korean company. Furthermore, The Banker ranked us 43rd globally and 1st domestically in terms of financial brand value.

From the financial perspective, SFG recorded the leading results in the Korean financial sector for six consecutive years, to post net profits of KRW 1,903 billion in 2013. This shows that we are keeping a good balance between financial performance and CSR.

We will continually establish the foundation for sustainable growth where everyone can achieve shared prosperity, by promising to implement the following three tasks:

First, we will focus all of our capabilities on providing differentiated value to customers and society through the inherent roles of finance.

Presently, our society is faced with an unprecedented low-growth. In addition, the needs of our customers and society are changing. SFG will realize the "Compassionate Finance Sharing the Future" with creative methods of finance to cope with the new environment, enabling the value of society to grow hand in hand, thereby contributing to our customers' success and society's sound development.

Second, we will faithfully implement our CSR strategies.

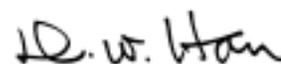
In 2014, SFG established CSR strategies aiming to 'create the value of economy, society and environment by practicing CSR'. We plan to provide sustainable value to our society by focusing our CSR capabilities on 8 core areas, including consumer protection, ethical management, risk management, employees, local communities, suppliers, environmental impact and environment-friendly products and services. Along with this, we have derived 28 improvement tasks to practice a high-level of CSR and we plan to implement them and transparently report on the results.

Third, we will continually comply with and implement global sustainability initiatives.

Since 2008, SFG joined the UN Global Compact to sign an agreement promising to comply with the ten principles in the areas of human rights, labor, the environment and anti-corruption. The results made from the implementation are reviewed periodically. Additionally, we pursue global environmental standards by taking part in the Carbon Disclosure Project (CDP). Our active participation in the global sustainability initiatives will allow us to develop into an exemplary world-class company in sustainability management.

One of the inherent roles of finance is to provide financial plans and solutions that help members of society achieve their goals. SFG will continually seek ways to fulfill the inherent roles of finance better, so that sustainable growth enhance the customer value and contribute to social development. We ask for continued support and encouragement from our customers, shareholders and citizens of local communities.

Thank you.

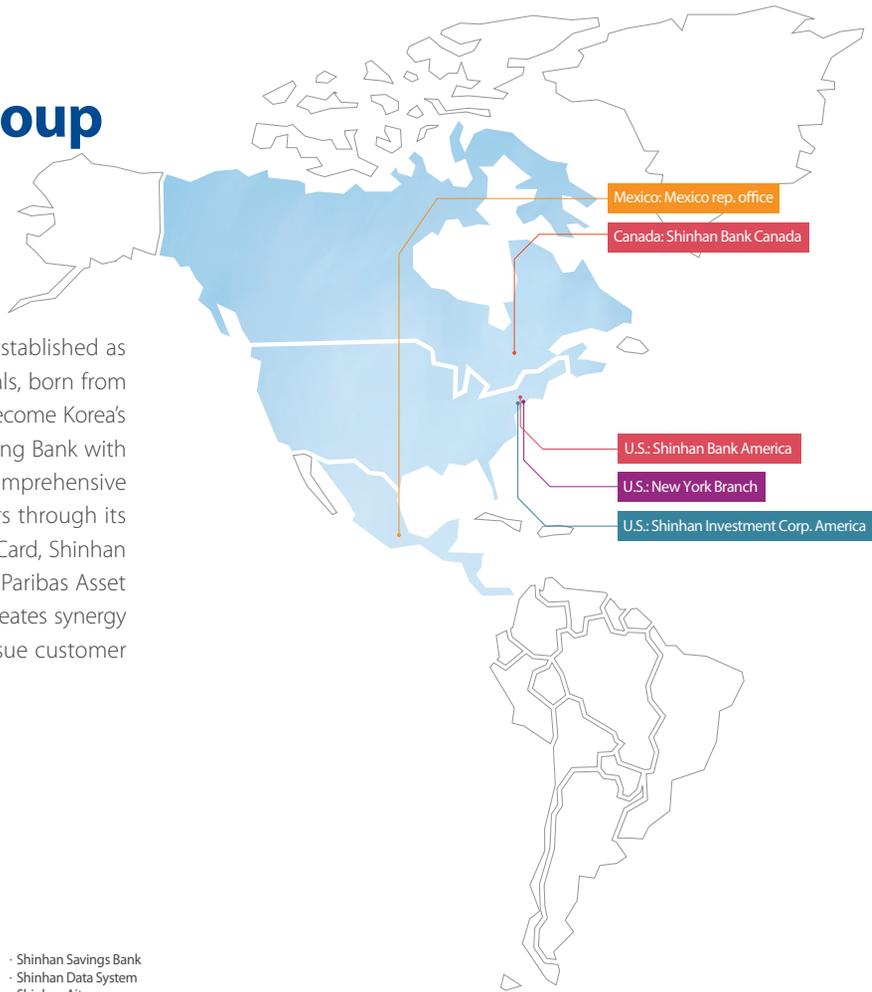


Chairman & CEO of Shinhan Financial Group **Dong Woo Han**

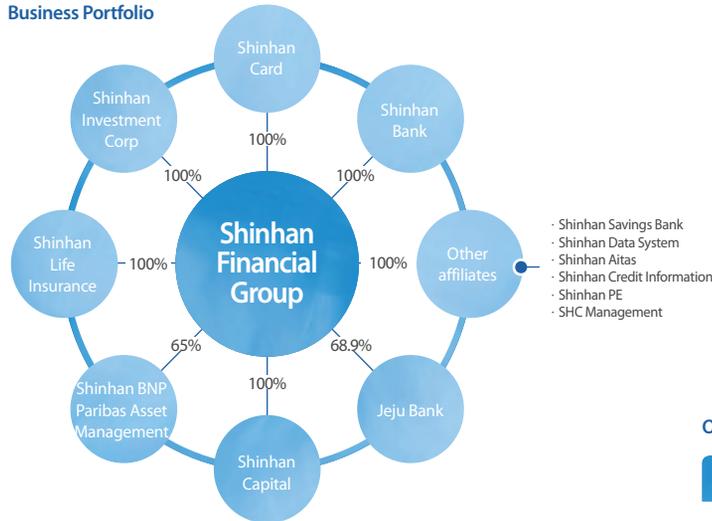
Introduction to Shinhan Financial Group

Customer-oriented financial leadership

On September 1, 2001, Shinhan Financial Group was established as Korea's first financial holding company of private capitals, born from Shinhan Bank established in 1982. Since then, SFG has become Korea's representative financial group by incorporating Choheung Bank with over 100 years of history and LG Card. SFG provides comprehensive financial services that meet diverse needs of customers through its 12 group companies, including Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital and Jeju Bank. Shinhan creates synergy through close networks between subsidiaries and pursue customer value, to firmly establish itself as Korea's top financial brand.



Business Portfolio



Overview of profit creation

(Unit: %)

Shinhan Bank	Shinhan Card	Shinhan Life Insurance	Others
62	29	4	5

Overview of shareholders (As of December 31, 2013)

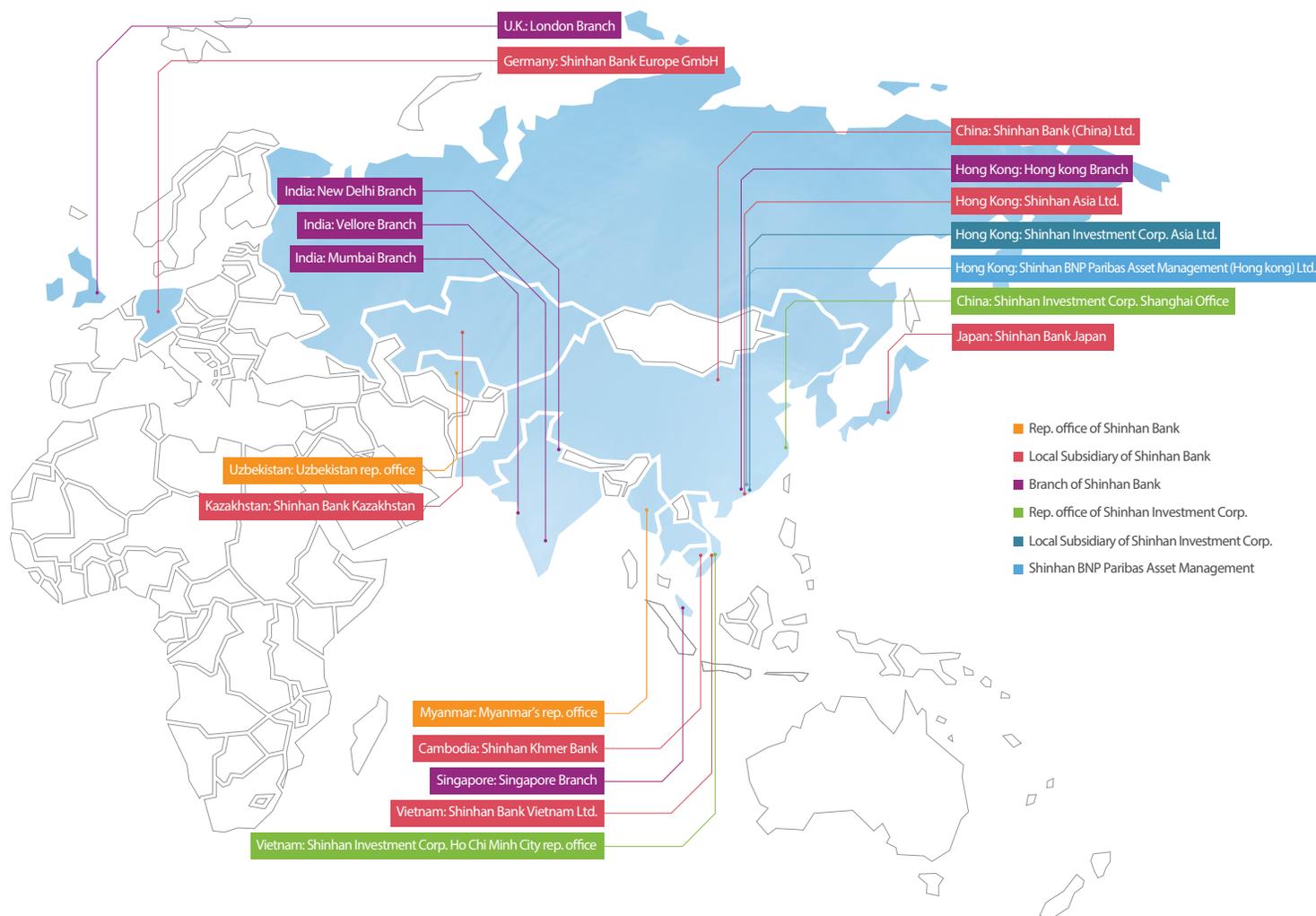
(Common shares standard, Unit: %)

Name of Shareholder	Owned	Name of Shareholder	Owned
Korea National Pension Service	8.81	The Lazard Fund Inc.	1.92
BNP Paribas	5.35	Samsung Asset Management	1.27
SFG Employee Stock Ownership Association	4.08	Mizuho	1.26
Saudi Arabian Monetary Agency	3.61	ABU DHABI INVESTMENT AUTHORITY LENDI	1.17
CITIBANK.N.A. (ADR DEPT.)	2.56	DIMENSIONAL EMERGING MARKETS VALUE FUND	1.14
The Government of Singapore	2.03	Others	66.80

Stock information

	2011	2012	2013
Average daily volume	1.8billion shares	1.2billion shares	1.0 billion shares
Stock quotes (high mark)	53,800KRW	47,000 KRW	48,650 KRW
Stock quotes (low mark)	36,150KRW	33,350 KRW	35,950 KRW
Stock quotes (annual average)	39,750KRW	38,850 KRW	47,300 KRW
Total asset of stock market (as of the end of 2013)	18.8trillion KRW	18.4 trillion KRW	22.4 trillion KRW
Shares accounted for in KOSPI (as of the end of 2013)	1.8%	1.6%	1.9%
Dividends to shareholders	750 KRW	700 KRW	650 KRW
Total dividends	355.7 billion KRW	331.9 billion KRW	308.2 billion KRW

* Dividends: common shares standard



SFG heads into the world

Shinhan Financial Group actively provides financial services through 70 networks in a total of 15 countries, including Japan, China, Vietnam and the U.S. In order to strengthen our position in the Asian market with high market growth where we have already entered into, SFG will continually expand overseas network through self-growth and acquisition.

In addition, SFG is striving to develop the engines of new growth, by establishing a representative office in Yangon, Myanmar to expand the branch network in Southeast Asia. As for the non-banking businesses, including financial investment, asset management, credit card and life insurance, we are taking all measures to increase synergy by seeking ways to enter into other financial areas based on our banking businesses.

Assets of overseas network

(Unit: %)

region	2011	2012	2013
Japan	42	39	33
China	12	14	19
Asia (excluding Japan and China)	19	18	21
America	15	14	15
Europe	9	8	8
India	3	7	3
Total assets	KRW 15.58trillion	KRW 16.42trillion	KRW 16.90trillion

* Total assets were rewritten due to the expanded scope of examination.

Domestic & overseas network

(Unit: number)

Company	Number of domestic network	Number of overseas network	Number of total network
Shinhan Bank	944	68	1,012
Shinhan Card	32	-	32
Shinhan Investment Corp.	99	4	103
Shinhan Life Insurance	208	-	208
Jeju Bank /Others	49	1	50
Total	1,332	73	1,405

Materiality Test

Besides the CSR issues already identified within the group, Shinhan Financial Group established the CSR issue pool by including newly identified issues from analyzing global standards and benchmarking advanced companies. After going through internal and external evaluations on each material issue, SFG prioritized the key issues that should be identified and managed. Based on this, SFG established the CSR strategies. According to the CSR strategies, the improvement tasks in the areas of economy, society and environment were reflected in management activities, so that the present status of each task being implemented is reviewed. Also, the materiality in context, major activities and performance indicators were reported on the group's nine CSR strategies, including the CSR activities for each subsidiary.

Materiality test process



STEP1. Analyzing present status of CSR management

In order to identify CSR issues for 2013, Shinhan Financial Group reviewed the group's internal and external issues related to CSR. Based on this, we established a pool of material issues. It had a total of 71 CSR key issues in 16 areas, including risk and ethical management, by reviewing the following: CSR-related standards (GRI G4, ESG, ISO 26000); specialized indicators for the financial industry (DJSI – Bank); Shinhan Group's internal CSR issues; the results of benchmarking advanced companies; and stakeholders' opinion surveys.

STEP2. Materiality test and Deriving key issues

We conducted materiality tests on 71 CSR issues in terms of business impacts and social interests. The materiality tests on business impacts took into consideration of the connectivity between short-term financial impacts and medium and long-term strategy goals, while the materiality tests on social interests took into consideration of the benchmarking of advanced companies and global standards on CSR.

STEP3. Establishing CSR strategies

Based on the key issues derived from materiality tests, SFG established nine CSR strategies in 8 areas, including economy, society and environment, showing clearly the goals and directions that SFG aims to achieve.

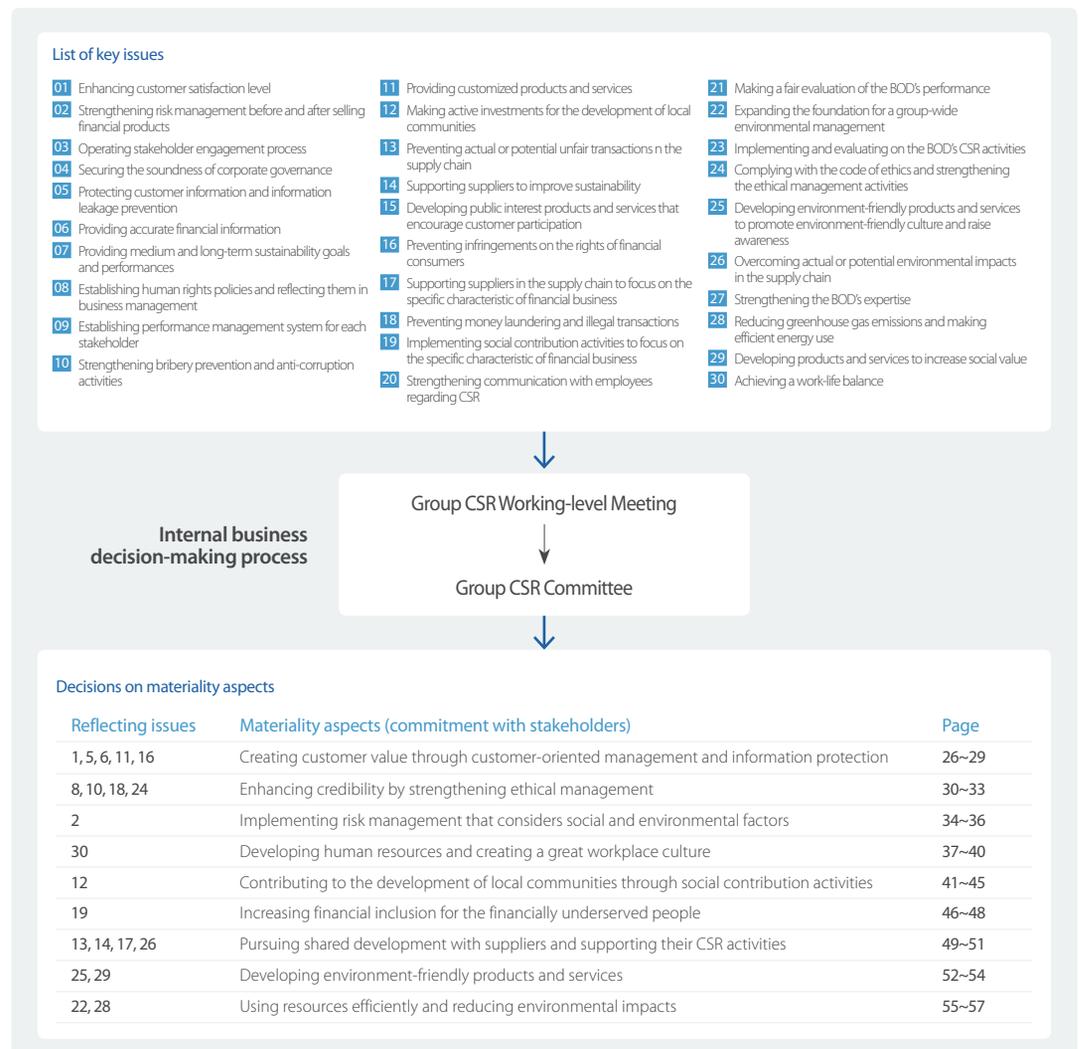
STEP4. Reflecting in management activities

Based on the evaluation results of the group's nine CSR strategies and the global sustainability management, we selected a total of 28 improvement tasks for CSR in the areas of common, economy, society and environment. After discussing about the strategies and tasks at the group's Social Contribution CSR Committee with the CEO of all group companies attending, we initiated improvements by establishing detailed implementation plans for each improvement task. As for the future implementation results, we will manage them through continuous monitoring.

STEP5. Reporting on activities and plans

The CSR Report mainly consists of the nine CSR strategies, with the integrity of the report increased by disclosing the economic, environmental and social impacts, policies, activities, performances, future plans and goals related to each strategy. Meanwhile, the major group companies, including Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital and Jeju Bank, reported on the performances of major CSR activities for 2013.

Process for determining materiality aspects



Group CSR Strategies

Shinhan Financial Group established nine CSR strategies in 8 areas, including economy, society and environment, to implement the management activities in a responsible manner and create sustainable value. This means clearly setting the CSR goals and directions in which we should head towards, so that all group companies and its employees can work toward achieving these goals.

Creating economic, social and environmental value through CSR (Value Creation through Responsible Management)



Creating continuous economic performances by implementing reliable business practices

SFG is continually generating economic performances to gain a reliable management by implementing customer-oriented management and customer information protection, reinforcing ethical management and transparency, and carrying out systematic risk management that takes social and environmental factors into consideration.

Pursuing society's sustainable growth by fulfilling the responsibilities to stakeholders

SFG is increasing the social value by fulfilling its responsibilities to diverse stakeholders, including pursuing a work-life balance for its employees, implementing social contribution activities for the development of local communities and the financially underserved people, and seeking shared development with suppliers.

Spreading the sustainability of environment through environmental management

SFG is spreading the sustainability of the environment by strengthening the environmental management, such as developing environment-friendly products and services and minimizing environmental impacts through efficient energy use.

Stakeholder Engagement

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

Stakeholder engagement system



Stakeholder engagement performance

Customer

Material issues	Reflection in management (SFG's response)
Expanding the convenience of using check card following the change in income deduction ratio	<ul style="list-style-type: none"> Expanded the subjects of check card issued to eleven commercial banks, including Shinhan Bank Developed immediate payment service that allows check card payment with credit card function Launched S-Choice check card that provides a single benefit for customers who want simple benefits
Providing maintenance services to existing contractors	<ul style="list-style-type: none"> Provided the Compassionate Happy Service where the FC in charge visits once a year at the time of an event occurring for customers (explanation about the existing insurance product coverage, confirmation and introduction about whether or not an insured event occurred, cleaning of customer information, designation of the beneficiary of insurance, introduction of registering embryos, analysis of coverage and provision of product recommendation service)
Strengthening mobile channels	<ul style="list-style-type: none"> Established information inquiry and payment infrastructure through mobile channels Received real-time complaints about use and improvement suggestions to be reflected in improvement plans
Implementing financial services for non-insured classes	<ul style="list-style-type: none"> Sold silver cancer insurances with simple screening process to allow people with blood pressure and diabetes diagnosis to join
Supported small-sized merchants	<ul style="list-style-type: none"> Supported the costs of small-sized merchants' IC devices
Improving point system	<ul style="list-style-type: none"> Enhanced the system so that points can be used from 1 point
Providing transparent and accurate information	<ul style="list-style-type: none"> Provided materials introducing the return of cancellation for customers Launched insurance products with names that enable customers to tell the product's characteristics at a glance
Reinforcing customer information protection	<ul style="list-style-type: none"> Developed the function of applying personalized messages to prevent phishing and smishing accidents Prevented smishing messages that illegally used the Shinhan Card's representative consultation phone number 1544-7000 Notified customers by sending a consumer protection warning message when smishing VOC under the assumed name of Shinhan Card has been received to prevent additional accidents
Diversified the channels for receiving complaints	<ul style="list-style-type: none"> Collected opinions and complaints from customers through various channels, including internet, phone, mail, on-site visit, fax and SNS

Shareholder and investor

Material issues	Reflection in management (SFG's response)
Improving the value of shareholders and investors	<ul style="list-style-type: none"> Shared the interests and demands of shareholders and investors with relevant departments to improve the shareholder value
Improved the accessibility of information	<ul style="list-style-type: none"> Strengthened non face-to-face channel through tablet and smartphone channels
Established the disclosure system	<ul style="list-style-type: none"> Systematized the process by establishing the disclosure system (shortening of submission deadline, minimization of error correction)

Employee

Material issues	Reflection in management (SFG's response)
Providing diversity and inclusiveness	<ul style="list-style-type: none"> Operated an online and offline channel called the mc3 Committee where employees suggested creative ideas and held heart-to-heart talks with the management staff Operated an online space called the Plaza 2.0 for open discussion between the CEO and employees Held the Creativity and Innovation Conference to share creativity and innovation value between young employees and the management staff
Activities and compliance	<ul style="list-style-type: none"> Implemented the Shinhan Way Campaign across the group to improve organizational vitality and create an atmosphere of change Held training programs to develop the leadership of the management and department heads and strengthen the team capability of departments to develop outstanding talents
Education and development of human resources	<ul style="list-style-type: none"> Provided the CDP job training courses and on-site training programs to ensure employees acquire professional knowledge and strengthen their capabilities Established the Global Expedition Group to improve new core business capability and global mind through benchmarking foreign advanced companies Provided new and customized training courses that meet the latest business environment and trends and employee needs to improve work satisfaction level
Enhancing work satisfaction level	<ul style="list-style-type: none"> Promoted communication between the management and employees, health of employees and a work-life balance Enhanced pride by implementing various activities for shared development

Government agency

Material issues	Reflection in management (SFG's response)
Creating jobs	<ul style="list-style-type: none"> · Transferred contract-based tellers to permanent workers (retail service job categories) and expanded the employment of new retail service job positions · Hired the socially weak and expanded part-time job positions
Supported small and medium-sized companies	<ul style="list-style-type: none"> · Established a loan decision-making system focusing on technology and provided loans for technology startups · Launched performance sharing products for outstanding technology companies and growing prospective companies and established a M&A acquisition finance support system · Provided startup convenience and local information to small and medium-sized companies that entered overseas markets by utilizing Shinhan Bank's overseas network
Creative finance	<ul style="list-style-type: none"> · Participated in the growth ladder fund to support the growth of small and medium-sized and venture companies · Acted as a financial advisor in the government-led global infrastructure fund

Local community and NGO

Material issues	Reflection in management (SFG's response)
Supporting the socially disadvantaged and vulnerable groups	<ul style="list-style-type: none"> · Opened the Youth Financial Education Center and held financial training programs · Created new jobs for small and medium-sized companies through the Job-S.O.S · Supported employment at outstanding small and medium-sized companies through the Best Company-Best Employee Matching Project
Vitalizing customer participation	<ul style="list-style-type: none"> · Implemented the social contribution programs with customer participation in connection with Arumin Libraries · Operated the Customer Volunteer Group where customers voluntarily participated in volunteer works for local communities

Supplier

Material issues	Reflection in management (SFG's response)
Improving selection methods and acquiring fairness in contracting process	<ul style="list-style-type: none"> · Prohibited discrimination during evaluation based on company size without any special reason · Complemented the standards for clear classification in selecting contract methods · Introduced additional points for socially responsible companies and small and medium-sized companies with outstanding technology
Guaranteed appropriate prices	<ul style="list-style-type: none"> · prohibited the unconditional low-price bidding method in principle · Established standards related to changes in development conditions and construction scope
Improving transaction practices and promptness of inspection and payment	<ul style="list-style-type: none"> · Made it mandatory to pay within one month after completing inspection · Exempted the submission of various performance bonds · Made it mandatory to pay for proposal and sample costs



Shinhan Symphony for a smart communication space

Governance

Shinhan Financial Group has established a sound corporate governance structure based on the composition and operation of the board of directors with independence and expertise. The operation of the BOD faithfully complies with the external laws and regulations, including the Commercial Act, the Financial Holding Company Act, the Articles of Incorporation and the BOD Regulations. Also, we introduced details that covered information related to the BOD in the Code of Best Practices for Corporate Governance and implemented them faithfully. SFG communicates transparently with all stakeholders by disclosing the following: regulations for operating the BOD and its committees; activities of the BOD and its committees; details of voting for and against the agenda; evaluation of governance structure; and whether or not there is difference from the Code of Best Practices for Corporate Governance. Moreover, we were introduced the concentrated vote system to protect the minority shareholders' right and written vote system.

Composition of the BOD

The board of directors consists of 12 directors, including the CEO, one non-executive director, and 10 outside directors, who are all appointed by the GMS. The term of directors is decided by the GMS within the scope of not exceeding more than three years, and they may be reappointed. As for outside directors, the term will be within 2 years, but it will be within one year for reappointment, with no reappointment after 5 consecutive years. In the case of outside directors, they should have professional authority and knowledge in the fields of finance, economy, management, law and accounting, to be appointed in accordance with the Financial Holding Company Act, the Enforcement Ordinance of the same Act and the independence standard of SFG's Outside Directors Operational Regulations. In order to secure the independence and operate the BOD consisting of mainly outside directors, the SFG's Regulation on the BOD states that the chairman of the board should be appointed from the outside directors. Currently, the chairman of the BOD is the outside director, Hoon NamGoong. The BOD complies with all relevant laws and internal regulations, including the Financial Holding Company Act. In particular, we exceeded 83% for the ratio of outside directors that makes up the BOD, so that it is more than half of the composition as legally stipulated in law. This clearly shows that we achieved the basic policy of the outside director system to maximize the long-term profits of the company and shareholders and supervise actual duties carried out by the management staff.

Members of Board of Directors

Executive/non-executive	Classification	Name	Gender	Work experiences	Qualification
Executive director	Inside director	Dong Woo Han	Men	Vice President of Shinhan Bank, President and vice chairman of Shinhan Life Insurance, CEO of Shinhan Financial Group (present)	-
Non-executive director	Others Non-executive director	Jin Won Suh	Men	Vice President of Shinhan Bank, Vice President of Shinhan Financial Group, President of Shinhan Life Insurance, CEO of Shinhan Bank (present)	-
	Outside director	Bu In Ko	Men	Vice President of Korean Chamber of Commerce in Tokyo, CEO of Sansei (present)	Professional directors
		Tae Eun Kwon	Men	CEO of Nambuham, Nagoya Foreign Language University's professor, Nagoya Foreign Language University's honorary professor (present)	Accountant, doctor's degree in business administration
		Kee Young Kim	Men	Professor of business administration for Yonsei University, Vice President of External Affairs for Yonsei University, President of Gwangwoon University	Doctor's degree in business administration
		Seok Won Kim	Men	Head of Korea OECD-Multilateral Tax Center, president of Korea Federation of Savings Banks, Chairman of Credit Information Association	Public institution's employee
		Hoon Namgoong	Men	Chairman of Korea Deposit Insurance Corporation, member of Monetary Policy Committee, Chairman of Life Insurance Association	Public institution's employee
		Man Woo Lee	Men	CEO of the Korean Academic Society of Taxation, CEO of the Korean Accounting Association, The KBS's guest commentator (present), Professor of business administration at Korea University (Present)	Accountant, doctor's degree in business administration
		Sang Kyeong Lee	Men	Judge at Korea's Constitutional Court, General Attorney at Wonjeon Law Firm (present)	Lawyer
		Jin Jeong	Men	Headquarters Chief of the Korean Residents Union in Japan, CEO of the Jin Corporation (present)	Professional directors
		Hirakawa Haruki	Men	CEO of International Development, CEO of Pyeongcheon Corproaton (present)	Professional directors
		Philippe Aguinier	Men	Head of BNP Paribas China, Retail Banking Head of BNP Paribas Asia Retail Division (present)	Financial company's employee

Operation of the BOD

SFG's board of directors approves management strategies and goals of the holding company and subsidiaries, as well as supervises the implementation of approved strategies and goals. Also, it provides a risk management system for the group companies. Moreover, we protect the external stakeholders' rights by uploading various information on the SFG's website, including the composition of the BOD and its sub-committees, major activities and articles of incorporation, the BOD Regulations and the code of ethics for employees.

Regulations for operating the BOD

Shinhan Financial Group's BOD is operated in accordance with internal regulations, including the articles of incorporation, the BOD Regulations and the Outside Director Operational Regulations, while the BOD Steering Committee is set up as a subcommittee to make decisions on the operation of BOD. The BOD is convened by the chairman of the BOD as either regular or ad-hoc meetings. A regular meeting is held once every quarter, while an ad-hoc meeting is convened whenever deemed necessary by the chairman. Voting at the BOD requires the meeting to be quorate with the attendance of a majority of directors and is by a simple majority of those attending directors. The directors are allowed to take part in voting through communications media with simultaneous transmission and receipt of sound. However, a director who has special interests in a certain agenda is not allowed to exercise the voting right, ensuring the objectivity and transparency of the decision-making process. As for outside directors, a multi-dimensional evaluation is conducted on an annual basis. Based on the evaluation results, the reappointment is decided. Moreover, we set up and operate the BOD Secretariat to ensure systematic and smooth implementation of duties at the BOD.

Performance of the board of directors

In 2013, the BOD held a total of 9 BODs, including 4 regular meetings and 5 ad-hoc meetings, to deliberate on major management agendas, including the agendas and convening of the general shareholder's meeting, the enactment and amendment of important regulations, the business plan and budget approval including affiliates, and the matters related to governance structure, and to receive reports on major current issues, including the quarterly business performance.

Strengthening the engagement of outside directors in decision-making process

Outside directors fulfill the most important duties of protecting shareholder value by actively expressing their opinions and taking part in business management, while complying with the employees' code of ethics. Also, we develop the professional capabilities of outside directors by regularly holding training programs and workshops, with a total of 4 times held in 2013

Present status of BOD operation

(Unit: number, %)

Division	2011	2012	2013
Number of times the BOD was held	12	8	9
Number of agendas were presented at the BOD	76	55	46
Deliberation/resolution	35	28	22
Report details	41	27	23
Attendance rate of inside directors	100	100	100
Attendance rate of outside directors	92.6	85.9	92

Compensation system

The compensations of directors are given within the limits on director's compensation approved by the general meeting of shareholders. In addition to the basic pay of outside directors, additional pay is given according to the level of responsibilities and activities for the position. However, we don't give compensations based on the company's management performances to maintain the independence of outside directors and the control on the management staff. All of these details are disclosed through the SFG's website and the Korea Federation of Bank's website in the following month after the month in which the regular general shareholder's meeting was held.

The compensation of inside directors consists of the basic pay and short and long-term performance-related pays, which are decided at the BOD through the deliberation of the Compensation Committee. As for the performance-related pay, it is determined according to the standards of the Compensation Committee or the BOD. The amount of short-term performance-related pays is decided based on the company's management performance, while the amount of long-term performance-related pays is decided later on according to the company's performances for 4~5 years, with payments given every 3 years. The details of compensations are transparently disclosed through the Financial Supervisory Service's electronic disclosures website every quarter.

Committees under the BOD

The BOD operates five permanent committees and two non-permanent committees. The permanent committees include the Governance Structure and CEO Recommendation Committee, the BOD Steering Committee, the Risk Management Committee, the Compensation Committee and the Audit Committee. The non-permanent committees include the Outside Director Recommendation Committee and the Audit Member Recommendation Committee. All committees consist of more than half of outside directors and the term of the members on the committees is one year.

Governance Structure and CEO Recommendation Committee

The Governance Structure and CEO Recommendation Committee consists of six directors and five of them are outside directors. In 2013, it was held a total of 6 times to deliberate on matters related to the company's governance structure, while also recommending directors for CEO candidates.

BOD Steering Committee

The BOD Steering Committee consists of five directors and four of them are outside directors. In 2013, it was held a total of 4 times to deliberate on the efficient operation of BOD and recommend members for the committees under the BOD.

Risk Management Committee

The Risk Management Committee consists of three directors who are all outside directors. In 2013, it was held a total of 5 times to establish the integrated risk management policies from the management strategy perspective, while also conduct approval duties on investment limit and loss tolerance limit.

Compensation Committee

The Compensation Committee consists of four directors who are all outside directors. In 2013, it was held a total of 5 times to decide on the evaluation and compensation systems for the management staff.

Audit Committee

The Audit Committee consists of four directors who are all outside directors. In 2013, it was held a total of 9 times to establish the foundation for monitoring the duties executed by the management and directors by providing actual supervisory functions, such as directly reporting to the Audit Committee on important matters that require the independence of outside auditors.

Outside Director Recommendation Committee

The Outside Director Recommendation Committee consists of five directors and four of them are outside directors. In 2013, it was held a total of 3 times to recommend candidates who meet the qualification as outside directors and make decisions on other matters regarding such recommendation.

Audit Member Recommendation Committee

The Audit Member Recommendation Committee consists of only outside directors. In 2013, it was held only once to decide on matters related to recommending candidates for the Audit Committee.

Composition of committees under the BOD

Division	Inside	Outside
Governance Structure and CEO Recommendation Committee	Dong Woo Han	Bu In Ko, Tae Eun Kwon, Philippe Aguinier, Hoon Namgoong, Sang Kyeong Lee
BOD Steering Committee	Dong Woo Han	Bu In Ko, Jin Jeong, Kee Young Kim, Seok Won Kim
Risk Management Committee	-	Kee Young Kim, Hoon Namgoong, Philippe Aguinier
Compensation Committee	-	Hirakawa Haruki, Seok Won Kim, Hoon Namgoong, Man Woo Lee
Audit Committee	-	Tae Eun Kwon, Seok Won Kim, Man Woo Lee, Sang Kyeong Lee
Outside Director Recommendation Committee	Composed when it is necessary to recommend outside director candidates at the beginning of the year and operated temporarily until the outside director is appointed (regular general meeting of shareholders in March)	
Audit Member Recommendation Committee	Composed when it is necessary to recommend audit member candidates at the beginning of the year and operated temporarily until the audit member is appointed (GMS in March), with the committee consisting of all outside directors .	



The group's 9 CSR strategies

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Developing environment-friendly products and services	52
Using resources efficiently and reducing environmental impacts	55



Shinhan Bank created part-time jobs to provide new opportunities for women who have career interruptions to enter into society by utilizing their past experience.



First commitment

Creating customer value through customer-oriented management and information protection

Major Achievements



Publication of Shinhan Financial Information Guide

Shinhan Bank is the first Korean commercial bank to publish the Shinhan Financial Information Guide, uploaded on the website and distributed to all branches. We make sure the financial consumer's right to know is covered by publishing it every quarter.



CCO appointment

Each subsidiary of Shinhan Financial Group has appointed the Chief Compliance Officer (CCO), who is independently responsible for consumer protection.



Acquired ISO27001

All the group companies of Shinhan Financial Group acquired the ISO27001 to operate the information protection system at global standards, with 24 hour quick response services provided to prevent any external hacking attempts.

Recently, after experiencing the financial crisis triggered by the U.S. subprime mortgage crisis, countries with leading financial sector are focusing on protecting financial consumers by setting up a financial consumer protection organization. In line with such trend, the Korean government enacted the Financial Consumer Protection Act to protect the rights of financial consumers and strengthen the post remedy process. SFG recognizes the protection of our customers through reliable financial services is a key of customer satisfaction, and in the long run, the driving force behind Shinhan to grow hand in hand with customers. In order to lead in customer-oriented business management, we will reinforce the systems from the customer protection perspective and establish consumer-oriented thinking for customer protection implemented by every employee.

Also, recently there has been a substantial increase in damages caused by financial companies' customer information leakage, resulting in huge social demand for protection of valuable customer information. SFG is protecting customers' personal and financial information by complying with various laws and regulations, such as the Personal Information Protection Act. We disclose the Personal Information Handling Policy to notify our customers how to protect personal data, so that the whole process of collecting, utilizing and abolishing the customer information acquired through sales activities are managed transparently and safely.



Publication of Shinhan Financial Information Guide

Principles and Systems

Shinhan Financial Group is improving the consumer protection policies and systems to lead the way in protection of customers' rights. From the consumer protection perspective, SFG newly established a department exclusively for consumer protection at each group company, to make improvements in all areas, including scheme, system, product development, sales and post management. Also, we appointed a Chief Customer Officer (CCO) with the authority to overlook relevant departments and independently implement consumer protection duties. Additionally, we designated an employee to be in charge of consulting on consumer protection in each department to strengthen consumer protection, while also applied the model standards to the internal regulations of relevant departments to continually implement the consumer protection system. For instance, Shinhan Bank is the first financial company to establish the prior consultation process for consumer protection, so that there were consultations between relevant departments before establishing customer-related systems and policies, such as events, promotions and product development. This ensured that duties focused on financial consumer protection are implemented through the consumer protection system.

Principle of Financial Consumer-Oriented Actions

All employees at Shinhan Bank recognize that the protection of financial consumers' rights is an important feature of CSR and will actively implement the following principles:

1. The employees shall meet consumers with a warm smile, sincerity and politeness to keep the promises made to consumers.
2. The employees shall listen and think from the consumer's perspective and put the consumer interests as top priority when providing products and services.
3. The employees shall develop their professional capabilities and communication skills through creativity and innovation to help improve consumers' financial knowledge.
4. The employees shall ensure reliability by having full understanding of the major details of products and services to provide sufficient explanation to consumers.
5. The employees shall think of consumers' businesses as their own and do their best to prevent complaints. If there is a complaint, it shall be resolved fairly and promptly.
6. The employees shall comply with the procedures and regulations on consumers' valuable assets and information management to grow hand in hand with consumers.
7. The employees shall provide competitive products and personalized services so that consumers can have valuable and differentiated experience.

Meanwhile, reflecting the security accident that occurred in 2013 as a lesson, SFG made lots of efforts in establishing more strengthened security system to prevent the reoccurrence of similar accidents. In order to prevent internal and external infringement accidents, we established and implemented a short and long-term comprehensive response plans regarding our organization, human resources, process and system. Also, we are constantly monitoring the group's information protection system and operating an exclusive organization to respond promptly when there is an infringement accident, while also strengthening the competency of human resources through professional training. SFG is striving to raise the level of the group-wide information protection by modifying and improving the group's various standards and guides on the information protection system, to continuously identify and improve the weaknesses in IT environment. We have also established preemptive plans on various comprehensive measures announced by the supervisory institutions, thereby establishing and maintaining an appropriate information protection system for various regulations and principles.

A system of information protection activities for financial consumers

Group-wide joint response	SFG's Information Protection Meeting	SFG's Information Security Center (for control and response to infringement accidents)		Response to external institutions and joint development of latest technology
	Establishing information protection policy <ul style="list-style-type: none"> · Reorganize systems and regulations related to information protection · Establish and promote information protection policies · Resolve issues related to information protection 	Reviewing the process and building the security solution <ul style="list-style-type: none"> · Conduct regular monitoring and improvement · Review security · Build the hacking prevention system and solution 	Responding to infringement accidents <ul style="list-style-type: none"> · Monitor hacking attempts · Analyze and respond to accidents 	Implementing activities to raise awareness on information protection <ul style="list-style-type: none"> · Hold mandatory training on information protection for employees · Make the basic principle of information protection as a way of life · Raise information protection awareness
Response by each group company				

Major Activities and Achievements

2013 customer satisfaction survey

	Division	satisfaction(%)
Shinhan Bank	NCSI (Korea Productivity Center)	75.0
	KS-SQI (Korea Standards Association)	73.4
	KCSI (Korea Management Association)	74.4
Shinhan Card	NCSI (Korea Productivity Center)	72.0
	KS-SQI (Korea Standards Association)	72.4
	KCSI (Korea Management Association)	75.1
Shinhan Investment Corp	KS-SQI (Korea Standards Association)	70.9
Shinhan Life Insurance	KS-SQI (Korea Standards Association)	70.8

Enhancing reliability through advanced prevention of consumer complaints

In order to enhance reliability for customers, Shinhan Bank established and is carrying out an implementation plan to reduce complaints in accordance with the Financial Supervisory Service's Civil Complaint Reduction Standard. We will establish a customer-oriented business process that continually improve the VOC system and strengthen the advanced prevention management system, while also work towards achieving high grades in the evaluation of civil complaints that occurred and putting consumer protection as our top priority. Also, SFG is operating the Customer Complaint Prevention System so that the same financial consumer complaint does not occur at the work site, enabling all employees to share details about consumer complaints and actively implement consumer protection activities.

Strengthening financial consumer protection training program

Shinhan Bank is implementing the financial consumer protection training program to emphasize the importance of consumer protection and apply customer-oriented services at the work site. We are holding a mandatory cyber training of one hour for all employees, providing training through SBN (Shinhan Bank's own broadcasting channel) and personalized services for consumer protection, and operating level-up training programs to resolve customer complaints.

Realizing financial consumer's right to know

In order to realize financial consumer's right to know, Shinhan Bank was the first major commercial bank to publish the Shinhan Financial Information Guide every quarter, uploaded on the website and distributed to all branches. The Shinhan Financial Information Guide provides detailed information with easy-to-understand examples including: various types and prevention methods of electronic finance frauds; guides for selecting an appropriate investment product in the era of low interest rates; methods of managing consumer credits; useful financial information for bank transactions; and tax guides that financial consumers should know. Also, we will take the lead in consumer protection culture by uploading consumer damage warnings on the website, so that details that are not familiar or easy to overlook during financial transactions are notified to consumers.

Improving service quality through quality management

Shinhan Life Insurance is implementing consumer protection with the goal to establish a total quality management system. We are implementing quality innovation and zero defects throughout the whole process from selling to managing insurance products, ensuring customer complaints are prevented beforehand, while also striving to establish a total quality management system by developing quality indicators to strengthen monitoring.

Acquiring ISO27001 for all group companies

In order to provide safe and reliable financial services, SFG established and is continually operating an information protection system. All group companies acquired the ISO27001, a certification of international standards for information protection, to operate the information protection system at global standards. Also, we established an integrated security control center at the group level to provide 24 hour monitoring of hacking attempts, so that a system is operated to respond promptly to any attacks.

Customer information protection and monitoring system

SFG strengthened various monitoring and inspections to protect customer information. We checked on whether or not there are cases of laws and regulations being violated or illegal practices being conducted at branches and the head office's departments by making random on-site inspections once every month. In order to determine whether or not unnecessary personal information files have been abolished and managed properly, we conduct monitoring on the present condition of personal information files stored in personal computers. Also, in order to check on the level of physical protection measures, we periodically verify the appropriateness of access control, CCTV operation, document storage and safety issues.

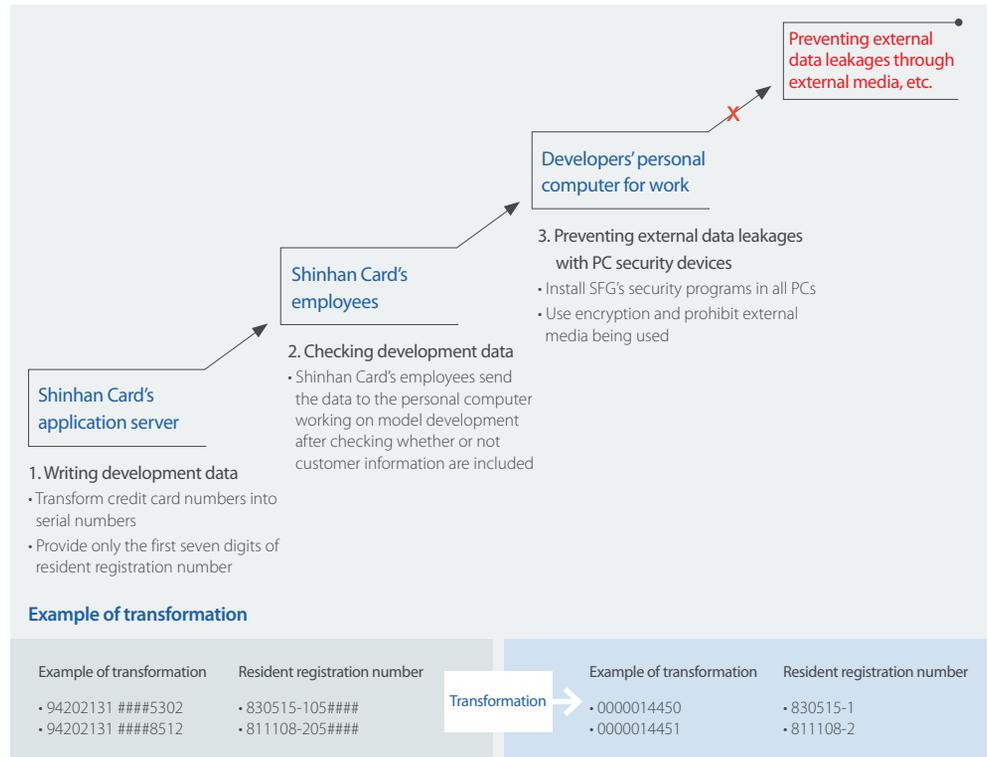
Raising employees' awareness on personal information protection

Shinhan Life Insurance is striving to raise the employees' awareness on personal information protection, including life planners. We provide video training every month during the Compliance Implementation Week to change the employees' perception and strengthen information protection by delivering important information about monthly issues, the importance of information protection and cases of personal information accidents.

Preventing personal information leakages through suppliers

Shinhan Card established a personal information security management system to install security programs in all personal computers used by its employees and suppliers' employees, with all external media not allowed. Also, credit card numbers and resident registration numbers were converted before being processed at the personal information application server, so that all technical measures are taken to prevent the financial consumers' personal information leakages in principle. Shinhan Investment Corp. is conducting on-site inspections on trustee companies and holding trustees' personal information protection training programs twice a year, while also established an inspection system to determine whether to receive confirmation documents from consignment and trustee companies verifying that the personal information provided to them have been abolished. Also, the decision on whether or not to put the same company in trust again is determined by reflecting the inspection results. Shinhan Life Insurance conducted on-site inspections on trustee companies under the supervision of work-site departments once every quarter, with the control department holding the second inspection on trustee companies regarding areas of improvement to prevent personal information accidents from occurring beforehand. Also, we held an integrated training under the supervision of the control department for employees in charge of handling personal information at the trustee companies at least once every year, so that activities for emphasizing the importance of information protection and raising the awareness of trustee companies' employees are implemented at the same time.

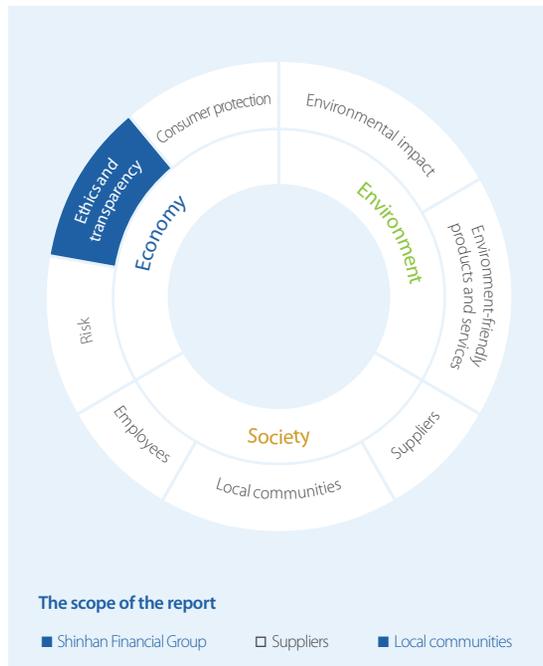
Personal information security management system



Implementation Tasks and Goals

O: Recognize problems, D: Implement tasks, ●: Achieve tasks

Goal	Implementation tasks	2013	2014	2015
Reducing consumer complaints	(Shinhan Card) Holding the Compassionate Finance Experience Room training for all employees by listening to the VOC and participating in CS clinics	D	●	●
Strengthening the personal information protection system	(Shinhan Financial Holding Company) Establishing the group's management system for personal information protection standard	O	D	●
	(Shinhan Financial Group) Establishing the electronic financial accident prevention system	O	D	●
	(Shinhan Bank) Achieving 100% of all employees participating in financial consumer protection cyber training	D	●	●



Second commitment

Enhancing credibility by strengthening ethical management

Major Achievements



96,458 hours and 41,972 persons

Shinhan Financial Group conducted 96,458 hours of on-line ethical training programs against 41,972 persons so that all employees can implement the basic principles of ethical management on their own and realize relevant laws and regulations.



Compliance Letter

In order to share information about financial laws and regulations, cases of financial accidents and best practices of compliance, the compliance support department of Shinhan Bank and Shinhan Life Insurance designated the third week of each month to conduct self-monitoring and hold relevant training on ethical and compliance management, which are included in the Compliance Letter.

Recently, the major stakeholders' trust on financial institutions has gone down due to the financial accidents including the employees embezzling company funds. Therefore, financial institutions are taking all measures to restore the stakeholders' trusts by implementing ethical and compliance management. Also, there is an increasing trend of consumers putting more importance on value rather than price when choosing products or services, while seeking ethical consumption patterns that takes into consideration of whether the company concerned is ethical or not. As a result, ethical management based on transparency and morality has become a requirement for strengthening the company's long-term competitiveness and ensuring its survival and prosperity. All of the employees at SFG recognize the importance of ethical value by applying the group's code of ethics when making decisions and taking actions. Also, the ethical reputation accumulated since its foundation is recognized as the group's core asset, and we will further strengthen the ethical management to become a representative financial group that is trusted by all stakeholders.



Shinhan Keeper System

Principles and Systems

In 2011, SFG enacted SFG's code of ethics, which reflected SFG's code of ethics for finance-related employees that was implemented since 2005. As a result, we raised the employees' awareness on ethics. In order to enhance the execution, we established the employee action standard, which is more specific than the group's code of ethics. It provided the ethical standard of judgment that the group's employees should follow as a financier and the ethical value that should be protected as a corporate citizen. Also, each group company enacts and operates its own independent code of ethics that suit individual situations and business characteristics.

SFG established an ethical management system to implement the concept and principles of ethical management. The group's ethical management system is implemented and managed by the holding company and each group companies' compliance officer or the person in charge of internal control with the support of the holding company's board of directors and the group's management staff. In particular, we appointed the group's Chief Compliance Officer (CCO) to effectively implement the ethical management at the group level and ensure unity and consistency.

Ethical management implementation framework

Ethical management	Areas where the group's management principles are implemented through the ethical management
SFG's code of ethics	The main principles of the group's concept and principles of ethical management that all employees should comply with as the ethical standard of judgment
The code of conduct for employees	Ethical action indicators for implementing the action standard to encourage changes in the action and behavior of employees

SFG's code of ethics

Chapter 1 Employees' ethics	Chapter 2 Ethics on customers, shareholders, employees and suppliers	Chapter 3 Social responsibility and contribution
<ol style="list-style-type: none"> 1. Legal compliance and fair execution of work 2. Bribery ban and corruption prevention 3. Prevention of a conflict of interests 4. Information confidentiality and security 5. Protection of the company's assets and business opportunities 6. Mutual respect among group companies and prohibition of discrimination 7. Prohibition of involvement in illegitimate political activities 	<ol style="list-style-type: none"> 1. Protection of customers' profits and assets 2. Protection of shareholder and investor profits 3. Pursuit of happiness of all executives and employees 4. Mutual prosperity with suppliers 	<ol style="list-style-type: none"> 1. Environmental protection 2. Respect for basic rights 3. Contribution to local communities

Major Activities and Achievements

Improving the group companies' audit system

From 2011 to 2012, Shinhan Bank placed the inspection department and the management audit department underneath the Audit Committee so that they overlooked the audit duties of domestic and overseas branches, and the head office. Starting from 2013, the inspection department and the management audit department integrated as the audit department. The audit was no longer limited to each department and branch, but the same risks were shared by changing to an audit system implemented in units. By transforming into an audit system based on risks, it was possible to identify, recognize, manage and improve the risk factors on risks that might occur throughout the whole process of high risk duties. Also, it was possible to implement audit duties efficiently by focusing the audit resources on high risk duties. .

Internal control system of branches

In order to prevent financial accidents beforehand and ensure asset protection for the bank and customers, Shinhan Bank established its own internal control system at branches to conduct various audits, including on-site audit, regular audit, branch inspection and full-time audit. Based on the results of the pre-risk analysis, the on-site audit is conducted either on a regular basis by visiting branches and the head office's departments in person to inspect the internal control status, or on an occasional basis through internal information and pre-inspection. The regular audit analyzes the real-time data of high-risk transactions taking place at the branches, which is notified to the regular audit personnel so that they can review the appropriateness of the high-risk transactions that were reported in real time. An employee at each branch is appointed as the branch inspection personnel so that they can examine transactions taking place at the branch for the day, while investigations are conducted on major transactions on a regular basis through monthly or special audits. The full-time auditor who belongs to the head office's audit department, but works at the branch, to check on the transactions taking place on the following day regarding trading that cannot be checked through the head office's computer system, including the appropriateness of loan contracts and various statements drawn up.

Ethical management programs

All employees of SFG sign and submit the pledge of ethics each year in accordance with the employee action standard to make the employees remind the code of ethics. In order to prevent unfair competition that disturb the fair market order, we operate the fair trade autonomous compliance program, while also monitor the employees' transactions of financial investment products in charge of relevant duties to prevent unfair practices of employees. Also, we enacted and operated the group's internal trading management guideline and its manual to prevent unfair support actions between group companies, such as unfair funds, assets and manpower, as well as enhanced the transparency and fairness of the group's internal trading. Meanwhile, we implemented improvement activities by receiving complaints and suggestions from the group's suppliers through the suppliers'VOC channel on the SFG's website.

Ethical management training

SFG implemented the basic principles of the group's ethical management and established the foundation for legal compliance by providing ethical training programs for employees. All employees receive the ethical management training session through collective and cyber training programs, including new employee training and training by position. Shinhan Bank designated the third week of each month as the ABC Week to raise the employees' awareness of ethical standards and legal compliance, so that employees can conduct self-checking of ethical standards and legal compliance by answering to relevant questions. Also, Shinhan Bank provided education on the contents of the Compliance Letter, which is posted by the person in charge of legal compliance at the compliance support department, to share financial laws and regulations, cases of financial accidents and best practices of legal compliance. Shinhan Life Insurance provided invitational lectures programs with external speakers to raise the ethical and legal awareness of executives and department heads, while also implementing the self-checking of ethical standards and legal compliance against all employees. Also, the life planner action standard was enacted, so that all employees had a pledge ceremony.

Preventive training on financial accidents

In order to reinforce the employees' ethical awareness and prevent financial accidents beforehand, Shinhan Bank held preventive training on financial accidents for new employees, promoted employees and employees being sent to overseas branches. Meanwhile, we provided preventive training with an animation about examples of recent financial accidents and precautionary measures for all employees through the SBN, which is Shinhan Bank's own broadcasting channel. In 2014, we plan to provide preventive education at the request of relevant departments in charge of training when holding collective job training for new and promoted employees, while also working towards achieving maximum efficiency at minimum cost by expanding preventive training held for all employees through animation and the SBN.

Preventive activities at branches

In order to implement internal control activities at the branch efficiently, Shinhan Bank shared the Financial Supervisory Service's guideline and recent accident cases at the monthly nation-wide meeting for department heads, while also distributing reports of 'Internal Control Talk! Talk!' to the branches, including information about sales employees' error cases, latest customer complaints and accidents and major notifications.

Whistle blowing system

Shinhan Bank is operating the Shinhan Keeper System, which is a whistle blowing system that allows bank customers, suppliers and employees to have ubiquitous access to report about financial irregularities. Also, the local employees hired at overseas branches can directly report financial misconducts to Shinhan Bank's audit department by adding a reporting channel of sending emails. It facilitated a bank-wide whistle blowing system to eradicate financial irregularities and continually strengthen the ethical management.

Implementation Tasks and Goals

O: Recognize problems, ◐: Implement tasks, ●: Achieve tasks

Goal	Implementation tasks	2013	2014	2015
Strengthening of ethical management	(Shinhan Financial Holding Company) Establishing and declaring human rights policies	O	◐	●
	(Shinhan Financial Holding Company) Establishing the process to check out violations of employees' human rights	O	◐	●
	(Shinhan Financial Holding Company) Establishing the channel to receive complaints on rudeness at the workplace	O	◐	●



Third commitment

Implementing risk management that considers social and environmental factors

Major Achievements



REN

In order to promote the risk management culture and improve the risk management system, SFG is operating the Risk Expert Network (REN), which consists of risk experts within the group, so that we can identify potential risks in advance through the REN, including social and environmental factors.



GRMC

SFG is establishing the risk response strategies at a group level through the Group Risk Management Committee, which consists of outside directors at the board of directors.

The risks that surround companies have gotten more complicated and diverse day by day, including the changes in financial market, the development of science and technology, the frequent occurrence of natural disasters and the globalization of management activities. Under these circumstances, the company's risk management has changed to take into consideration of not just financial factors, but also various social and environmental factors. All employees at SFG share the basic philosophy of the balance between risk and profit. Based on this, we manage various risks that might occur from each business field by taking into consideration of social and environmental factors, while also implementing an integrated risk management for each group companies, as well as at the group level, by using a risk management system in semi-matrix form between the holding company and group companies.

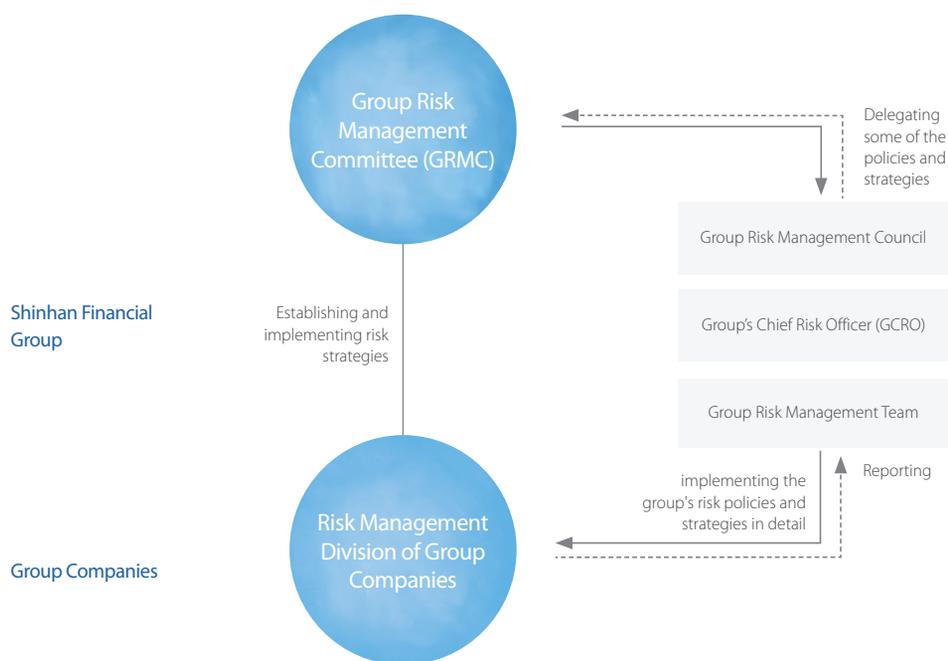


Risk management workshop

Principles and Systems

SFG's risk management system identifies potential risks and core issues and analyzes the risk impacts to come up with countermeasures. Also, the Group Risk Management Committee within the SFG's board of directors establishes an integrated response strategies and policies on various risks facing the SFG. The Group Risk Management Council, which consists of the Group CRO and risk officers of each group companies, discusses policies and establishes response plans on risks that might occur at the branches of group companies. In particular, we will conduct more systematic monitoring on social and environmental factors in the future. In order to review social and environmental impacts when reviewing the risks of new products being launched by group companies, we plan to revise the regulations to add applicable items to the checklist, while also setting independent items for social and environmental impacts in the group's potential risk monitoring, to periodically conduct researches and monitoring on various issues.

Integrated risk management system



Division of roles for risk management

Division	Details
Group Risk Management Committee (GRMC)	Group Risk Management Committee is the highest decision-making body consisting of outside directors of SFG's board of directors, which establishes the basic policies and strategies on risk management at the group level. It determines the bearable level of risks for each group company, approves adequate investment amounts and loss tolerance limits, defines the risk management regulations, and enacts and revises the GRMC's regulations.
Group Risk Management Council	The Group Risk Management Council consists of the Group's Chief Risk Management Officer, the person in charge of risk management and loan review at major group companies. It discusses the group's risk policies and strategies and votes on matters required for implementing the policies decided at the Group Risk Management Committee.
Group Chief Risk Officer (GCRO)	The Group CRO supports the Group Risk Management Committee and ensures the risk policies and strategies decided at the committee are implemented properly, while also evaluating risk officers at each group companies and checking on current risk management situation of each subsidiary.
Risk Management Team of Group Companies	The group companies implement the group's risk policies and strategies in detail and report to the holding company about their risk management situation, while also continually improving each company's risk management system by controlling risks that might occur within the group company.

Major Activities and Achievements

Implementation Tasks and Goals

Key risks facing the Shinhan Financial Group

Risk type	Details	
Financial risks	Credit risk	Risk that may occur due to debtor's bankruptcy, noncompliance of contract by the counterpart, etc
	Market risk	Risk due to changes of market elements such as interest rate, stock prices, exchange rate, product price, etc.
	Interest rate risk	Risk that may affect financial situation such as changes of net asset values due to changes in interest rates
	Liquidity risk	Risk where a problem may occur in overseas payment due to lack of asset liquidity
Nonfinancial risk	Operational risk	Risk due to inappropriate or wrong workforce or business procedure, system error or outside incident
	Strategic risk	Risk due to lack of response measures to disadvantageous business decision, implementation of inappropriate decision, changes in business environment, etc.
	Reputational risk	Risk due to deteriorated outside opinions of customers and shareholders, etc. due to weak management, financial accidents, social conflicts, etc.
	Legal risk	Risk that may occur due to misunderstanding of various contract documents or law suits
	Environmental risk	Risk that may result in fines or business losses due to lack of response to environment-related laws and regulations.

Establishing risk crisis management system

Shinhan Financial Group is operating a crisis management system at a group level to maintain a sustainable organization by identifying the possibility of crisis occurring beforehand and taking timely measures in the case of a crisis. We periodically conduct monitoring of early warning indicators and qualitative information. If crisis information due to social and environmental factors is detected during the qualitative information monitoring, we operate an integrated crisis management system with in-depth analysis and impact analysis.

Monitoring of the group's potential risks

Shinhan Financial Group periodically identifies risk factors that might affect the management environment. For instance, we set potential risks by taking into consideration of social and environmental impacts in various areas, including the financial environment, the political environment and other issues, to conduct the monitoring. Also, we established a multi-dimensional risk monitoring system to manage risks beforehand, allowing early discovery of abnormalities, analysis of cause and systematic implementation of response plans.

Multi-dimensional corporate credit evaluation

In order to conduct an accurate analysis of companies' credit and value, SFG reviews and evaluates on not just the company's financial factors, but also all areas related to corporate social responsibilities, including the company's social responsibilities and environment protection activities. As a result, we can prevent risks that might occur in the future beforehand by conducting multi-dimensional credit evaluation on companies.

Systematic management of risk capital

Shinhan Financial Group conducts an accurate analysis based on risk tolerance, so that we can manage the risk capital at an appropriate level. In the case of establishing financial or business plans, we establish a risk plan process beforehand so that the risk plan can be reflected, while also operating the risk tolerance management system to control the risk at an appropriate level.

Risk Expert Network (REN)

Shinhan Financial Group is operating the Risk Expert Network (REN), which consists of risk experts. It helps us hold risk training programs and workshops on risk management and promote the culture of risk management to contribute in improving the risk management system.

○: Recognize problems, ◐: Implement tasks, ●: Achieve tasks

Goal	Implementation tasks	2013	2014	2015
Strengthening the risk management system	(Shinhan Financial Holding Company) Revising the risk review regulations on launching new products and changing operational standards	○	◐	●
Establishing social and environmental risk management system	(Shinhan Financial Holding Company) Group's social and environmental potential risk monitoring	○	◐	●
	(Shinhan Financial Group) Reflecting the items of social and environmental factors in the risk review checklist	○	◐	●



The scope of the report

- Shinhan Financial Group
- Suppliers
- Local communities

Fourth commitment

Developing human resources and creating a great workplace culture

Major Achievements



Happiness support programs for workplace, leisure time and personal life

In order to ensure the employees' happiness for workplace, leisure time and personal life, Shinhan Bank requires employees leave office on time every Wednesday and Friday, while also holding educational lectures for children and festivals for employees' families.



Champion course for job duties

Shinhan Bank operates a champion course for job duties to provide self-directed learning methods, while also conduct first and second evaluations so that employees can learn independently and take the challenge to participate in the champion course.



Employees' health care

Shinhan Bank and Shinhan Card achieved 100% of its employees having completed medical checkups for three consecutive years. Also, we prevent the excessive stress levels of employees through various employee stress management programs.

Recently, there is a high preference of stable and great workplace in the Korean society due to the enactment of the Act on the Promotion of Creation of Family-friendly Social Environment. SFG is striving to create an environment where employees can concentrate on the workplace and be faithful to their family at home by building trust between the company and employees, as well as between employees. Also, in order to create a great corporate culture, we bring employee satisfaction by ensuring communication between employees, health care of employees and the balance between work and life as the key words. SFG thinks that a great corporate culture refers to the virtuous cycle of the employees' satisfaction leading to customers' happiness, which in turn results in the company's performances.

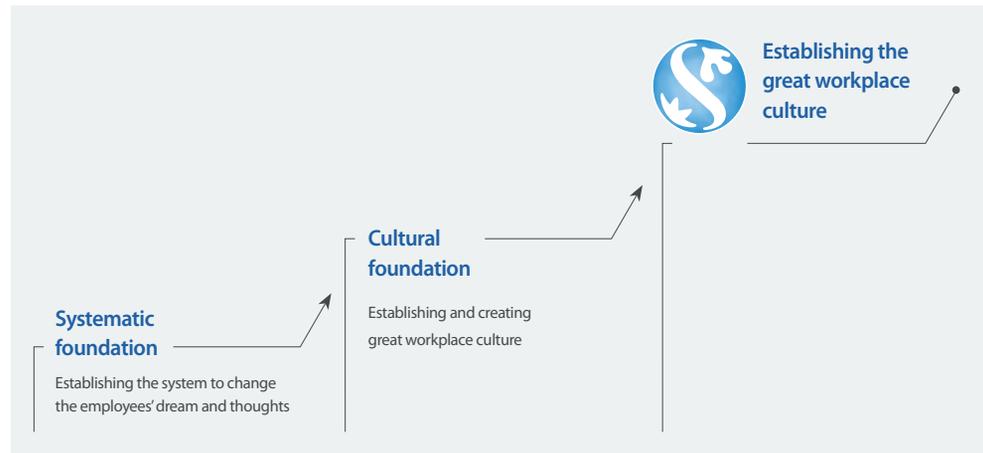


Lectures with music

Principles and Systems

In order to establish a great corporate culture, SFG established the great corporate culture system in stages, to create the systematic and cultural foundation. We realized a personnel management system without drawing a line so that all employees are given fair opportunities, to provide the foundation for an organizational culture that removes unseen barriers within the organization to communicate. Also, we focused on talent development programs and welfare systems that take into consideration of the work-life balance and employee satisfaction to create the foundation for great workplace culture as a top priority. As a result, employees were emotionally satisfied and motivated, which had the effects of improving job commitment and satisfaction level.

Great workplace culture system



SFG is providing systematic training programs for talent development. All employees have opportunity to receive the essential education, which is required as basic capabilities for everyone, and select the education needed to develop into an expert in each field according to the individual career goal. The education on basic capabilities consists of job and leadership training programs that are required for all job positions from new employees to executives. Therefore, all employees are provided and continually managed with the training programs that are needed for each job position.

Also, we conduct advanced training courses for each field through various programs within the group, with educational opportunities through advanced and professional educational institutions. The Career Development Program (CDP) for the employees' career development was designed in 2011 and began its full operation in 2012. CDP is a self-directed learning program, which sets roadmaps for career development that employees aim to develop within the company and allows employees to take diverse educational programs needed for the self-development according to their career goals. The employees make their own self-development plan and take educational programs based on this. The results of individual learning activities are managed in quantitative indicators called the CDP development indexes, which have become a major support system for employees' self-development, such as being reflected when employees wish to move to other departments.

Employee satisfaction program

Shinhan Bank established and is actively implementing the Happiness Support Programs for Workplace, Leisure Time and Personal Life. We encourage employees to leave office before 6:30 pm on every Wednesday and Friday so that they can spend time with their families or use the time for self-development. In particular, we are holding the EDU Concert for the Children and Parents every month, which is an educational lecture that takes into consideration of Korea's education fever by reflecting the needs for each grade.

Major Activities and Achievements

Also, we are holding the Shinhan Family Festival, which is a cultural event to enhance the employees' cultural sensitivity and enrich their lives with families, including musical and theater. In 2013, the Shinhan Camping Ground in Hongcheon opened, so that employees can spend a relaxing time with their families at the camping site.

Shinhan Card is actively supporting the employee satisfaction program customized for each department through communication between members in the department. The members select one among temple stay, marine corps training camp and healing camp to experience together, which provides an opportunity to communicate with one another. Also, in order to achieve family love, we designated every Wednesday as the day of family to encourage employees to go home on time, while also providing various programs, including the weekend family journeys to experience the value of nature with family, the weekend farm and the briefing session on university entrance examination.

Shinhan Investment Corp. conducted the Happy Father Class in May, which provided an opportunity to establish a consensus on the work-life balance together with families. Also, we spent time sharing the worries of employees and their families by holding an event to encourage employees' children who are preparing for university entrance examination and a briefing session on university entrance examination. During the Christmas season in December, Shinhan Investment Corp. held its own movie previews for employees who applied to watch the movie, together with their families and loved ones. In addition to various employee satisfaction programs, we introduced the Refresh Vacation Expense System, which returns 50% of annual compensation when employees used their annual vacation (more than 5 days) to achieve the balance between work and personal life. It received good response from employees because employees could use their annual vacation more freely with less burden.

As means of refreshing employees and improving productivity, Shinhan Life Insurance is operating the Big Dream Vacation System that guarantees the use of annual vacation for five consecutive days. Also, we are operating the Work & Life Balance Personnel System that provides replacements when the sales employees go on vacation or training, with employees of more than 15 years of work experience at branches allocated as WLB employees according to different regions across the nation. This greatly reduced the burden when they go on vacation.

Managing the stress level of employees

Shinhan Bank is operating various stress control programs to prevent the employees' mental stress affecting their job performance and disturbing the organizational vitality. The counselor with professional qualification visited 134 branches across the nation in person to listen to the difficulties that 1,327 employees go through, with support also provided through on-line sites. Also, we conducted online self-diagnosis on a total of about 7,500 employees to determine their stress level at least once every quarter. Based on the result, we provided counseling services with professional institutions or medical specialists. Besides this, we held the Healing and Meditation Program where 140 employees took part in to learn how to control their emotions using the energy gained from the nature. Meanwhile, the Emotion Strengthening Program allows employees to identify their stress level and deal with the stress by strengthening physical vitality and cardiopulmonary function.

Shinhan Card is operating the EAP Counseling System to measure and prevent the employees' stress level at workplace. If the employees have a serious level of stress and depression, we assist in the treatment with medical diagnosis and testing at a special hospital, including image psychotherapy.

Creating a smart working space

With the aim to create a vibrant workplace bursting with creativity, innovation and pride, Shinhan Bank created the Shinhan Symphony, which is a smart working space that takes up the whole 15th floor of the head office, with various meeting and communication spaces that enable employees to communicate and debate in a comfortable and open atmosphere to arouse creative thinking.

Generating part-time jobs to ensure work-life balance

In 2014, Shinhan Bank newly introduced the part-time retail service position to hire 220 females who had retired from work due to childcare, allowing them to make monthly income while being able to do both housework and office work. Compared to the general full-time employees, the part-time jobs give less salaries, but it provides the same welfare benefits as full-time positions for just working 4~5 hours. From the company's point of view, they can reduce personnel expenses, as well as cut down on job training costs by rehiring experienced workers.

Shinhan Card is implementing a flexible working hour system through the Shinhan I-Care Program, so that employees with children below age 8 can shorten their working hours instead of using the maternity leave, to handle both work and childcare.

Reinforcing the maternity protection system

Shinhan Life Insurance has the maternity protection system that takes into consideration of the high ratio of female workers at the company. We provide sufficient time after childbirth to our employees so that they can manage both their job and personal life by minimizing the psychological and physical burdens, including 110 days of maternity leave given based on the number of business days and a certain ratio of base pay provided in addition to the legal allowances for childcare leave. Also, female workers can use their vacation and leave of absence more freely without feeling the burden because any discrimination made for using childcare leave have been banned in personnel management policies, resulting in an annual average of childcare and maternity leave being used compared to all employees reached the 5% level.

Job champion course

Shinhan Bank is operating the job champion course as one of the self-directed learning program for its employees, which isn't an essential training program, but conducted through voluntary participation. Textbooks and lectures are provided to those who apply for the course. Participants are eligible for job champion after 2-step evaluation. The job champion course has become an important self-directed learning method for employees to improve their capabilities on their own.

Training programs to strengthen global capabilities

Shinhan Bank is striving to make stable revenues by holding systematic training programs for its locally hired employees in overseas branches. We provide indigenized training programs to the local employees. Also, we provide training programs to outstanding local talents by inviting them to Korea, to increase their pride and loyalty to Shinhan.

Shinhan Card is implementing various training courses to develop outstanding talents, including MBA programs at abroad and the exchange program with BNP Paribas, to promote global mind and acquire the latest trends. For instance, Shinhan Card and Seoul National University have jointly developed and providing a marketing specialist course for the 20 outstanding talents. The selected employees have shown high satisfaction on the course, which selects on-site learning task for marketing and major areas of interest within the company to seek a resolution. We plan to continuously develop outstanding talents and implement development activities in the future.

O: Recognize problems, ◐: Implement tasks, ●: Achieve tasks

Implementation Tasks and Goals

Goal	Implementation tasks	2013	2014	2015
Creating a great workplace culture	(Shinhan Bank) Providing organizational diagnosis and consulting through the Organizational Culture Energizing Program	◐	●	●
Strengthening the employees' health care	(Shinhan Bank, Shinhan Card) Establishing the self-diagnosis system for stress control	◐	●	●
	(Shinhan Bank, Shinhan Card) Improving the employees' medical checkup	O	◐	●



The scope of the report

- Shinhan Financial Group
- Suppliers
- Local communities

Fifth commitment

Contributing to the development of local communities through social contribution activities

Major Achievements



Social contribution investment 78.8 billion

In 2013, SFG invested KRW 78.8 billion in the Smile Microcredit Bank, the project on job creation for small and medium-sized companies, the donation to charity groups and the joint social contribution projects with relevant associations.



67,027 employees participating volunteer works of 240,400 hours

The employees at SFG have close relationship with the communities by sharing their experiences, know-how and knowledge through volunteer works. In 2013, the total number of employees who participated in volunteer works was 67,027 persons, with 240,400 hours for the total number of volunteer hours



344 Arumin libraries

As part of the project for distributing free books and creating a reading place at the community children's center that needs books with lack of learning environment, Shinhan Card opened 344 Arumin libraries at community children's center.

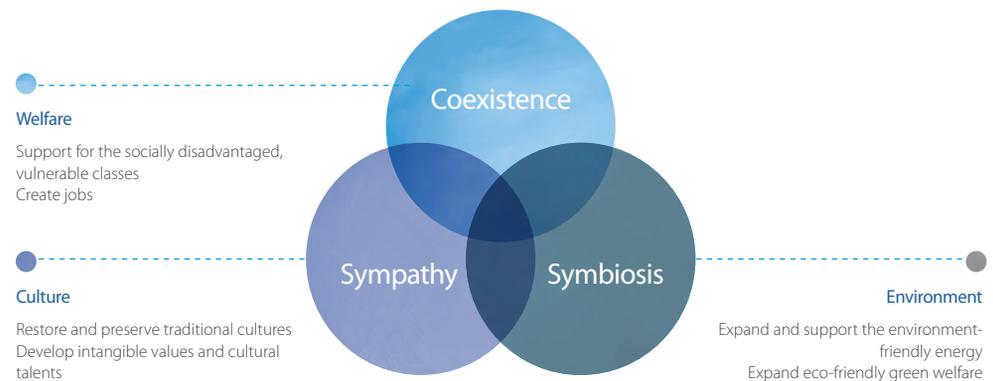
These days, companies are actively participating in social contributions to tackle various problems in local communities, being more than just donating to charities. This signals the beginning of the creation of shared value where the company's management activities create social value on their own, resulting in the expansion of social contribution activities that lead to the development of local communities. Under the mission to achieve 'making the world a better place through the strength of finance', SFG is aware of the demands of local communities and various social issues, to take the responsibility as a corporate citizen. We create social value by implementing various social contribution activities that meet the expectations and demands of local communities.



Volunteer festival

Principles and Systems

The social contribution philosophies of SFG includes: coexistence that supports the socially weak and vulnerable group; sympathy that pursue traditional value and cultural preservation; and symbiosis that promote the preciousness of the environment. Based on these philosophies, financial economy education is provided to promote the strength of finance, as well as implement social contribution activities that focus on welfare, culture and environmental areas. The total of social contributions in 2013 was KRW 78.8 billion, used in the Smile Microcredit Foundation, project on job creation for small and medium-sized companies, donation to charity groups and joint social contribution projects of relevant associations. Additionally, the closeness with local communities deepened through volunteer activities by sharing employees' experience, know-how and knowledge, with 67,027 employees and 240,400 hours.



SFG operates the CSR Committee with the CEOs of all group companies attending to efficiently implement group-wide social contribution activities. The committee sets the group-wide CSR plans and basic directions and reviews the performances made. Moreover, we established the foundation in which social contribution can settle down by reflecting CSR activities in the group companies' management evaluation.

Major Activities and Achievements

Welfare

Generating jobs for small and medium-sized companies

The low employment rate of small and medium-sized companies and the youth unemployment issues have gotten worse due to the current recession, making it difficult for youngsters to find jobs and SMEs are faced with serious shortage of manpower. The main reasons behind these problems included the working conditions of SMEs not meeting the job seekers' expectations, such as wages, etc., and because there were no applicants who satisfied the academic background and work experience requested by companies. Shinhan Bank is holding the Best Company-Best Talent Matching Project, together with the Small & Medium Business Corporation, to match excellent SMEs with outstanding youngsters. It is a project where Shinhan Bank helps outstanding talents find jobs at excellent SMEs, as well as supporting personnel expenses to companies that employed for a certain period and giving a chance to explore outstanding overseas companies for employee and its mentor. Along with this, we held job fairs and provided training programs to strengthen the capabilities of job seekers. Through these efforts, we supported 293 SMEs in their employment activities and helped 215 university students get hired.

Providing job training for low-income Vietnamese youngsters

Due to the high population density and intensive educational fever, it is difficult to find a job without good academic background or technical qualification, making it hard for poor youngsters to find jobs they want because of lack of education that confine them to low-income classes. In November 2013, SFG opened the Korea-Vietnam Economic Technology Training Center in Ho Chi Minh, Vietnam to provide job training on IT, computer repair, accounting and Korean language. SFG established the training center with the help of the

Korea International Volunteer Organization (KVO) and the Community Chest of Korea, to provide educational infrastructure of 100 computers, educational equipment, internet-based facilities, the development of educational courses, the hiring of lecturers and scholarships. By providing Korean language lessons and technical training programs to low-income Vietnamese youngsters, we widened their job opportunities to higher value-added business. Moreover, we contributed to local communities by providing excellent manpower for Korean companies entering into Vietnam.

Donation

SFG is operating various employee donation programs to support the underprivileged citizens that include: the 'love of one account' that donates 10,000 won of the monthly wage from the designated account; the 'saving of petty numbers in salaries'; the 'love click' that creates donations through the matching grant; the 'good donation on good days' that shares the happiness of good events like promotion, successful exam, child birth and awards.

Shinhan Bank is operating the Child Development Account (CDA), the Ministry of Health and Welfare's children self-supporting project, to sponsor a certain amount every month to children who need help with the same amount accumulated by the government, so that they can develop into an adult to seek financial independence later on. About 9,800 employees regularly sponsor more than KRW 70 million every month, with KRW 4.9 billion recorded as total donation amount as of the end of December 2013.

In 2012, Shinhan Investment Corp. launched a financial product exclusively for donation called the 'Wrap Donation' together with the Ministry of Health and Welfare and the Community Chest of Korea. This product reflected the opinion of donors as much as possible, allowing them to designate the operation, distribution and recipient of the donation. In 2013, Shinhan Life Insurance supported the medical and living expenses to low-income childhood cancer patients every quarter together with the Korean Association for Children with Leukemia and Cancer and the National Cancer Center, with the matching grant donations collected from the 'saving of petty numbers in salaries' of employees and life planners.

Volunteer activities

SFG's employees implement volunteer and talent donation activities to positively communicate with communities and spread compassion. Since 2008, we held the volunteer big festival participated by all group companies in April~May. In 2013, we conducted nation-wide volunteer activities where about 16,000 employees took part voluntarily that included: the activity to protect cultural heritages; support to the International Wheelchair Marathon Contest; distribute environment-friendly vegetable gardens; the activity to remove hazardous plants in the ecosystem of Namsan Mountain; and visiting various welfare facilities and regional unit according to one village one company. We also encouraged our customers to participate in social contribution activities. Since March 2007, Shinhan Card's Customer Volunteer Corps conducted volunteer works on the fourth week of every Saturday, with different themes for each month to bring actual help to those in need in local communities that included: making dishes for single elderly households; taking care of flowerbeds in Hongjecheon; activities of sharing fans; activities of supporting heating fuels; and supporting the outing of youngsters with intellectual disabilities.

Disabled Youngster Dream Team Taking Up the Challenge to Six Continents

Since 2005, SFG is developing prospective disabled youngsters with visions and capabilities to lead in the global era through the 'Disabled Youngster Dream Team Taking Up the Challenge to Six Continents' together with the Korean Society for Rehabilitation of Persons with Disabilities. Until 2013, a total of 545 persons participated. Since 2008, we invited disabled youngsters from 10 Asian countries to support exchange and cooperative activities between Korea and Asia-Pacific region. This project implements various social contribution activities to improve the leadership and provide overseas training to disabled youngsters. Also, we are working on raising the awareness of people and society through the improvement of leadership, self-directed social participation and expansion of opportunities to participate in social activities for the disabled youngsters.

Scholarship

Since 2006, SFG established the Shinhan Scholarship Foundation (<http://www.shsf.or.kr>) to support outstanding students with difficult living conditions, to give scholarship of KRW 13.93 billion to a total of 4,364 persons. The foundation's contribution amount reaches KRW 100 billion among the seven group companies. Based on this fund, we conduct mentoring scholarship projects that match mentors and mentees between outstanding low-income university students and high school students, to provide scholarships and learning opportunities.

Additionally, a wide variety of projects are conducted, including scholarship for children of policemen, firemen and maritime policemen who died in the line of duty. Besides the scholarships provided to the underprivileged class in Korea through the Shinhan Bank's Hope Foundation, Chungbuk Scholarship Association and Gangwon Scholarship Association, we also conduct overseas scholarship projects in China, Kazakhstan, Uzbekistan, Mongolia, Cambodia, Vietnam and India, as well as give the Shinhan Financial Engineering Award to graduate school students majoring in financial engineering.

Culture

Preservation of traditional culture and cultural promotion

In 1997, Shinhan Bank established the Shinhan Museum, Korea's first financial museum, to help the general public better understand Korea's financial history and provide the collection, management, studies and exhibitions of Shinhan Bank's relics.

With the purpose of social contribution to provide cultural and artistic support, Shinhan Gallery was established in Gwanghwamun in 1997, with additional opening of Shinhan Gallery Yeoksam in 2011, to expand the opportunity to enjoy culture and contribute to the development of exhibition culture. Shinhan Gallery operates support programs for new artists, so that new artists with fresh ideas are provided with exhibition spaces for free of charge every year, specializing in sculpture, installation art, photography and handicraft. Besides this, we broadened the general public's understanding by holding free events to diverse audience, such as art experience programs and lunch talks with artists.

Since 2008, we were the first among Korean financial institutions to present the Shinhan Music Award to prospective Korean classical musicians with outstanding music talents. This is Shinhan Bank's representative mecenat activities taking place in four areas, including violin, piano, cello and vocal music. Winners from each field are given KRW 16 million of scholarship and short-term training to prestigious music school abroad, with the right to rent the Shinhan Art Hall for free of charge two times. Moreover, Shinhan Bank joined the Korea Mecenat Association in March 1994 to expand the cultural and artistic population, raise people's awareness on finance, culture and art, and contribute to a balanced development between economy, culture and art, with generous sponsorship in various fields to promote culture and art.



Shinhan Card's Arumin Library

Arumin Library Support Project

Since 2010, Shinhan Card's representative social contribution program the 'Arumin Library Support Project' was held together with the social welfare corporation, Kids & Future Foundation. As a project that creates reading spaces at community children center that have poor learning environment and need books, we opened 344 Arumin libraries at community children center as of the end of 2013. The Arumin libraries aim to help holistic self-development by providing high-quality books to the children with lack of educational opportunities.

Environment

Raising the awareness of the preciousness of environment

Since 1994, Shinhan Bank held the 'National Environmental Photography Contest' to spread the environmental movement of preserving Korea's beautiful mountains. The photos of winners were displayed to the general public thorough nation-wide exhibitions, raising people's awareness about the preciousness of nature and environmental preservation. Additionally, we held the 'Tops Love Youngster Environment Volunteer Works Camp' since 2007, to provide an opportunity for youngsters to do volunteer works and improve their environmental preservation awareness through diverse activities with different themes every year.

Environmental improvement of welfare facilities

The 'Hanpyeong Park' Project aims to create a park for the residents by utilizing little piece of land in downtown. Instead of the recognition that the village's public space is an administrative area, it became a civil society area. Meanwhile, the 'Creation of Solar Energy Generation Facility and Rooftop Garden for Welfare Facilities Project' not only provided financial support to improve fuel efficiency of welfare facilities, but also set examples in the low-carbon environmental improvement in local communities.

Environmental preservation of Jeju Island

As Jeju Bank's representative environmental purification activities, 'Jeju Bank Purumi Movement' has protected the clean Jeju Island as the world's environmental capital. Since April 2004, we continually implemented the environmental purification activities. As of the end of 2013, a total of 19,600 persons participated in 76 cases.

Financial products that enhance social value

Implementation of Compassionate Insurance

As the number one Korean life insurer with over 1 million customers in children insurance plans, Shinhan Life Insurance provides medical expenses for children with incurable diseases. 1% of the monthly premiums from children insurance plans are saved as the matching grant to be used for the medical treatment of leukemia, childhood cancer, heart disease children, the eye operation and the rehabilitation assistance device customized for disabled children. As part of efforts to prevent school violence, additional 1,000 won per children insurance joined is accumulated to sponsor the children musical "Ghost Friend", about the bullying issue, to provide seats for nation-wide middle and high school students who applied. Since 2008, we accumulated 1% of Christian insurance plans sold annually to makes donations to the Caritas Seoul and the World Vision, including supporting scholarship for low-income youngsters and providing lunch boxes for poorly-fed children. Meanwhile, we provide discounts to multi-child, disabled and low-income families, with the special coverage for disabled chosen as best practices of public interest products by the Financial Supervisory Service.

Implementation Tasks and Goals

○: Recognize problems, ◐: Implement tasks, ●: Achieve tasks

Goal	Implementation tasks	2013	2014	2015
Strengthening of social contribution activities	(Shinhan Financial Group) Maintaining annual increase trend aiming for 90% net participation in employee volunteer works	○	◐	◐
	(Shinhan Bank) Building business models with job creation for SMEs	◐	●	●
	(Shinhan Card) Establishing additional libraries in connection with customers, merchants and affiliates	◐	●	●



Sixth commitment

Increasing financial inclusion for the financially underserved people

Major Achievements



Shinhan Smile Microcredit Bank (SSMB) of 4,054 cases, and KRW 60.7 billion

SSMB supported funds of KRW 60.7 billion in 4,054 cases as of the end of 2013 to help the financial independence and self-support for financially underprivileged group.



Received 1st grade in the evaluation of support activities for small-loan finance

In 2013, Shinhan Bank received the Excellence Award in the evaluation of support activities for petty loans for the working classes hosted by the Financial Supervisory Service. We were the only one in the banking sector to receive 1st grade in the evaluation of support activities for small-loan finance.



Financial and economic education

In 2013, SFG provided financial and economic education provided for a total of 40,223 persons who are the generation that need financial education from elementary students to the elderly.

After the Asian financial crisis in 1998 and the household credit crisis in 2003, the role of regional financial institutions decreased to gradually aggravate the financial accessibility of small and medium-sized companies, private businesses and people with low credit ratings. As a result, the loans given to small and medium-sized companies decreased and a lot of the people with low credit ratings borrowed money from loan companies with high interest rates, to greatly increase the number of people borrowing from lenders. In order to resolve this problem, there is widespread demand for the expansion of financial inclusion, so that the financial demands of SMEs, private businesses and low-income groups in the region are met to provide them with loan services. Based on the Compassionate Finance Sharing the Future, Shinhan Financial Group is supporting the self-support and financial independence of people with low credit ratings, low-income groups.



Strengthening of Shinhan Bank's support for small-loan finance

Major Activities and Achievements

Shinhan Smile Microcredit Bank (SSMB)

In December 2009, Shinhan Bank established the Shinhan Smile Microcredit Bank based on the financial industry's largest project funding of KRW 70 billion and 9 branch networks across the nation. As of the end of 2013, we are helping with the self-support of citizens through the SSMB of about KRW 60.7 billion in 4,054 cases, with plans to continually support the project by launching new specialized products to help various professional organizations in need that includes: the loan to support financial independence of multi-child families; the loan to support self-support of cargo and freight transportation businesses; and the loan to support financial independence of the disabled.

Developing the Hope Credit Rating for people with low credit ratings

In August 2013, Shinhan Bank was the first Korean bank to develop a credit evaluation model for customers with low credit ratings called the Hope Credit Rating, to be applied in the loan review of petty loans for the working classes. Since the demand for loan products targeting financially difficult working classes has increased, SFG got the Financial Supervisory Service's approval by reflecting the characteristics of customers who used small-loan finance before development, so that they are utilized in reviewing loan products of small-loan finance, including the New Hope Spore Loan and the New Hope Dream Loan. As a result, the working classes using petty loans are able to choose the interest rates and limits either from the general loan products calculated using the existing credit evaluation, or the small-loan finance products applied with the Hope Credit Rating, to select whichever is favorable. Also, the development of the Hope Credit Rating provided detailed credit evaluation, making it easier to provide financial support and reduce interest rates for people with low credit ratings who are vulnerable to financial transactions.

Products and services for low-income and low-credit customers

Shinhan Bank provided the largest amount of loans to low-income and low-credit customers, with KRW 320.5 billion for the New Hope Spore Loan that recorded KRW 900 billion in accumulated amount. As for the low-credit customers who cannot receive support from the New Hope Spore Loan, we launched the New Hope Dream Loan (medium interest rates) in August 2012 to provide support of KRW 9.4 billion in accumulated amount. Meanwhile, we were the first financial institution to open the Working Class Branch (Hope Finance Plaza) to provide professional consulting services to the working class regarding financial support and credit recovery. As of the first half of 2013, there are 40 Working Class Branches and exclusive counters, the highest of its kind in the banking sector. We established an integrated channel for small-loan finance by setting up an exclusive call center (02-1588-4132) to provide consulting services for the elderly and the socially marginalized groups. In order to support the financial and residential stability of the working classes, such as not being able to pay interests because the house hasn't been sold or customers in need of deposit money for the lease of a house, we introduced the SHB Household Debt Healing Program, considered as a best practice of autonomous pre-work out in the banking sector for supporting KRW 420 billion in 14,349 cases. Additionally, we made all efforts to support the house poor, such as introducing customers' houses for sale on SHB's website in connection with the real estate agencies, as well as supporting acquisition and registration taxes within 1% of the sale price and launching the Happiness Rent Loan and the Dream Rent Loan to help the rent poor. Shinhan Card operates an exclusive consulting and review group to handle silver generation cardholders of over 67 years old. The group consists of 39 highly skilled consultants with more than 12 months of service who answered a monthly average of 56,000 calls in 2013. In addition, we have identified the purchasing patterns and preferences of the target group of over 55 years old using specialized cards for the silver generation, to provide various benefits regarding discounts on medical checkups, traveling, funeral and transportation. Shinhan Life Insurance newly developed the Shinhan Hope & Love Insurance, a micro-insurance to support low-income customers who have difficulty joining insurance plans, so that they can be covered on various dangers from diseases, disasters and accidents for free of charge through dormant claims. Furthermore, we gave a grace period of 6 months for the payment of premiums and loans to help customers suffering from natural disasters like localized torrential rain and typhoon that occur annually, while also streamlining the insurance application processes regarding injury and hospitalization to respond promptly.

ATM service for the disabled

Shinhan Bank ensures the disabled can get access to the facilities when using the ATM by improving the customers' convenience when using the ATM, such as adding the slope-way, braille block and ATMs exclusively for the disabled to allow wheelchairs to move around inside unmanned branches, with the production and distribution of voice recognition business cards and notices for the disabled customers. At least one ATM exclusively for the disabled customers is installed at each branch. As for branches with ten ATMs, there are two installed for the disabled. For people who have low vision and visually handicapped, we support voice functions using earphones at the ATM and attached braille pads on the inserting slot, keypads and screens, with bigger screens for operating the ATM. Besides this, we also provide the following: voice switching barcode system; production and distribution of account number braille stickers for visually handicapped customers; and issuance of braille security and credit cards.

Promoting the use of web and mobile banking for the socially weak groups

Shinhan Financial Group has reorganized the web accessibility to improve the convenience and expand the provision to minorities like the socially weak through various channels, including website, internet banking, cyber counter and mobile banking. In particular, Shinhan Bank was the first in the banking sector to acquire the web accessibility certification from the Human Rights Forum of Persons with Disabilities in Korea.

Also, Shinhan Bank continually upgraded the service for the disabled in mobile banking, being the first Korean bank to acquire the mobile web accessibility certification. The certification for mobile banking application is currently under review.

Financial and economic education

As part of the group's representative social contributions made for the society through financial businesses, SFG provided financial and economic education for all ages from the elementary students who are the future generation to the elderly who are financial marginalized. In 2013, a total of about 40,223 persons received the education.

In 2013, Shinhan Bank opened the 'Youth Financial Education Center Gwanghwamun Campus', a financial education experience space with the same environment as Korea's first branch, to provide experience education programs consisting of mission stories, including the 'Shinhan Children's Financial Experience Class' and 'Shinhan Financial School'.

Shinhan Card established the environment-friendly 'Arumin Library' at regional children's center across the nation to improve the poor reading environment and learning spaces, while also provided the 'Arumin Financial Class' for elementary students from low-income households that use the regional children's center.

Shinhan Investment Corp. held the 'Compassionate Finance Camp' for middle and high school students, to provide a field trip to the Korea Exchange (KRX) and major departments, as well as tell equity investment stories and hold equity investment mock games.

Shinhan Life Insurance held the 'Shinhan Happy Silver Financial Class' for senior citizens, by visiting about 240 senior welfare centers across the nation to help the elderly with their financial planning and tax plans, including retirement plan and ways to prevent voice phishing.

Ratio of web and mobile banking users

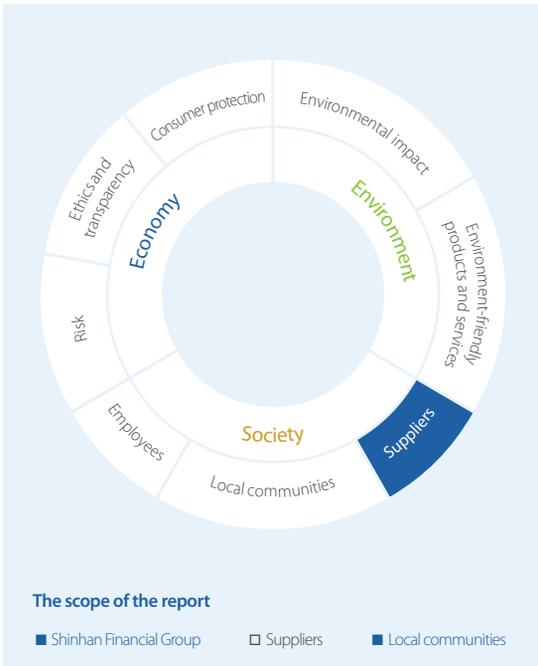
(Unit: %, Shinhan Bank)

2010	2011	2012	2013
19	23.2	26.2	28.4

Implementation Tasks and Goals

O: Recognize problems, ◐: Implement tasks, ●: Achieve tasks

Goal	Implementation tasks	2013	2014	2015
Supported small-loan finance	(Shinhan Financial Group) Supported KRW 17 billion of funds to 1,300 persons annually for the Smile Microcredit Bank	◐	●	●
Promoted financial and economic education	(Shinhan Financial Group) Provided the financial and economic education for more than 40,000 persons annually	●	●	●
	(Shinhan Bank) Established and operated the regional campus to set up a nation-wide financial education network	●	●	●



Seventh commitment

Pursuing shared development with suppliers and supporting their CSR activities

Major Achievements



The four basic principles of shared management

SFG enacted the four basic principles of shared management with suppliers as an effort to minimize various inequalities and irrationalities to continually achieve shared development.



86% of transactional satisfaction level of suppliers

In 2013, SFG conducted a survey on transactional satisfaction level of suppliers, which showed that 86% were satisfied.



Selected 49 outstanding suppliers

In 2013, Shinhan Bank selected a total of 49 outstanding suppliers to strengthen the relationships of shared development and cooperation.

The importance of shared development with suppliers has grown because the influence of global companies expanded in domestic and overseas markets. Suppliers are not only in charge of supplying main materials and supporting various duties, but also they are recognized as a way of promoting the company's products and services to the consumers. Based on the management philosophy of 'Compassionate Finance Sharing the Future', SFG has established and implemented plans for shared prosperity with suppliers. Also, we recognized that sustainable competitiveness with suppliers is directly linked with Shinhan's sustainable growth. Therefore, Shinhan's suppliers receive our active support so that they can implement CSR.



Shinhan Card's invitational meeting for explaining six sigma to suppliers

Principles and Systems

SFG enacted the four basic principles of shared development with suppliers and reflected them in various duties with detailed implementation tasks, which were tasks selected to provide actual help to suppliers, as well as seek ways of increasing the effect of shared development and improving unfair practices.

Additionally, we established a transparent evaluation and verification system on suppliers to develop continuous relationships with outstanding suppliers. The outstanding suppliers chosen through evaluations are given awards and diverse benefits from maintaining stable transaction relationships with Shinhan. This enhances the image of suppliers, brings promotional effect and provides a great help in building mutual trusts.

The four basic principles of shared development with suppliers

1. Compliance with the basic principles for shared development : Prohibiting discrimination on conditions that are not directly linked with the ability to perform duties
2. Ensuring adequate prices : Recognizing a fair compensation is needed for purchasing costs
3. Removing irrationality in business relations : Improving the established common practices of transactions and enhancing the speed of checking and paying prices
4. Implementing CSR of shared development: Implementing CSR activities and strengthening partnership for suppliers

Shinhan Card's evaluation process on suppliers



Major Activities and Achievements

Compliance with the basic principles of shared development

SFG reflected the details of shared development with suppliers in the standard contracts, including the minimization of differential treatment based on the size or outward appearance of the company and the clarification in contract methods to be implemented in duties. As for the notice of a bid, it is mandatory to notify the suppliers that hope to enter the bid about the contract methods and designation standards.

Shinhan Bank opened a website for disclosing IT businesses on its homepage to provide equal opportunities to diverse suppliers. The add-point system applied to companies with outstanding technologies or social companies is reflected in the contract guideline.

Shinhan Investment Corp. provided benefits to outstanding suppliers in IT businesses when renewing contracts, while also improving shared management by conducting a survey on transactional satisfaction level of suppliers.

Guarantee of appropriate prices

SFG established a systematic device to protect suppliers from losses that might occur due to serious price competition and environmental changes. In order to pay a fair price, we use the method of limited minimum prices instead of deciding on a successful bidder, while also changing the contract guideline to improve the business efficiency by expanding the companies subject to private contracts.

In the case of purchasing general goods due to sudden change in market prices or changes in the scope of project implementation, Shinhan Bank changed the contract standards to reflect in the contract guideline that additional expenses can be paid up to KRW 50 million.

Elimination of irrationality in business relations

Shinhan Financial Group expanded the scope of exempting contract deposit for outstanding suppliers, while also provided prompt inspections and quick payments. In order to eliminate irrationality in business relations with 324 IT suppliers, we conducted a survey on transactional satisfaction level in August 2013, in which they showed a comparatively high satisfaction level on Shinhan's efforts in shared development overall.

Shinhan Bank used electronic contracts and improved the process for filing the claims, as part of an effort to reduce inconvenience and costs arising from doing business with suppliers.

Shinhan Card minimized the burdens on suppliers by computerizing proposals and systematizing compensations for sample costs.

Shinhan Life Insurance reduced cost burdens by returning all samples used in marketing activities back to the suppliers. In the case of joint events with suppliers, the costs are paid separately.

Jeju Bank expanded the private contracts to over KRW 10 million and exempted the submission of deposits and insurance policies for socially responsible companies, social welfare facilities, companies that promote the employment of disabled, outstanding suppliers and companies with green certification.

Implementing CSR for shared development

SFG identifies the sustainability of suppliers by holding regular meetings and monitoring the present status of suppliers. Also, we conducted self-diagnosis on code of conducts against the employees of suppliers and reviewed whether or not they fulfilled their social responsibilities, thereby recommending improvements to companies that lack in sustainability and providing incentives to outstanding companies, including long-term contracts and exemptions on contract deposit. This ensured that the suppliers protected human rights, improved working conditions and complied with business ethics.

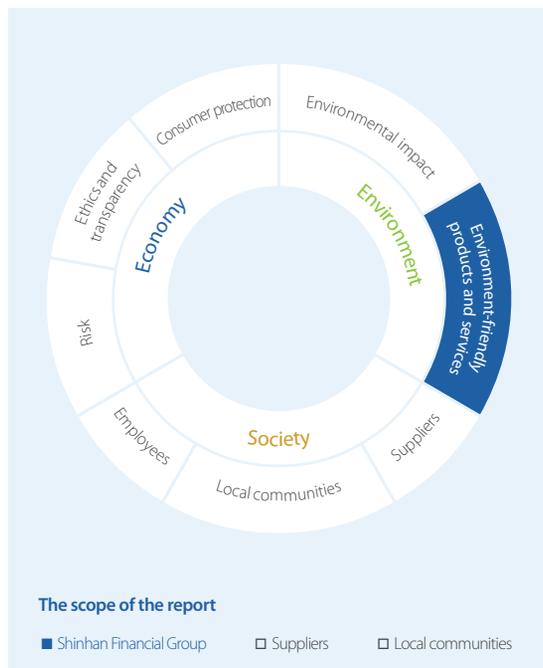
Shinhan Card contributed to improving the status of suppliers and expanded the business areas by introducing the verification system for outstanding suppliers. As a result, we secured the operational safety of suppliers and established a stable competition system.

Shinhan Life Insurance held a regular meeting to improve the satisfaction level of customers belonging to suppliers, while also helping with the stress management of counselors working as department heads of handling customer complaints. Also, we improved the working conditions of suppliers to enhance the employees' satisfaction level.

Implementation Tasks and Goals

○: Recognize problems, ◐: Implement tasks, ●: Achieve tasks

Goal	Implementation tasks	2013	2014	2015
Seeking shared development with suppliers	(Shinhan Financial Group) Implementing improvement tasks based on the IT suppliers' satisfaction survey results of transactions	◐	●	●
	(Shinhan Financial Group) Establishing and promoting the VOC system for suppliers	◐	◐	●
	(Shinhan Financial Group) Selection and awards given to outstanding suppliers and their employees	◐	●	●
	(Shinhan Financial Group) Evaluation of suppliers to be reflected in rebidding	○	◐	●
Supports CSR of suppliers	(Shinhan Financial Group) Conducting volunteer works with suppliers	◐	●	●
	(Shinhan Financial Group) Supporting CSR training for suppliers	○	◐	●



Eighth commitment

Developing environment-friendly products and services

Major Achievements



Supporting the energy efficiency upgrades of facilities

In 2013, Shinhan Bank supported a total of KRW 12.6 billion for the energy efficiency upgrades of facilities through the Green Love Energy Factoring product, which supports the costs of replacing LED lights at the underground parking lot.



New Green Corporate Loan of KRW 445.5 billion

In 2013, Shinhan Bank provided the New Green Corporate Loan of KRW 445.5 billion for green certified companies and new entrant companies in green businesses, to vitalize green industries.



Net increase amount of KRW 13.9 trillion

In 2013, Shinhan Bank attracted new businesses of KRW 13.9 trillion through the Green Love Energy Term Deposit and the Green Love Life Installment Deposit, assisting our customers' efforts towards saving energy.

Due to the heightened interests on climate change and green management, financial institutions are actively participating in environment-related government projects and developing various products for vitalizing green finance. Also, the increased social interests on climate change gradually led to changing consumer behavior and increasing customers' demand for environment-friendly products. SFG recognizes that sustainable development balances the profits between the present generation and the future generation, which is determined by positive interactions in economic development, social development and environmental protection. Furthermore, in order to satisfy customers' new demands and achieve sustainable development, SFG launches a wide variety of products to reduce environmental impacts and support customers' environment-friendly activities. In the future, we will become a leader in green finance industries by expanding the group's green products and services and establishing close relationships with our customers and the government.



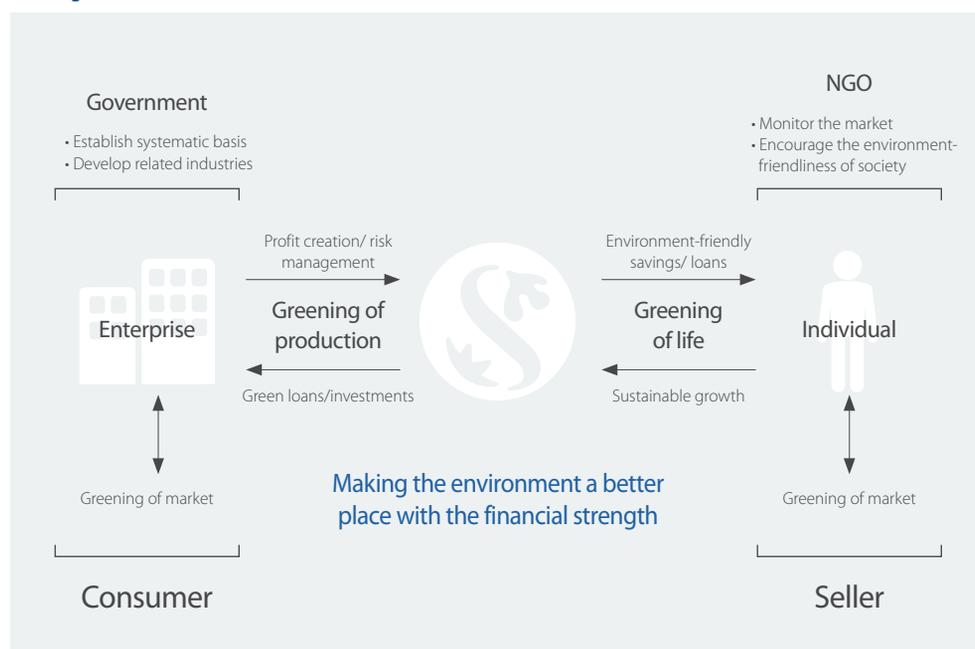
Shinhan Green Plus Installment savings

Principles and Systems

SFG has launched a range of financial products to encourage environment-friendly lifestyle to customers and support outstanding green certified companies in environment-friendly business. We reduce interests rates on companies with certifications related to green energy industries, new growth engine industries of low-carbon and high-efficiency and environment management, while developing and supporting green finance products that give preferential treatment on commission. In addition, we developed green finance products which provide deposits and installment savings, credit card, insurance and other financial product user with actual benefits.

Finally, we are actively investing in government and private projects for expanding green industries to perform the role of financial institution in helping acquire the nation's new growth engine.

Role of green finance



Major Activities and Achievements

Environment-friendly finance in daily lives

SFG's environment-friendly deposit products include the Green Love Energy Term Deposit and the Green Love Life Installment Deposit. These products make energy donations for customers and give preferential interest rates to customers who save energy, allowing customers to make energy-saving efforts in their daily lives. When developing these products, we collected opinions on the awareness of green finance and the qualification for joining the green deposits through the 'customer evaluation group' and reflected them in the products, providing an opportunity to enhance the customers' awareness on the environment.

In 2014, the newly launched product, Shinhan Green Plus installment savings, encouraged customers to conserve energy naturally in life. Also, the product gave preferential interest rates to green customers, such as using public transportation, saving energy like electricity and gas and conserving resources by using non-face-to-face channels.

Strengthening environment-friendly corporate activities

SFG's loan product that aims to strengthen the company's environment-friendliness is the Green Love Energy Factoring, which supports the company's energy conservation activities. This product has the bank pay for the construction costs needed to replace LED light bulbs of apartments and public institutions first, and after the construction is completed, the energy users (apartments, public institutions) pay back the construction costs with the amount saved from electricity bills.

Details of environment-friendly products launched

product name	Product explanation	Billings
Green Love Energy Factoring	The product supports the expenses used in replacing the LED light bulbs of underground parking lots to reduce energy costs and the customers pay back the construction costs with the money saved from using less energy.	KRW 12,664 million (as of the end of 2013)
Green Love Energy Term Deposit	The product makes energy donations for customers and provides preferential interest rates to customers who save energy, thereby making energy conservation a part of life.	KRW 12,952,885 million (new deposits in 2013)
Green Love Life Installment Savings		KRW 948,463 million (new and additional amount due in 2013)
Green Plus Installment savings	The product provides preferential interest rates to green customers, such as using public transportation, saving energy like electricity and gas and conserving resources by using non-face-to-face channels.	Launched in 2014
Green Remodeling Interest Subsidy Loan	The product supports the construction costs of customers who want to remodel their buildings for energy efficiency upgrades with bank loans, and depending on the level of improvements made in energy performance, customers can get the government's 2~4% interest rate subsidies for the loan.	Launched in 2014
New Green Corporate Loan	The product provides funding to green companies and new entrants in green industries in order to contribute to the vitalization of green industries as a new growth engine	KRW 445,484 million (As of the end of 2013)
Shinhan BNPP Tops Beautiful SRI Security Feeder Investment Trust	In addition to the company's financial performances, the fund operates mainly by investing in domestic companies' stocks that have competitiveness in terms of sustainability, such as environment-friendly management and CSR.	KRW 11,561 million (As of the end of 2013)
Shinhan BNPP Bonjour Clean World Securities Feeder Investment Trust	The fund operates mainly by investing in investment trusts, such as global stocks related to the environment, alternative energy, water resources management, pollution prevention and waste disposal.	
Shinhan BNPP Tops Global SRI Securities Feeder Investment Trust	The fund invests in companies that can achieve sustainable growth by focusing on intangible assets like the company's social, environmental and ethical responsibilities and corporate governance structure. (Operated as index funds following the Dow Jones Sustainability Indexes)	
Shinhan Variable Insurance	The product invests in companies that can implement environment-friendly CSR through SRI funds.	KRW 62 billion (Insurance premiums at the beginning of the month as of the end of 2013)
Environment Love Card	The product accumulates 0.1% of the money used by the Environment Love Card as the Environment Love Fund.	1,008 accounts

Overseas cooperation for developing environment-friendly products and services

In August 2013, Shinhan Bank signed the business agreement for vitalizing green remodeling with the Ministry of Land, Infrastructure and Transport. This agreement provided plans to develop loan products that are suitable for the green remodeling project, to support the vitalization of the project. After mutual discussions, Shinhan Bank launched the Green Remodeling Interest Subsidy Loan in 2014. This product is expected to achieve social performances by reducing greenhouse gas emissions in construction industry, which accounts for 25.6% of the nation's greenhouse gas emissions. Moreover, we have continually developed environment-friendly deposit products after signing the business agreement for vitalizing green finance and energy diet movement with the Korea Energy Management Corporation. Also, in order to evaluate whether companies are outstanding environmentally, we were the first in the Korean financial industry to sign the business agreement with the Ministry of Environment and the Korea Environmental Industry & Technology Institute. As a result, we linked the corporate evaluation system that supports the green finance with the bank's loan review system and provided preferential interest rates to environmentally outstanding companies when supporting corporate loans, thereby actively managing companies with excessive environmental risks.

Strengthening green communication

Shinhan Bank has conducted a range of communication activities to effectively respond to various environmental risks and issues that might occur from management activities. Internally, we held environmental management cyber training programs for all employees to enhance their environment-friendly awareness, while in order to communicate with external stakeholders, we also participated in the Green Finance Council where the commercial banks' management attended and the Green Economy Research Group where the environmental experts and the working-level groups from the financial industry attended, to listen to experts' opinions and get a better understanding of stakeholders. Besides this, we joined in the UNEP-FI (United Nations Environment Programme-Finance Initiative) together with global financial institutions. In 2013, we were selected as the Carbon Disclosure Sector Leader in the banking sector in Korea due to our active participation in disclosing environmental information related to climate change during the 2013 CDP (Carbon Disclosure Project) evaluation.

○: Recognize problems, ◐: Implement tasks, ●: Achieve tasks

Goal	Implementation tasks	2013	2014	2015
Expanding the operation of environment-friendly products	Additional development of socially responsible investment products	○	◐	●



Performances of the 2013 CDP response

Selected as the Carbon Disclosure Sector Leader in the banking sector in Korea and joined the CPLI (Carbon Performance Leadership Index), representing the top 10% companies in climate change response performance

Implementation Tasks and Goals



The scope of the report

- Shinhan Financial Group
- Suppliers
- Local communities

Ninth commitment

Using resources efficiently and reducing environmental impacts

Globally, the importance of managing environmental impacts caused by corporate activities has grown due to environmental issues like the occurrence of abnormal climates, the depletion of natural resources and the destruction of natural environment. As a corporate citizen, SFG strengthens the environment-related internal management system to fulfill environmental responsibilities and actively and effectively respond to the environmental demands of external stakeholders and the government's changing environmental policies. By efficiently using the resources for management activities and reducing environmental impacts through the reduction of energies and wastes, SFG pledges to take the lead in conserving the global environment and creating environmental and social value.

Major Achievements



6,021 tCO₂eq

SFG reduced 5.4% of emissions (6,021 tCO₂eq) compared to the previous year through diverse activities for reducing greenhouse gas emissions. (Based on Scope 1 and 2 of 8 group companies)



Replacing 13,287 LED light bulbs

In 2013, Shinhan Bank replaced a total of 13,287 light bulbs at its head office and branches to improve energy efficiency of buildings, to reduce 2,997tCO₂eq of greenhouse gas emissions per year.



ISO50001

With the purpose of operating an energy management system where all employees take part, SFG is continually implementing the energy conservation by acquiring ISO50001, an international standard for energy management system.



Eco-friendly green building (Shinhan Data Center)

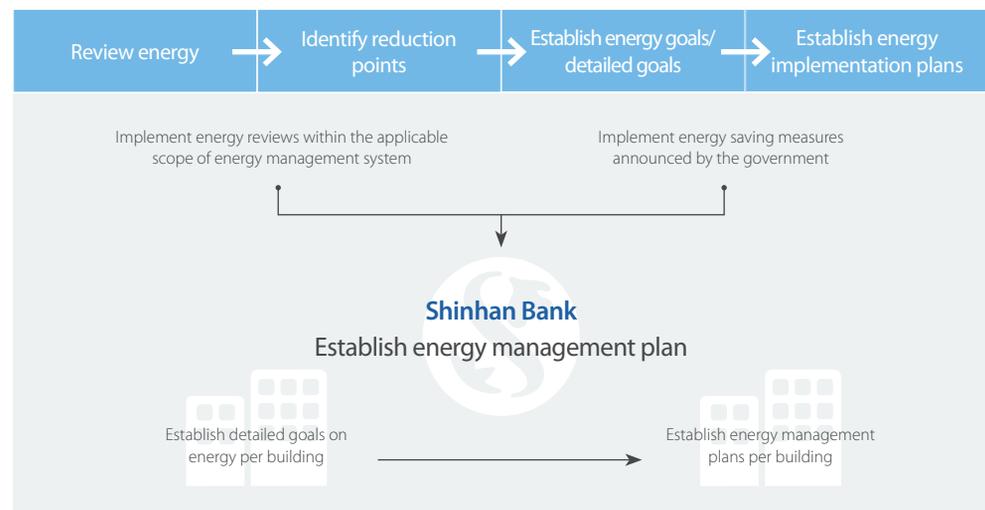
Principles and Systems

SFG is aware that environmental issues have an important effect on the company's sustainable development in terms of the group's management practices. Therefore, we are minimizing greenhouse gas emissions and actively strengthening the environmental efficiency of facilities to efficiently use resources and energies.

In recognition of the importance of environmental performances, Shinhan Bank established the green management system to measure and manage the quantitative data of greenhouse gas emissions and energy use for each group company. In 2013, we upgraded the system to manage a total of 12 environmental performance indexes, including greenhouse gas emissions and energy use.

Also, in order effectively implement the energy management across the group and continually improve the performances, we established an integrated energy management system by enacting an energy management guideline and manual, so that the management of environmental performances and the response to climate change risks can be handled systematically.

Energy Management Framework



Major Activities and Achievements

Efforts to reduce greenhouse gas emissions

SFG has made active efforts in the response to climate change by continually minimizing the greenhouse gas emissions from the group. Not only did we reduce greenhouse gas emissions through diverse reduction activities, but also we expanded the scope of managing greenhouse gases to transparently disclose relevant information. On June 2012, Shinhan Bank was designated as a company of 'The Greenhouse Gas & Energy Target Management System' based on the Basic Act on Low Carbon Green Growth. After completing the third party verification of greenhouse gas emissions and energy consumptions between 2009 and 2012, we reported the results to the government. In the future, we will continue to actively participate in the nation-wide greenhouse gas reduction efforts by reporting to the government about the greenhouse gas emissions and the amount of greenhouse gases reduced annually, as well as establishing and implementing reduction plans.

Investigating and managing data of other indirect greenhouse gas emission sources

SFG expanded the scope of identifying greenhouse gas emission sources to add other indirect emission sources (Scope 3) in addition to the existing direct emission sources (Scope 1) and indirect emission sources (Scope 2), and calculated them in quantitative data. Other indirect emission sources included: the plastic used for credit cards, the paper used for bank accounts during sales activities, the greenhouse gas emissions from the production stage of computers, office supplies purchased, and the fuel used for transporting cash and important certificates. In the future, SFG will continually reinforce the response to climate change and reduce the environmental impacts by identifying more greenhouse gases emitted from sales activities and taking appropriate measures to manage them.

Newly built the environment-friendly Shinhan Data Center

With the goal of constructing a top-class environment-friendly green certified building, Shinhan Bank has newly built the Shinhan Data Center. From the planning stage, the Shinhan Data Center not only applied the highest level of standards for environment-friendly building grades designated by the Ministry of Land, Infrastructure and Transport and the Ministry of Environment, but also it was designed and constructed with the gold grade certification for LEED (Leadership in Energy and Environmental Design) of the USGBC (U.S. Green Building Council), an international certification institution for environment-friendly buildings. Shinhan Data Center gets energy supplies through new and renewable energy like solar energy generation and solar generation facilities, while also reduce energy consumptions through LED lighting equipment, the BEMS (Building Energy Management System) and the ice thermal storage system. Additionally, we contribute to the reduction of environmental impacts arising from new building construction and maintenance processes by installing water recycling facilities and using environment-friendly materials. By adopting an environment-friendly energy conservation system, we expect to have energy saving up to 16% of electricity used annually. If we include the ice thermal storage system, heating and gas facilities, we expect a total of up to 20% of energy saved.

Publishing an environmental report

Shinhan Bank is actively participating in the government system for disclosing environmental information and publishing the Shinhan Bank Environmental Report to spread the awareness of sustainable growth. The report includes the quantitative data on major buildings such as the head office and the Ilsan Computer Center, including information on the resources and energy used, the greenhouse gas and environmental pollution emissions and the green product purchased. Also, the green management strategies and systems and energy-saving technology are disclosed transparently through the report.

Using recycled paper

Starting from 2012, Shihan Card was the first in the industry to use recycled waste paper (100% Korean recycled pulp) for their bills, which have saved 19,380 pines trees of 30 years old. It reduces 1,953 tons of CO₂, 27,634 tons of water and 4,143KWh of electricity (accumulated value up to December 2013 based on the annually issued bill). Also, we acquired the GR Korean certification mark, which is certified by the Korean Agency for Technology and Standards and hosted by the Ministry of Trade, Industry and Energy, for using environment-friendly recycled paper for billing paper.

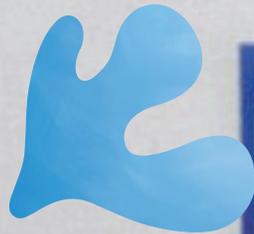
Reducing costs through environment-friendly activities

(Unit: tCO₂eq, KRW 1 million)

Classification	Details of activities	Annual amount of greenhouse gases reduced	Annual amount of reduction
Increasing energy efficiencies of buildings	Reduce the amount of energy use by replacing the lighting of the bank's head office, general and sales offices into LEDs (total of 13,287)	2,997	733
Making energy conservation	Implementing diverse energy reduction activities at the head office, including lowering the air-conditioning temperatures during the summer time, restricting the use of elevators and wearing simple clothing during the summer season	540	153
Reducing the operation of automobiles by holding video conferences	Reducing carbon emissions caused by vehicle operation through the video conferencing system at Shinhan Bank's branches across the nation	1,428	1,360

○: Recognize problems, ◐: Implement tasks, ●: Achieve tasks

Goal	Implementation tasks	2013	2014	2015
Actively disclosing environmental information	Improving external evaluation performances related to environment, including CDP, DJSI, etc.	◐	●	●
Reducing greenhouse gas emissions through energy efficiency upgrades of buildings	Acquiring the green building certification for Shinhan Data Center Continually implementing energy reduction activities on buildings (replacing LED light bulbs, adjusting air-conditioning and heating during the summer and winter, etc.)	●	●	●
Using environment-friendly papers	Expanding the use of FSC certified papers	◐	◐	●
Strengthening the management of waste disposals from work sites	Establishing a management system for separating and recycling wastes	○	◐	●
Strengthening the environmental management system	Increasing the utilization of the green management system Expanding the verification of the environmental management's current status through the Green Management Working-level Meeting	◐	◐	●



신한카드가
수화상담도, 배
신



Shinhan Card not only developed a range of specialized products for socially weak people, but also provided personalized services such as the sign language services provided for people with language impairment.



실천하는
따뜻한 금융!
트남어상담도 OK
한카드

Group companies' CSR management

Shinhan Bank	60
Shinhan Card	64
Shinhan Investment Corp.	67
Shinhan Life Insurance	69
Shinhan BNP Paribas Asset Management	72
Shinhan Capital	74
Jeju Bank	75

Shinhan Bank



A word, 'Finance' in English The English word 'Finance' comes from the Latin word, 'Finis', which means 'goal' and 'completion'. In the end, the inherent role of finance is to help all members of the society achieve their goals and dreams.

The group's mission, of the 'Compassionate Finance Sharing the Future' is in line with being faithful to the inherent role of finance, so that we provide differentiated value to our customers and society through new products and services. Through these efforts, we are aiming to establish a virtuous cycle of shared development where the bank can also grow. All of the employees at Shinhan Bank contribute in making a better tomorrow for our customers and society by actively implementing the Compassionate Finance in their daily duties to provide with Shinhan's own and differentiated competitiveness.

Jin Won Suh CEO of Shinhan Bank

Company Introduction

Shinhan Bank started late and small in the industry in 1982, but made unprecedented rapid growth in the Korean financial sector by setting new trends with new changes and innovations. We were the first in Korea to implement custom-oriented management and the very first to introduce unmanned branches and internet banking services in Korea which became standard in the industry. Moreover, based on a stable asset portfolio that maintained the highest level of profitability, we have been achieving balanced and fruitful growth. Today, the Korean financial industry is facing long-term low-growth period and rapid aging society, but Shinhan bank is still making growth by meeting challenges creatively unlike in the past. We have improved the competitiveness in future growth market by internalizing the philosophy and value of Compassionate Finance. Along with this, we enhanced the efficiency of organizational operation by innovating productivity, while also leading in creating a vibrant workplace through active internal communication and reinforcing employees' capabilities. In the future, Shinhan Bank will fulfill its role as a corporate citizen to achieve the vision of 'No.1 bank for the new future' as Korea's financial leader.

2013 CSR Performances

Strengthening of the foundation for medium enterprises and SMEs

Based on the two core strategies of 'strengthening the support by the company's growth stage' and 'reinforcing the support for corporate rehabilitation', Shinhan Bank has supported the development of growing and promising companies, the globalization and export of SMEs and the companies that are temporarily going through a liquidity crisis. In particular, we strengthened the actual support on SMEs to become the top ranking commercial bank for providing funding to SMEs, excluding the Industrial Bank of Korea. Also, we actively took part in the vitalization of creative economy to support KRW 207.7 billion as loans for technology-oriented startup companies, which is about three times that of other banks.

Customized financial supports for each SME

Shinhan Bank expanded the customized financial support to meet the characteristics and needs of SMEs at each growth stages, including foundation, growth and maturity. Also, we increased free consulting services for startup, venture and social companies, to prevent them from failing in the entry to the growth stage due to lack of management technique and know-how and contribute in the company's growth and expansion.

Strengthening the support for exporting and overseas entry companies

Shinhan Bank has established the Global Support Desk to actively support the overseas entry of medium enterprises and SMEs through Shinhan Bank's local networks. In the future, we will continually expand our services to provide local information and help with the convenience of overseas entry companies at the beginning stages, as well as launch related new products and provide actual support by cooperating with policy institutions like the Small & Medium Business Corporation and the Korea Trade Insurance Corporation.

Vitalizing the Creative Finance

Shinhan Bank has continually expanded the loans to technology-oriented startup companies to provide actual helps to companies with outstanding technologies, while also came up with specific evaluations on the technologies owned by startup and venture companies. In the future, we will continue to establish a relationship of shared development with companies by developing new investment and loan convergence product called the Performance Sharing of Private Convertible Bonds, which shares the performances of corporate management and supports long-term and low interest rates to promising companies. In order to strengthen the M&A support for medium enterprises and SMEs that are left out compared to large companies, we have newly set up the SME M&A Support Team to take the lead in implementing the Creative Finance.

Realizing the global customer value

Shinhan Bank has continually placed the top strategic priority on global businesses to diversify profit sources and secure long-term growth engines, while also strengthening global capabilities by focusing on qualitative growth through the diversification of business models and the establishment of global network under the name of selection and concentration. Through these efforts, Shinhan Bank will consider the Korean companies in overseas markets and local companies and people as its partners and set the foundation for the shared development with customers, the creation of customer value and the protection of customers through diverse financial products and services that have received recognition domestically. We have chosen the Asian financial belt that covers Japan, China, Vietnam and India as our key markets for global businesses. Unlike in the past where the overseas entry was made setting up overseas branches, we will upgrade our overseas entry by establishing local corporations to accumulate localization capabilities for different regions, to pursue the strategy of using economies of scale.

Financial benefits provided to socially underprivileged people in the emerging market

Shinhan Bank established the foundation for the socially underprivileged people in the emerging market to grow into good customers by providing them with high-quality financial services and reasonable financial benefits. In Vietnam, we have a small loan product that provides loans for the plant workers from the low-income classes. By providing medium and long-term financial supports to these low-income classes, we can expand the customer base by helping them become the middle class, with plans to develop other products for the low-income classes. Additionally, in Khmer, we launched the Junior Installment Savings that provides benefits for the low-income classes to save educational expenses for the children. This product provides high interest rates of 4.75%~5.55% as a goal-oriented product for children, which enhanced the lower middle classes' interests on saving money.



Financial and management consultations for social companies

Global CSR activities

Shinhan Bank is implementing diverse CSR activities locally in different regions. We are faithfully fulfilling our role as a global corporate citizen by expanding opportunities for regular exchanges with the socially underprivileged group to establish more favorable and developmental relationships.



Vietnam

After opening the Hochimin Branch in June 1995, Shinhan Bank Vietnam has continually conducted volunteer works to help neighbors in need. At the beginning stage, the volunteer works were mostly visiting orphanages and reorganizing neighboring environment. However, starting with supporting funding for the foundation of Hanoi Korean School in 2006, we implemented CSR activities systematically to enhance the brand value as a company that contribute to the Vietnam society.

Major social contribution activities included scholarships, volunteer works related to facilities, the environment and medical services. Since 2010, we are implementing the school of love project (since constructing the first school of love in Nghệ An in 2009, currently the second school of love is being built in Vinh Phuc Province in 2013) by selecting education as the sustainable CSR theme, while also continually supporting scholarships and learning equipment every year.

China

Shinhan Bank (China) Ltd. has developed social contribution-oriented financial products to create funds partially from the amount sold, so that they can be used to help the socially underprivileged people like orphanages, nursing homes and the neighborhood in need. These efforts have strengthened the status of our local corporation in China.

India

At the beginning of last year, Shinhan India branch donated funds for establishing a new building in New Delhi Korean School where Koreans in New Delhi region received basic courses for elementary and secondary education (Korean, mathematics, social education, etc.). As a result, the New Delhi branch received positive images from the Korean residents living there, and at the same time, vitalized the retail businesses. Also, the Mumbai branch conducted a range of volunteer works to visit neighboring orphanages and providing basic financial and economic knowledge to children under elementary school age in the orphanage.

Other countries

Together with the Cambodia Ewha Social Welfare Center established by the Ewha Womans University in Phnom Penh, Cambodia, Shinhan Khmer Bank participated in the program with the center every quarter, to support the poor children. Shinhan Kazakhstan Bank signed a MOU with local prestigious university to donate part of the profits made to develop outstanding talents as scholarships. Shinhan Bank's New York branch regularly conducts volunteer works twice a year by visiting Korean schools associated with the Korean Chamber of Commerce and Industry in the U.S., including reorganizing class rooms, classifying and distributing text books and showing the way for registered vehicles.

Implementation of customer-oriented asset management

New business model for asset management

With the recognition that there is a limit to existing products and services of subsidiaries from the customer-oriented perspective, Shinhan Bank was the industry's first to operate a new WM business model at the group level to provide an integrated asset management solution that meets the needs of customers, while maintaining the respective professionalism of the bank and securities. This new business model for asset management is managed largely by the PWM¹ Center and the IPS² Headquarter. The PWM Center has both the bank and securities' asset management branches located in the same place to provide the financial products and asset management services of both the bank and securities at the same time, thereby improving the customers' convenience and satisfaction level. There are 25 PWM Centers in major cities across the nation. In the case of IPS Headquarter, it consists of the Asset Management Solution Department, the Investment Product Department, the Investment Consulting Department and the Future Design Center. It provides the highest level of integrated asset management solutions to customers through the PWM Center and Shinhan Bank's Premier Lounge with experts in various fields of asset management, including investment strategy, product, tax, real estate and retirement plan. In particular, we provided opportunities to increase assets through diverse means by newly launching differentiated products to set the trend in the financial industry in 2013, including the BTL ABCP⁴ Private Equity Fund of local universities' dormitories in cooperation with the CIB³ and the U.S. real estate's DLF⁵ in cooperation with Shinhan Investment Corp. Additionally, in order to safely preserve our customers' assets, we diversified the basic assets like principal protected products and the Eurostoxx⁶ to launch products like the ELF⁷ with medium risk and medium return and the ELD⁸ with interactive and minimum interest rate guaranteed return. Moreover, we held seminars and lectures on asset management and investment techniques 440 times to provide diverse investment information to customers in a timely manner. If there is a request from customer, the IPS Headquarter provided the service of an expert paying a direct visit 375 times where the solution partner who is an investment expert will visit the customer in person to give consultations on asset management.

The Five Principles of Customer-oriented Asset Management

1. Identify the customers' asset management needs and investment preferences accurately.
2. Provide an asset management solution that is most appropriate to the customer.
3. Give an easy and full explanation about the investment information and product details.
4. Manage assets systematically and continuously to improve the customer value.
5. Manage and protect the customer information with care and secrecy.

Shared development with customers through enhancing customers' rate of return

Shinhan Bank has newly established indexes for customers' rate of return during the evaluation of business groups, branches and employees, so that they can be reflected in the evaluation to give better evaluations to employees who manage the customers' assets well. Also, in order to systematically manage the customers' rate of return, we adopted the recommendation system for repurchase, as well as gave suggestions for funds with poor earnings and thoroughly managed the customers' investment risks through the Red-Flag⁹ system.

Optimization of asset management process

Shinhan Bank has newly established a customer-oriented process for asset management. We enacted the Principles of Customer-oriented Asset Management for employees who are actually in charge of customers' asset management at the work site, to optimize into a customer-oriented management process for investment assets according to different stages of transaction. Also, we provided investment strategies for changes in market scenarios promptly to give suggestions on managing the products beforehand, thereby strengthening the customers' management of portfolio risks. Moreover, we upgraded the contents of S-solution, which is Shinhan Bank's IT system for asset management that was developed to provide fast and accurate investment solutions to suit customers' investment preferences and financial purposes, so that more customers can get easy and convenient access to asset management services.

Strengthening capabilities for providing retirement solutions

Shinhan Bank has upgraded its capabilities for providing retirement solutions to help plan a happy old age for the Korean people. For this, Shinhan Bank has strengthened the retirement business as a whole to launch its own retirement planning brand, establish a retirement planning channel, develop professionals for retirement solutions, strengthen the lineup for retirement products and upgrade the retirement planning system. In particular, we continually held the Retirement Planning Course for Couples so that customers can learn about the importance of retirement and have a firsthand experience on retirement planning.

1 PWM : Private Wealth Management

2 IPS : Investment Products & Services

3 CIB : Commercial Investment Bank, Department in charge of corporate finance and IB business at Shinhan Bank

4 BTL ABCP : Build-Transfer-Lease Asset Backed Commercial Paper, Commercial papers based on the loan securitization of BTL business

5 DLF : Derivative Linked Fund, Collaborative funds of marketable securities and derivative contracts

6 Eurostoxx : Stock indexes calculated based on the stock prices of major companies in the Eurozone

7 ELF : Equity Linked Fund, Funds where the investment principals and profits are connected with stock indexes and share prices of individual stocks

8 ELD : Equity Linked Deposit, Deposits sold at the bank where the profits are determined in connection with the fluctuation of share indexes

9 Red-Flag : Preemptive risk management service that warns customers if there is a gap between the customers' asset allocation and a certain percentage indicated in the guideline

Shinhan Card



The Korean credit card market has changed into a customer-oriented market that emphasizes the protection of customers' rights and interests. Therefore, the key to being successful in the credit card market is to gain the heart of customers, which is possible only when we can be sincere towards the customers. Until now, we had classified our customers based on convenience instead of asking the fundamental question about what the customer genuinely wants. However, from now on, Shinhan Card's big data management will strive to provide personalized solutions to each customer by utilizing the big data in customer-oriented management. Also, we will create sustainable value as a company loved by customers and society through the realization of social responsibilities in our daily lives that emphasize on the characteristics of financial business.

Sung Ho Wi CEO of Shinhan Card

Company Introduction

In 2013, Shinhan Card announced the slogan of 'BIG to GREAT', which is the company's new vision. BIG to GREAT is Shinhan Card's aim to become a great company that is genuinely No.1 beyond being No.1 in size in terms of market share and customer. It shows our commitment to offer differentiated services to each customer that means more than just being a credit card company that is loved by many customers. As part of the Big to GREAT strategy, Shinhan Card is working towards creating new value through the big data management. Since being the industry's first to establish the Big Data Center, Shinhan Card has strived to achieve the core strategy goals of 'improving fundamental competitiveness through big data' and 'strengthening the new growth engine'. Also, we are reinforcing our leading position in the credit card industry by utilizing the risk management system at the group level and providing the possibility of financial stability.

2013 CSR Performances

Providing differentiated services (BIG to GREAT)

Customized solutions that use the big data

Based on the big data with 22 million customers, Shinhan Card had conducted endless studies on customers' lives to come up with customized solutions that are smart and creative. The products of these studies include: the new concept customized product called the Cube Card & Combo Service; the diverse check card products; the industry's first mobile e-wallet service called the Shinhan Smart Wallet; and the new mobile card in the form of smartphone application called the Shinhan AppCard. As for the Cube Card & Combo Service that was launched last year, they were made through our advanced IT capabilities and big data analysis. Cube Card gives basic discounts on up to five out of ten areas, including refueling, discount stores, education and dining, chosen by customers, while you can also pay extra charges to select the services you want from a range of areas, including coffee, convenience stores and movie theaters, to get additional discounts. The biggest merit of the Cube Card & Combo Service is that customers can maximize their convenience and benefits according to their needs by adding and removing the services freely like the smartphone applications.

Culture and sports marketing programs

Shinhan Card has satisfied diverse customer demands through differentiated culture and sports marketing programs of different genres like concert, musical, theater, baseball, soccer and golf. In 2013, we held the 5th anniversary of our representative culture marketing program 'LOVE Concert', which is held annually across the nation in Daejeon, Daegu, Gwangju and Busan. Since most of the culture and art performances are concentrated in the metropolitan area, Shinhan Card held the nation-wide concert to provide cultural experiences to all of our customers instead of a minority. In the future, we will strive to bring special experiences to our customers by upgrading the concept of BIG to GREAT further.

Vitalizing public projects and developing products that protect the socially underprivileged people

Developing specialized products and services for the silver generation

Shinhan Card launched specialized cards for the silver generation and operated consultation and review groups exclusively for them. The specialized card for the silver generation consists of customized services in a total of four areas (Health, Emotion, Enjoy and Finance) with health-related services as the main according to the senior citizens' purchasing patterns and preferences. Also, we allocated consultants with work experience of over 12 months to be in charge of handling customers of over 67 years old, so that they worked as consultation and review groups exclusively for the silver generation. Through these efforts, we provided consultations in about 56,000 cases on a monthly average in 2013.

Developing specialized products and services for the socially underprivileged people

Shinhan Card was the industry's first to launch the Concourse Card exclusively for foreigners, which donated part of the card amount used to the multi-cultural families by actively utilizing the characteristics of the credit card industry. Moreover, we implemented diverse activities to support the socially underprivileged people, such as low-income classes and hospital patients. We are creating the value of social sharing for suppliers and SMEs. In order to reduce costs of suppliers and implement shared management, we pay for the services and goods supplied by small enterprises, while also providing the channel for outstanding SMEs with insufficient distribution channels to sell their products through Shinhan Card's shopping mall. Also, we are conducting the SOHO Campaign that sells office supplies at a low price to the affiliated stores of SMEs.

Industry's leading social contributions

Employees' volunteer works

Shinhan Card's social contributions include the diverse volunteer works participated by its employees, families and customers. The employees' volunteer works have been carried out through 92 volunteer teams across the nation with the CEO as the leader of the volunteer group. Shinhan Card's volunteer activities are characterized by not only donating funds, but actively doing volunteer works so that actual help can be given to places of need. For instance, employees voluntarily took part in volunteer works with their families during the holiday to take the lead in helping the neighbors in need. In celebration of the 6th founding anniversary in October 2013, the employees of the head office gathered together to conduct diverse volunteer activities that included: the volunteer works to assist in building the sheltered workshop for the disabled; the provision of anti-bacterial for patients with rare and incurable diseases; the opening and volunteer works for Arumin libraries by collecting donations from employees; the volunteer works for the group company's sharing market of one company and one village campaign; visit to historical sites together with multi-cultural families; the hat knitting campaign for the new born babies of underdeveloped countries; the support for the walking contest of visually handicapped people to celebrate the World Braille Day; the environmental protection activities for Namsan Mountain's outdoor botanical garden; and the donation activities for patients of rare and incurable diseases through the blood donation of love. Due to these efforts, we decided to regularly hold Shinhan Card's Arumin Volunteer Works Festival where all of the employees participated to celebrate the foundation anniversary for a month in October of every year.

Employee donation program of Love Savings Account and the donation of fractions of salary

Since 2003, about two thousand employees at Shinhan Card have been actively making donations. The employees automatically donate KRW 10,000 per account from their salary through the employee donation program of Love Savings Account every month, while also fractions of their salary where the remainders from KRW 1,000 are donated. The amount donated by employees since 2003 is a total of KRW 1.1 billion with KRW 10 million accumulated every month, which have been spent as medical expenses for patients of rare and incurable diseases across the nation.

Operating the Arumin homepage

Shinhan Card was the first in the financial sector to operate the Arumin homepage (shinhancard.arumin.com), which is an exclusive website for donation. Customers are given the opportunity to easily and conveniently take part in donation by using the credit card exclusively for donation called 'Beautiful Card'. In 2010, we renewed the Arumin homepage to enhance the customers' convenience for making donation, to raise accumulated donation of approximately KRW 4.4 billion from customers as of 2013. The donations collected are indicated where the donation is made to so that the present status of donations accumulated by Shinhan Card's customers can be seen at a glance. Therefore, customers can select an institution where they want to donate to instead of just welfare organizations because about 180 donation sites of diverse fields, including citizens' campaign, environment and animal protection, are registered. Also, Korea's only exclusive donation card 'Beautiful Card' accumulates 0.5~0.8% of the card used as 'Beautiful Points', which can only be used for donation purposes. Since 2012, we have developed and operated a donation process through ARS. Starting from 2013, customers can make donations through consultants, so that old aged customers who found it difficult to donate through Shinhan Card's smartphone applications and the existing Arumin homepage can also make donations more easily and conveniently. As a result, we are leading the customer donation culture by diversifying donation channels.

Arumin Customer Volunteer Group

Shinhan Card has identified the needs of customers to take part in social contribution, which is why we established the Arumin Customer Volunteer Group with about 30 customers located in the Seoul metropolitan area in 2007. Shinhan Card's Arumin Customer Volunteer Group conducts diverse activities to help the neighbors in need (senior citizens who live alone, the disabled, children and youngsters from the low-income classes, etc.) who are socially neglected by paying a visit once every month regularly. As of 2013, a total of about 300 customers are registered as a member of the Arumin Customer Volunteer Group to participate in volunteer activities with families. Customers who have children attending elementary, middle and high schools have expressed high satisfaction for being able to spend time with their children to carry out volunteer activities.

Arumin University Student Overseas Volunteer Group

Since 2011, the 'Arumin University Student Overseas Volunteer Group' was the industry's first overseas volunteer program that began with COPION (Cooperation and Participation in Overseas NGOs), which have recently grown with increased interests on overseas volunteer works from university students. In 2013, there were 2,500 university students across the nation who applied to be chosen among the thirty people for the 3rd Arumin University Student Overseas Volunteer Group. The overseas volunteer group conducted diverse volunteer works during the 12-day trip to Vietnam where they visited villages and schools in difficult conditions to support education and books to children, set up a reading environment and implement cultural exchange programs between the two countries. These efforts have been introduced and received positive response from the media in Vietnam.

Recognized for the performances made as socially responsible company from the government and institutions

In 2008, Shinhan Card was recognized for its social contributions to receive the President Citation (Group) on the Volunteer Day. In 2011, Shinhan Card received the Prime Minister Citation for implementing shared management. In 2013, Shinhan Card was ranked No.1 for four consecutive years in KSI (Korean Sustainability Index) hosted by the Korean Standards Association. In 2014, Shinhan Card ranked No.1 for two consecutive years for the brand 'Arumin' in overall industry category hosted by the Korea Management Association Consulting.

Shinhan Investment Corp.



Shinhan Investment Corp. has achieved balanced growth and developed creative new products in investment brokerage, IB and asset management, while also established an internal control system to manage risks and protect investors. Also, we have fulfilled our social responsibilities by contributing to the development of outstanding financial talents and domestic financial industry. These efforts have been possible due to the endless love and interests shown by our customers. Shinhan Investment Corp. will make three promises for the better tomorrow of our customers.

First, we will provide abundant products and services that transcend the barriers of financial industry based on Shinhan Financial Group's extensive network. Second, we will be a reliable company to our customers by predicting the complicated financial market one step ahead of others to provide optimal products to our customers. Third, we promise to provide the highest level of services by always listening to the customers' demands and coping with recent trends like IT and mobile. All of our employees will always think about our customers' success first and do our best to be a partner in making a happier tomorrow for our customers.

Dae Seok Kang CEO of Shinhan Investment Corp.

Company Introduction

Shinhan Investment Corp. has become an investment leader through advanced management techniques based on stable and solid corporate governance and financial structure. SFG's extensive network, including bank, credit card and life insurance, have been reliable in providing diverse services that transcend barriers in the financial industry. Other merits of Shinhan Investment Corp. include: top research capabilities; sales of international and derivative products; stable operation of products; advanced risk management system; and outstanding workforce equipped with market expertise. As for exploring overseas markets and asset management, we are known as a representative Korean company in financial investment business abroad for our advanced financial know-how, strong frontier spirit and the top priority policy on customers' rate of return. Also, we are implementing diverse cultural and volunteer activities that meet the global standard of emphasizing CSR, to be recognized as a company that help out the neighbors in need. We place our top priority on being a partner in making successful investments for customers' better tomorrow and creating the value wanted by our customers. In the future, we promise to be a leading financial investment company in capital market that actively cope with the changes in the financial market with transparent management and differentiated financial services.

2013 CSR Performances

Supporting SMEs through Creative Finance

Shinhan Investment Corp. is fulfilling its role as a designated advisor for the five companies (Ajinnextek, Sun Machinery, Hironic, Nicstech and Hanjung) listed in the KONEX (exclusively for SMEs) market. Also, we are supporting funding for SMEs by hosting the issuance of P-CBO for them. Along with this, we are strengthening businesses for medium enterprises and SMES by pursuing shared development with SMEs through alliance with the Main Biz (Korea Management Innovation Association for Small and Medium Business), while also providing total financial advisory services for SMEs through the vitalization of Shinhan Partners Programs.

Expanding business improvement tasks through listening to customer opinions

Shinhan Investment Corp. is striving to actively listen to customer opinions and reflect areas that need improvement at the work sites, such as operating the customer evaluation group to listen to customer opinions and the monitoring club to improve the system competitiveness and the customer satisfaction level. We have conducted surveys on customer satisfaction levels according to different branch managers, to manage the customer satisfaction indexes every month as comprehensive scores and indexes. Also, we expanded the customer-oriented financial and investment planning infrastructure to improve the customer satisfaction level, including developing the retirement planning simulator, establishing a response system for different investment asset scenarios and building an omnibus system that composes customer proposals.

Employee evaluations conducted based on customers' rate of return

Since March 2012, Shinhan Investment Corp. has reflected the customers' rate of return in the evaluation indexes for employee evaluations. This is because the profits that employees made for the company are as important as how well they have managed the customers' assets, which is why employees are focusing on managing the customers' assets well to gain their trust. Since the customers' rate of return has become a way of evaluating employees, we are working on establishing a customer-oriented brand. The evaluation on customers' rate of return is included in the strategic tasks of branches, thereby contributing to enhancing the customer value through increasing customers' rate of return. As a result, we received the Gold Prize in the 2013 Dasan Financial Awards and the Top Prize in the 2013 Asian Investor Korea Awards.

Differentiated social contribution activities

Founding of Yeolsimyi Volunteer Group

In 2013, Shinhan Investment Corp. founded the Yeolsimyi Volunteer Group where all of the employees joined with the CEO as the leader, to strategically implement group-wide social contribution activities. The Yeolsimyi Volunteer Group fulfills social responsibilities to meet the demands of the age by systematically and continually implementing volunteer activities.

Financial and economic education

In addition to social contribution activities like simply conducting social volunteer works or making financial donations, we are also providing financial and economic education as a means of contributing to society through the inherent roles of financial company. Since April 2012, we held the Compassionate Finance Camp for middle and high school students, which is a financial and economic education program where youngsters are given the special experience of choosing their future profession with the financial knowledge. In 2013, we acquired the donation for education certification from the Minister of Education as the first in the financial investment industry, to receive the Grand Prize in the 2013 Donation for Education Awards for holding the programs about 30 times annually for approximately 1,000 students.

Saving for happiness

Shinhan Investment Corp. has a program where employees voluntarily participate in donating the remainders of KRW 10,000 from their monthly salaries to be used as social contribution funds. About 70~80% of all employees are taking part in the program and the funds collected are used in helping overseas children and building schools in Africa.

One Company One Village Campaign

In 2007, Shinhan Investment Corp. signed an agreement for the one company one village campaign with Sanggunduri Village in Hongcheon, Gangwondo, to make continuous exchanges for mutual development. We conduct volunteer works regularly every year to help out with work in the village, while also help increase the incomes of villages by promoting and purchasing local agricultural products. Also, we participate in various exchange activities, such as invitational events for village people, financial camp for village youngsters and village experience programs for our employees' children.

Shinhan Life Insurance



Shinhan Life Insurance has done its best to realize the dream and happiness of customers by pursuing the mission of “Making the world a better place through Compassionate Insurance”. In order to bring an abundant life to customers, we provided optimal insurance products and high-quality financial services based on group’s total financial network, so that we can be a partner in our customers’ success. Furthermore, we will aim to become Korea’s No.1 life insurance company to grow hand in hand with our society by actively implementing shared development to fulfill our social responsibilities of being helpful to the neighbors in need.

Sung Rack Lee CEO of Shinhan Life Insurance

Company Introduction

Shinhan Life Insurance has made stable growth based on being faithful to the inherent roles of insurance and the basics of quality management. We provided various forms of insurance products and services through diversified sales channels, including FC (financial consultants), TM (telemarketing), AM (branches) and bancassurance, while also pursuing stable growth based on thorough risk management and specialized asset management capabilities. We are focusing on improving the differentiated professional capabilities of our FCs and employees to protect the valuable dreams of our customers, to actively implement customer satisfaction management. We are doing our best to bring the customer value that has means more than insurance, so that we can become a new leader in the life insurance industry to lead in the new insurance era.

2013 CSR Performances

Establishing the foundation for Creative Finance

Creative services and processes

Since 2013, the Compassionate Happiness Service, which is a standardized maintenance service where FCs regularly visits customers in person, has become a best practice of improving customer relationships instead of the sales paradigm in the past that focused on signing new contracts. Along with this, we provide professional medical consultations and preferential benefits on medical checkups for customers who joined whole life insurance (contracts of more than KRW 100 million) for ordinary health care, while operating health care services that can help if customers are not well. We are enhancing the customer value and the company’s profits by taking a step closer to customers with diverse services.

Launching creative financial product

Shinhan Life Insurance has launched the Bridge Pension to prepare customers for the period when there are no incomes before receiving the national pension after retirement. This product allows you to select between crediting rates and dividends by result in response to the low interest rates, while in the case of difficult economic circumstances like retirement and hospitalization, you can postpone or end the payment of insurance premiums for your convenience. Also, we developed and

launched customized whole life insurance for the life cycle with both types of crediting rates or dividends by result, ensuring two times of the guaranteed assets during the economically active period and twice that of the health assets after retirement. Besides this, we also deal with the necessity of retirement planning and lifetime guarantee during the aging society by launching the cancer insurance for silver generation, the specialized insurance for dementia and the term insurance without any examination.

Developing an accounting system for reducing costs

In 2013, Shinhan Life Insurance was the first in the insurance industry to develop a system for verifying the consistency of the ledger to enhance the reliability of the company's financial statement. This self-developed system received recognition for its excellence from external institutions to reduce costs, which received recognition for the system's excellence and superiority in the Financial Supervisory Service's overall examination in 2013. Besides this, we shortened the settlement schedule by operating an internal settlement council to resolve various issues associated with settlement and strengthened our position as a life insurance company that is capable of settling the payment early, while also reducing the development costs of more than KRW 100 million by minimizing the external workforce.

Promoting the culture of respecting FCs

Shinhan Life Insurance has systematically implemented the culture of respecting FCs by improving FCs pride in their jobs, their loyalty to the company and the development of customer contact point services. In August 2013, Shinhan Life Insurance was the first in the industry to implement welfare benefits for FCs in the cafeteria method. We operated an exclusive welfare mall on intranet and membership card for FCs and enhanced their pride as Shinhan Life Insurance's employee by giving welfare points. In December 2013, we expanded the on-line communication channels with the CEO, to operate an exclusive chatting room between the CEO and FCs as a direct communication channel between the two. This allowed FCs to suggest opinions directly to the CEO who gave answers to their requests, expanding the culture of open communication for FCs.

Starting from 2013, Shinhan Life Insurance has operated the Shinhan Sharing Season, a differentiated loyalty program for the core sales group at the work site. The program invites Korea's top prominent figures in Korea from culture and art areas for outstanding FCs, which was held for about 2,000 FCs in a total of 7 programs held. Additionally, we are operating the youth program for new FCs with strong passion and belief, so that FCs who worked less than 13 months at the company can gain pride and passion about the insurance industry through the humanities concert and enhanced customer service capabilities.

Voluntarily participating in social contribution

Shinhan Life Insurance pursues the mission of making the world a better place by helping the neighbors in need through the insurance business, along with the social contribution vision of being a life insurer that gives love and happiness. Therefore, we are implementing sustainability management that is considerate of the socially underprivileged people by making the world a better place, while also fulfilling our social responsibilities and sharing based on the inherent roles of insurance that respects life and help one another.

Operating the social contribution mileage system

In 2013, Shinhan Life Insurance operated the social contribution mileage system to systematize mandatory volunteer works of 8 hours for employees to select outstanding employees in volunteering in the first half of the year and annually to present them with awards. As a result, the number of voluntary participation was 1,294 employees with 14,325 hours in 2013. In 2014, we plan to operate the system stably by giving awards for volunteer activities once a year and holding a range of volunteer activity programs.

Company-wide employee volunteer works

In 2013, Shinhan Life Insurance has voluntarily conducted volunteer works through the volunteer group 'Bridge of Love' consisting of its employees. The Bridge of Love builds a bridge to neighbors who were socially excluded with the meaning of giving the Compassionate Love of 36.5 degrees continually for 365 days. Under the slogan of '36.5 Love, 365 Forever', we operate diverse social contribution activities, including volunteer works conducted through monthly donations from employees (giving birthday cakes to the elderly living alone, delivering briquettes and building house of love, etc.), and supporting charities. We select 'ON Love Volunteer Leader' according to different regions by head office and branches, so that employees can actively implement volunteer works by creating networks with social welfare organizations across the nation. In 2013, the major activities included: making stationaries for children (February); making blood donation to celebrate the foundation anniversary, holding fairs and giving free lunch meals (March); holding the group's volunteer works festival (April~May); conducting volunteer works on the Parent's Day for the elderly living alone (May); doing volunteer works at free meal service (June, regularly); doing volunteer works to provide emotional support to Eden I Ville Orphanage (July); doing volunteer works to give free noodles (August, regularly); doing volunteer works to give stuffed rice cakes (songpyeon) to the elderly living alone during Chuseok (September); doing volunteer works for environmental purification of cultural heritages (October, regularly); making kimchi (November); and promoting the hat knitting campaign for Save the Children (December). Besides this, our employees voluntarily visited various places on their own to do volunteer works.

Founded the industry's first FC volunteer group

On September 11, 2013, Shinhan Life Insurance founded the Big Dream Volunteer Group consisting of FCs as the industry's first. Everyone in the volunteer group from the leader to the members at the Steering Committee consist of FCs, which conducts volunteer works in nine regions. Since its foundation, the volunteer group conducted volunteer works at the Songpyeon Festival during the Chuseok at 50 welfare centers across the nation together with the Comprehensive Support Center for the Elderly Living Alone. Approximately 1,400 FCs spent time making songpyeon with the elderly and gave donations to them. Also, about 200 branches are matched with 46 welfare facilities for the elderly so that 11,000 FCs took part in volunteer works regularly once a month, including giving free meal service and doing environmental cleanup. In addition to the monthly regular volunteer works, we are planning a nation-wide volunteer works for every half-yearly period in 2014.



Shinhan Life Insurance's Compassionate Happy Service for Customers

Shinhan BNP Paribas Asset Management



Shinhan BNP Paribas Asset Management believes that customers' assets are not simply a combination of numbers, but they are a valuable foundation of customers' life with stories to tell. Therefore, we are implementing SFG's mission of Compassionate Finance that values shared development of protecting and helping customers be successful based on our transparent and advanced investment techniques, strict risk management and global processes. By listening to customers' voices through honest communication and complying strictly with the code of ethics, we will do our best to become an investment solution partner that thinks of our customers first and receive the trust from them.

Yong Byeong Cho CEO of Shinhan BNP Paribas Asset Management

Company Introduction

In January 2009, Shinhan BNP Paribas Asset Management was established through the integration of the joint corporation of Shinhan Financial Group and BNP Paribas, the old Shinhan BNP Paribas Investment Trust Management Co., and Shinhan Bank's affiliate, the old SH Asset Management. After the foundation, it has met customer's expectations by providing a wide range of products and services based on strict risk management. In 2013, we were the industry's first to launch the Public Senior Loan Fund and the Seoul Subway Line 9 Fund, which is a public offering product for the working class, to provide stable profits and widen the choices for customers. Under the vision of 'The asset management company in Korea', Shinhan BNP Paribas Asset Management is working towards becoming an investment solution partner that thinks of customers first.

2013 CSR Performances

Developing creative financial product

Providing investment solutions based on risk management

Shinhan BNP Paribas Asset Management has developed diverse medium-risk and medium-return products instead of traditional products for stocks and bonds, including the Seoul Subway Line 9 Fund and the Public Senior Loan Fund, to provide new investment opportunities for customers. In particular, the Seoul Subway Line 9 Fund that was launched in November 2013 was sold out before the day ended, receiving high praises for reducing the individual customers' investment risks, while meeting the Seoul metropolitan government's public policy to efficiently manage the subway fares.

As a joint corporation of BNP Paribas, and Shinhan Financial Group that aims to become a global financial leader, Shinhan BNP Paribas Asset Management has launched a range of investment solution products to establish risk management processes at global standards. In order to manage customers' assets stably, we allocated an independent risk management group to be in charge to provide more strict risk management before and afterwards with regular monitoring on the operations. Due to these processes and efforts made to provide upgraded services to customers, we were chosen as the best Korean asset management company in the 2013 The Asset Triple A Investor and Fund Management Awards for The Asset, an Asian financial magazine, and the 2013 Best of the Best Awards for Asia Asset Management, a Hong Kong financial magazine.

Customer-oriented business model

Shinhan BNP Paribas Asset Management pursues customer-oriented business model that avoids simply focusing on products. We provide creative products and advisory services that meet the needs of investors so that they can achieve their investment goals, thereby fulfilling our role of becoming a long-term investment partner.

Fulfilling the corporate social responsibilities

Creating a stable investment culture

Shinhan BNP Paribas Asset Management is striving to expand indirect and direct investments by promoting a stable investment culture. As part of these efforts, we established the Investment Specialists Team to help create a correct investment culture that prevents mis-selling. Through this, we draw up materials that might be helpful in making investment decisions for investors and provide them to the company that is selling, while also providing training services to the employees of the seller.

Strengthening social contribution activities

Shinhan BNP Paribas Asset Management has made lots of efforts to fulfill its CSR. We established the system of one person one volunteer by making an internal volunteer group. Through this, we conduct diverse volunteer works, such as giving free meal services and delivering briquettes. Also, we created a social contribution fund from money made from the Shinhan BNPP Tops Beautiful SRI Fund that mostly invests in companies that are believed to be sustainable. The funding collected was used to hold the first Compassionate Finance Camp for the children of low-income patriots and veterans together with the Ministry of Patriots & Veterans Affairs. Besides this, we have been holding the financial and economic education to contribute to the inherent roles of finance to society since 2008. As a result, we received the Grand Prize for social contribution by the Korea Chamber of Commerce & Industry and ranked No.1 in the Korea Sustainability Index for asset management hosted by the Korean Standards Association.

Developing the Korean capital market to be sustainable

Shinhan BNP Paribas Asset Management is striving to promote foreign investors' investments in the Korean market by introducing Korea to the global market with our foreign shareholder, BNP Paribas Investment Partners. We are implementing diverse activities to attract foreign investments to the Korean capital market, such as consigning and operating the Parvest Equity South Korea abroad and holding the global IR. In particular, we were the industry's first to launch the Shinhan BNPP AM Investment Fund as part of our efforts to introduce Korea to the global market and strengthen global competitiveness at the same time.



Workshop for designing the customer-oriented business model

Shinhan Capital



Shinhan Capital is a comprehensive credit financial service company that provides professional financial services that include: lease financing and installment financing for generally used machinery and equipment like shipbuilding, automobile and printers; general loans to companies; investment finance including real estate project financing and new technology financing; and loans for deposit money to rent a house. Despite the global financial crisis in 2008, we maintained the industry's top credit ratings and financial stability through preemptive risk management, with stronger risk management provided by establishing a new risk management system at the group level. Based on the outstanding financial stability, we strive to provide the highest level of financial services to our customers by giving competitive financial conditions.

Young Sup Hwang CEO of Shinhan Capital

Company Introduction

Since Shinhan Capital was founded as a facility lease company in April 1991, it has steadily grown its business areas to cope with the changing financial environment at home and abroad to engage in diverse areas, including facility lease, installment financing, new technology finance (venture investment), private equity fund, real estate project financing, factoring and general loans. Moreover, we have established a stable asset portfolio by actively implementing businesses in auto finance, middle payment loan, rental fee loan and business loan.

2013 CSR Performances

Establishing a fair performance based HR system

Establishing performance-based organizational culture

Shinhan Capital has received external institution's consulting to give motivations to employees and create a performance-based organizational culture. Based on the consulting results, we adopted a new HR system based on performance and revised the relevant regulations. Due to the newly changed HR system that includes the job systems, individual performance systems and promotion and compensation systems, we are able to evaluate our employees fairly, encouraging efficient HR management by giving motivations to employees.

Self-directed career development

Shinhan Capital has established the training roadmap for 2013 by partially changing the existing training roadmap to improve the employees' work skills and support their self-development. Based on the autonomy of training participation, employees can take diverse self-directed learning courses needed to develop one's capabilities according to individual career goals. Also, we are focusing on developing outstanding talents through these training courses.

Improving customer services through the next-generation IT system

Shinhan Capital has introduced the next-generation IT system that require a budget of KRW 10 billion by receiving consulting on informatization strategy. If the next-generation IT system is completed, we can establish an integrated management system for customer information and provide the foundation for customer services, so that we can provide customized services for different industries and companies. Also, Shinhan Capital has completed the program design for the call center system and improved the company's homepage in connection with the development of the next-generation IT system. We have improved our customer services across the company by developing call center applications and establishing relevant infrastructure.

Jeju Bank



Jeju Bank has grown into a reliable financial partner in local communities by promoting economic development through the local financial system. Also, we have internalized the Compassionate Finance by creating customer value through providing financial supports and implementing management practices closely with local communities. We will strive to become the representative bank in Jeju in the future by fulfilling our social responsibilities through social contribution activities.

Dong Dae Lee CEO of Jeju Bank

Company Introduction

In 1969, Jeju Bank was established through the long hopes of the Jeju citizens as a local bank founded on 100% private capital. During the past 45 years, we have grown while enduring various difficulties that faced the Jeju citizens. Based on the largest branch network in Jeju, we have strengthened our position as the financial symbol of Jeju region by incorporating it with systematic and scientific management system. Also, we did not forget our foundation of being the only listed company in Jeju as a local bank, to implement shared development by communicating with local residents and making endless innovations. Jeju Bank will make further development as a reliable financial partner together with the future of Jeju and the daily lives of local residents.

2013 CSR Performances

Activities carried out to resolve issues related to local communities

Since Jeju Bank has been established for the purpose of vitalizing finance in the areas that were left out in Jeju as a local bank, it has shared the same destiny as the local residents like a tree deeply rooted in the Jeju region during the past 45 years. In line with this, Jeju Bank has diversified communication channels for local communities and actively participated in local projects to grow hand in hand with the local residents, thereby developing public programs to resolve local issues in Jeju. Due to these efforts, we received the Minister of Health and Welfare Award at the 2013 Korea Sharing Awards hosted by the Ministry of Health and Welfare and the Sharing Campaign Headquarters.

Campaign for promoting the consumption of Jeju marine products

Due to the radioactive contamination leakages in Fukushima, Japan, many local merchants at the marine product markets have been affected. Therefore, Jeju Bank conducted a campaign for promoting the consumption of Jeju marine products through 'the Jangbogo Gase Program' held during the New Year's Holiday and the Chuseok Holiday every year. Employees actively promoted the safety of Jeju marine products in person at traditional markets to leave a deep impression to the local merchants.

Campaign for overcoming drought damages

Due to the extremely hot summer of drought and heat wave in Jeju in 2013, all sorts of meteorological records were made to deepen the burden of local farmers. In order to overcome this, we actively participated in the campaign for overcoming drought damages implemented by the Jeju government, to contribute in promoting the campaign by donating water tanks for regions that were seriously affected by the drought.

Implementing local cooperative projects to create shared value

Providing ways to vitalize local commercial area

Due to large-sized supermarkets and the effect of Japanese SSM, the neighborhood commercial areas have been taken over to endanger the household economy. In order to prevent the vicious cycle, Jeju Special Self-governing Province and Jeju Bank came up with a business model of shared development for Jeju to launch the Jeju Tong Card in November 2013. Consumers can make the neighbors beneficial by purchasing for shared development and enjoy the benefits of accumulating the points from using the card. As for the neighborhood commercial areas, they can expect increase in sales by vitalizing the card use. Jeju Special Self-governing Province evaluated it as a best practice of cooperative projects that maximized mutual benefits by successfully carrying out the project for vitalizing neighborhood commercial areas. In 2006, in order to restore the traditional markets and neighborhood commercial areas for the first time, we issued KRW 600 million of Jeju Love Gift Certificates with the Jeju Special Self-governing Province. Due to continuous promotional and sales efforts, it exceeded KRW 72.2 billion mark in 2013, a growth of 120 times compared to the beginning, to become Jeju's representative gift certificate. It has become a catalyst for restoring the neighborhood commercial areas and vitalizing local economy.

Providing education to prevent damages from electronic financial frauds

In 2013, Jeju Bank has actively provided education on preventing damages caused by electronic financial frauds, which became a social issue due to lots of damages through various forms like smishing and pharming. Since these electronic financial frauds usually target the information poor, including the elderly, housewives and the disabled, we cooperated with various educational institutions in the region like the Continuing Education Center of Jeju Special Self-governing Province and the Jeju Development Institute to provide preventive education on voice phishing. We held the education for approximately 370 persons in 11 cases to provide actual help by giving preventive education on electronic financial frauds. Also, we participated in various festivals and events held in Jeju to operate promotional booths for preventing voice phishing 15 times per year against many unspecified persons, such as tourists and local residents. This helped raise people's awareness about the electronic financial frauds.



Volunteer works for painting walls of sharing hope

Shinhan Bank held the Korea's largest National Environmental Photography Contest, as part of its efforts to raise the awareness on the importance of environmental conservation and promote the environmental protection.



Appendix

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The first prize of the 20th Shinhan Bank National Environment Photography Contest (photo by Hae Sun Yang, Playing in Sand)

Standard Disclosure

General Standard Disclosures

G4-10. Percentage of total employees covered by collective bargaining agreements

We are operating diverse labor communication channels, including the Labor Management Consultation Council, the Grievance Resolution Council, and the Industrial Injury Council. In the case of labor union, we guarantee the labor union's right of organization, right of collective bargaining and right of collective action and do not put any restrictions or pressures on joining the union.

Present status of the total number of union members and percentage

(Unit:%)

Division	The percentage of total employees who participate in labor union	Division	The percentage of total employees who participate in labor union
Shinhan Financial Group	100	Shinhan Life Insurance	100
Shinhan Bank	100	Shinhan Capital	100
Shinhan Card	77	Shinhan BNP Paribas Asset Management	100
Shinhan Investment Corp.	100	Jeju Bank	100

G4-54. Ratio of total annual compensation for the highest-paid individual compared to the median annual total compensation for all employees, including the ratio of percentage increase in annual total compensation

SFG's highest-paid salary employee made 19 times that of the average salary of the employees of 8 major companies. The ratio of percentage increase in compensation will be disclosed from the 2014 CSR report.

Specific Standard Disclosures

First commitment. Creating customer value through customer-oriented management and information protection

G4-PR8. Total number of substantiated complaints regarding breaches of customers' personal information protection and losses of customer data

In 2013, we had a total of 65 complaints raised through the Financial Supervisory Service regarding personal information protection. Among them, there were 2 cases of substantiated complaints.

G4-PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

SFG are approving the launch of new financial products based on internal regulations. In 2013, we had not been fined for not complying with laws and regulations on the provision and use of products and services.

Second commitment. Enhancing credibility by strengthening ethical management

G4-SO3 / SO5. Total number and percentage of business units analyzed for risks related to corruption, and measures taken regarding identified risks

In order to maintain a transparent management environment and prevent corruptive actions in all group companies beforehand, we have strengthened the supervision on managing corruption risks. As part of these efforts, we are operating a double monitoring system for internal transactions through SFG's Compliance Support Team and the Compliance Team of each group company, so that we can conduct a comprehensive self-diagnosis on internal control against all employees.

Analyzing corruption risks

(Unit: number, %)

Division	2011	2012	2013
Total number of business units *	1,433	1,464	1,413
Number of business units where corruption risk analysis (diagnosis) were implemented	814	1,043	1,107
Ratio	57	71	78

* Total number of business units; each department at SFG's head office is considered as an individual evaluation

G4-SO4. Training and notification on anti-corruption policies and procedures

Training on Code of ethics, compliance and internal control

(unit: hours, persons)

Division	2011		2012		2013	
	Training hours	Number of applicants	Training hours	Number of applicants	Training hours	Number of applicants
Fair trading Act training	17,281	6,662	23,225	3,612	5,131	4,150
Ethical compliance and sexual harassment prevention training	4,912	2,513	7,060	1,764	12,097	7,414
Online ethical compliance training	156,612	13,263	132,954	1,781	69,860	21,400
Onsite ethical compliance training	-	8,028	130,035	8,669	9,371	9,008
Seoul metropolitan compliance monitoring group training	1,349	660	2,476	619	5,087	1,000

G4-SO5 / SO7. Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices, and outcomes

Shinhan Life Insurance has received legal actions for violating the Fair Trade Act for making collusion on surety commissions for variable products. As part of our internal complementary measures, we are considering the adoption of a compliance program for fair trade.

G4-SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Restrictions due to the violation of laws and regulations

(Unit: KRW 1 million / number)

Division	2011	2012	2013
Amount of penalties	10.5	3,407	661
Number of non-monetary sanctions	1	5	19
Cases of being sued through dispute settlement means	0	58	0

Fourth commitment. Developing talents and creating a great workplace culture

G4-LA1. Total number and rate of newly hired employees and employee turnover (by age, gender and region)

We conduct a transparent and fair performance evaluation and compensation. Along with this, we provide a range of welfare benefits, including support for leisure activities and medical benefits, to improve the satisfaction level of employees and reduce the turnover rate.

Newly hired employees

(Unit: persons, %)

Division	2011		2012		2013	
	Newly hired	Rate of newly hired	Newly hired	Rate of newly hired	Newly hired	Rate of newly hired
Male	844	5	509	3	330	2
Female	299	2	436	2	327	2
Below age 30	1,028	6	852	4	584	3
Age 30-50	112	1	93	0	64	0
Above age 50	3	0	0	0	9	0

Employee turnover

(Unit: persons, %)

Division	2011		2012		2013	
	Number of turnover	Rate of turnover	Number of turnover	Rate of turnover	Number of turnover	Rate of turnover
Male	148	1	107	1	175	1
Female	94	1	106	1	160	1
Below age 30	70	0	83	0	78	0
Age 30–50	160	1	123	1	234	1
Above age 50	12	0	7	0	23	0
Total	242	1	213	1	335	2

* Due to changes in the scope of employee turnover, the total number of employee turnover for the previous year has been rewritten.

G4-LA3. Return to work and retention rates after parental leave, by gender**Rate of return to work after parental leave**

(Unit: %)

Division		2011	2012	2013
Ratio of returning to work after vacation	Male	100	100	0
	Female	90	81	82
Ratio of working for at least 12 months after returning to work	Male	95	86	50
	Female	84	77	65

* There were two male employees who went on parental leave during the report period for 2013, with none that returned to work during the same period.

G4-LA5. Percentage of total employees represented in the Labor Management Common Health Safety Committee, to monitor and advice on the industrial safety and welfare programs

As the representative decision-making body for the safety and welfare of employees, the labor union and the labor management meeting were established in accordance with collective agreements to monitor and advice on the safety and welfare of employees.

G4-LA6. Types of injury, Rates of injury, Rate of occupational diseases, Rates of lost days, Rates of absenteeism, Number of work-related fatalities**Rates of absenteeism**

(Unit: days, %)

Division	2011	2012	2013
Number of days of absenteeism	0	5	34
Rates of absenteeism	0	0.00011	0.00073

G4-LA9. Average hours of training per year per employee (by gender and employee category)

SFG has designed and operating systematic employee training programs to develop talented employees who can implement the Compassionate Finance with global capabilities. As our representative training programs, there are diverse programs for improving global capabilities and leadership, so that employees can get high-quality training programs.

Training hours per employee

(Unit: hours)

Division	2011	2012	2013
Male			131.32
Female	163.3	169.2	141.34

* Starting from 2013, the training hours per employee were divided by gender.

G4-LA10. Programs for skills management and lifelong learning that assist the continued employability in managing career endings

In order to ensure employees can work stably without burden after retirement, SFG is implementing the retirement system for employees who have worked over one year at the company. Also, we have introduced the reemployment system for contract employees to hire voluntary retirees, to suggest a new type of employment that prevents career discontinuity and utilize their work experience. We provide employment information by operating the job search website (<http://www.shinhanfriend.com>).

G4-LA11. Percentage of employees receiving regular performance and career development reviews (by gender and employee category)

The percentage of employees that received regular performance and career development reviews was 100%, meaning that a regular performance evaluation is conducted once a year on all employees. The performance evaluation consists of the work performance evaluation and the evaluation on capabilities conducted through the multi-dimensional evaluation. In the case of work performance evaluation, it takes place in relative evaluation by comparing employees in the same category.

G4-LA12. Composition of governance bodies and breakdown of employees per category (by gender, age, minority group membership and other indicators of diversity)

Employees per employee category according to employment method and age

(Unit: persons)

Composition of employees			2011	2012	2013
Composition of executives (including the CEO)	Male		146	143	148
	Female		3	6	5
Composition of employees	Senior managerial (Manager-CEO)	Male	8,403	8,502	8,576
		Female	1,769	1,922	2,024
	General employees (below the assistant manager level)	Male	4,158	4,267	3,919
		Female	7,653	7,957	8,272
Employment form	Regular		17,457	19,004	19,893
	Unlimited contract		1,565	735	948
	Non-regular		2,961	2,909	1,950
By age	Below age 30		4,927	5,055	4,714
	Age 30~50		15,963	16,432	16,641
	Above age 50		1,093	1,161	1,436

* Due to the changes in the scope of examination, the composition of employees for Shinhan Bank and Shinhan BNP Paribas Asset Management has been rewritten for 2011 and 2012.

G4-LA13. Ratio of basic salary and compensation of men to women (by employee category, major business units)

SFG does not discriminate on basic salary based by gender. The basic salary is calculated according to the years of service and work performance as stipulated in relevant regulations.

Basic pay of new employees

(Unit: KRW)

Division	2011	2012	2013
Basic wages for new employees	2,201,966	2,326,928	2,681,659

G4-LA16. Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanism

The number of grievances related to labor raised through formal grievance mechanism was 211 cases. Among them, we have resolved 203 cases (96.2%).

Fifth commitment. Contributing to the development of local communities through social contribution activities

G4-EC7. Development and impact of infrastructure investments and services supported / Important indirect economic effect, including impact size, etc.

In terms of social contribution and development investments, SFG has made continuous investments in accordance with the three CSR principles, including coexistence, sympathy and symbiosis, to continually expand the participants.

Amount of social contribution investments and annual employees that participated in 2013 (Unit: KRW 1 billion / persons)

Division	Amount of social contribution investment	Number of employees participating social contribution
Shinhan Financial Group	0.9	
Shinhan Bank	54.1	
Shinhan Card	17.3	
Shinhan Investment Corp.	1.1	
Shinhan Life Insurance	3.3	67,027
Shinhan BNP Paribas Asset Management	0.2	
Shinhan Capital	0.2	
Jeju Bank	1.7	
Total	78.8	

Seventh commitment. Pursuing shared development with partner companies and supporting their CSR activities

G4-SO9. Percentage of new suppliers that were screened using criteria for impacts on society

SFG distributed a self-diagnosis survey to all of its suppliers who are in contract relationships with the group, to review their sustainability risks, including the workers' human rights and ethical management standards. The suppliers have to fill out the survey once every year, which is evaluated by the department in charge of these contracts at each group company. In the case of companies that are lacking in their efforts to achieve sustainability, we recommend them to make improvements. On the other hand, outstanding companies are provided with incentives like long-term contracts and exemptions on contract deposits. These efforts enabled suppliers to protect the employees' human rights and improve working conditions by strengthening the compliance of corporate ethics.

G4-SO11. Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanism

In 2013, Shinhan Bank received three grievances regarding impacts on local communities, including a personal customer complaint. We have resolved all of them through formal grievance mechanism with relevant departments.

Eighth commitment. Developing environment-friendly products and services

G4-FS7. Financial products that provide social value by type

Shinhan Life Insurance is operating insurance products for the poor children as part of the implementation of Compassionate Finance through the insurance business. These insurance products are managed through a long-term program, to expand the scope of support every year.

Financial products that provide social value

(Unit: Case / KRW 1 billion)

Division	Product explanation	Unit	2011	2012	2013
Shinhan Children Love Insurance	· Create and donate funds · Create funds with 1% of the commercial insurance premium for the first monthly payment Donate to children-related organizations at the end of the year	Number of cases	320,695	209,467	99,867
		Monthly initial premium from new contracts	16.7	11.8	5.6
Shinhan Hope and Love Insurance	· Products supporting the utilization of dormant claims · Coverage insurance for low-income poor children and supporters	Number of cases	473	119	739
		Insurance income	0.4	0.1	0.5

* The premium income of Shinhan Hope & Love Insurance in 2012 has been rewritten due to changes in the calculation method.

Ninth commitment. Using resources efficiently and reducing environmental impacts

G4-EN1. Materials used by weight or volume / EN2. Percentage of materials used that are recycled input materials

SFG has reduced paper and energy use by utilizing an environment-friendly on-line meeting and internet fax system. Meanwhile, we prevent information leakages by disposing of various receipts, office documents and contracts that arise from doing business without recycling them to protect customer information.

Raw materials used

(Unit: ton)

Division(Ton)	Scope of data	2011	2012	2013
Amount of copying papers purchased	Shinhan Financial Group			
	Shinhan Bank			
	Shinhan Card			
	Shinhan Investment Corp.			
	Shinhan Life Insurance		1,226.3	1,262.1
	Shinhan Capital			
	Jeju Bank			
	Shinhan BNP Paribas Asset Management			

* Due to the changes in Shinhan Life Insurance's scope of data, the amount of raw materials used for 2011 and 2012 has been rewritten.

G4-EN3 / EN4. Direct and indirect energy consumption

As a result of implementing the green management and using environment-friendly materials, SFG has shown a continuous downward trend in the total amount of energy used for electricity air-conditioning and heating in the head office and branches. However, due to the business trips and transport of goods, there has been an increase in indirect energy consumptions in 2013.

Energy consumptions

(Unit: GJ)

Division	Division of emission source	2011	2012	2013
Direct energy consumptions	Amount of electricity used	271,277	285,316	247,003
	Amount of city gas used	31,826	33,198	32,407
Indirect energy consumptions	Amount of gasoline used	160,487	144,567	155,117
	Amount of diesel used	841	740	1,179

G4-EN5 / EN6. Energy use & energy intensity

Energy intensity

(Unit: GJ, GJ/person)

Division	2011	2012	2013
Amount of energy used	464,431	463,821	435,706
Intensity	22	21	19

* Excluding the calculation of Jeju Bank

G4-EN8 / EN9 / EN10 / EN22. Total water withdrawal by source

SFG is supplied from the ground water without separate treatment process in addition to the surface water. The used water is processed to final sewage treatment facility, so that none of the hazardous substances are used or discharged that might have an impact on the water-related environment.

Use of surface water and ground water

(Unit: m³)

Division	Scope of data	2011	2012	2013
Surface water	Shinhan Financial Group	Head office		
	Shinhan Bank	Head office, Gwanggyo Building, Gwanggyo Baeknyeongwan		
	Shinhan Card	Yeoksam building, Dangsang building		
	Shinhan Investment Corp.	Head office and three branches		
	Shinhan Life Insurance	Training institute		
	Shinhan Capital	Head office		
	Jeju Bank	Head office and branches (18)		
	Shinhan BNP Paribas Asset Management	Head office		
Ground water	Shinhan Bank	-	-	67,943
	Shinhan Investment Corp.	Head office		
Amount of greenhouse gas emissions from the water supply service (tCO ₂ eq)		83.20	89.52	70.10

* Shinhan Bank: 40 tons of water acquired by using fire water

* Due to the expansion of the scope of examination in 2013, the amount of water used from groundwater has been added.

G4-EN15 / EN16. Greenhouse gas emissions

Direct and indirect greenhouse gas emissions

(Unit: tCO₂eq)

Division	2011	2012	2013
Direct emissions	20,040	18,284	17,647
Indirect emissions	91,604	93,400	88,016
Total greenhouse gas emissions	111,644	111,684	105,663

* Scope of data: Shinhan Bank (head office, all branches, management facilities), Shinhan Card (head office, Dangsang building, Yeoksam building), Shinhan Investment Corp. (head office, Gumi, Ulsan and Yeosu buildings), Shinhan Life Insurance (head office, Cheonan Training Institute, Namwon Branch), Shinhan Capital (head office), Shinhan BNP Paribas Asset Management (head office)

G4-EN17 / EN30. Other indirect greenhouse gas emissions and important environmental impacts

In addition to other indirect greenhouse gas emissions from business trips and cash transports, SFG has investigated and reported on greenhouse gas emissions that occur from purchasing products and services, capital goods and disposal, so that the trends of greenhouse gas emissions can be managed in the supply chain.

Other indirect greenhouse gas emissions

(Unit: tCO₂eq)

Division	2011	2012	2013
Business trips (by air, railroad and bus)	36.82	90.94	108
Cash transport	-	-	388
Purchasing of products and services (printed paper, water, credit card, bank book)	-	-	19,529
Capital goods (notebooks, PC main body, monitor, printer, LED light bulbs)	-	-	485
Disposal (credit card, bank book)	-	-	147
Total greenhouse gas emissions	36.82	90.94	20,587

* The data collected and calculated for cash transport, purchasing products and services, capital goods and disposal started from 2013.

Calculation basis for other indirect greenhouse gas emissions

Classification	Unit	Value	Scope of data
Business trips	By air	288,178	Shinhan Financial Group, Shinhan Bank, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan Capital, Shinhan BNP Paribas Asset Management
	By railroad (KTX)	1,604,282	
	By bus	586,555	
Cash transport	Gasoline	738	Shinhan Bank
	Diesel	146,599	
	LPG	2,572	
Purchasing of products and services	Printed paper	4,769,990	Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan Capital, Shinhan BNP Paribas Asset Management
	Water	211,141	
	Credit card	10,723,045	
	Bank book	48,633,033	
Capital goods	Notebooks	146	Shinhan Bank
	PC main body	1,540	
	Monitor	963	
	Printer	1,209	
	LED light bulbs (50W)	7,126	
Disposal	Credit card	53,615	Shinhan Card
	Bank book	855,121	Shinhan Bank
	General wastes (incineration)	35,000	Shinhan Bank, Shinhan Investment Corp., Shinhan Life Insurance, Jeju Bank
	General wastes (landfill)	284,000	
	Recycled wastes (paper)	185,000	Shinhan Bank
	Recycled wastes (Styrofoam)	10,000	
	Recycled wastes (glass)	11,000	
	Recycled wastes (plastic)	4,000	

G4-EN18. Intensity of greenhouse gas (GHG) emissions

Greenhouse gas emissions intensity

(Unit: tCO₂eq/person)

Division	2011	2012	2013
Scope1 Intensity	93	82	79
Scope2 Intensity	425	421	394

* Excluding the calculation of Jeju Bank

G4-EN23. Total weight of waste by type and disposal method

Present status of waste emissions

(Unit: ton)

Division	2011	2012	2013
General wastes	336	316	319
Commercial wastes	2	1	0
Recycled wastes (paper)	-	-	185
Recycled wastes (Styrofoam)	-	-	10
Recycled wastes (glass)	-	-	11
Recycled wastes (plastic)	-	-	4
Total wastes	338	317	529
Greenhouse gas emissions from general wastes (tCO ₂ eq)	6.15	5.77	36.32

* Scope of data: Shinhan Financial Group(head office), Shinhan Bank (head office), Shinhan Card (head office), Shinhan Investment Corp. (head office), Shinhan Life Insurance (head office and sales offices), Shinhan BNP Paribas Asset Management (head office), Shinhan Capital (head office), Jeju Bank(head office)

* Commercial wastes arising from the renovation of head offices and branches

* Reflecting more result value because the scope of data has been expanded compared to the previous year's report result

* Data related to recycled wastes is collected and calculated starting from 2013 (scope of collection only includes Shinhan Bank)

GRI Index

General Standard Disclosures

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Strategy and Analysis				
G4-1	CEO Message	10~11		-
G4-2	Key impacts, risks, and opportunities	2~3, 10~11, 34~36	[Third commitment] Implementing risk management that considers social and environmental factors	-
Organizational Profile				
G4-3	Name of organization	94		92~93
G4-4	Primary brand, products and/or services	12~13, 60, 64, 67, 69, 72, 74, 75		92~93
G4-5	Location of organization's headquarters	94		92~93
G4-6	Number of countries where the organization operates, name of countries with locations of major operations, or with specific relevance with sustainability issues covered in the report	12~13		92~93
G4-7	Nature of ownership and legal form	12, 20~23		92~93
G4-8	Markets served (geographic breakdown, sector served, and customer/beneficiary type)	12~13		92~93
G4-9	Scale of the organization	13		92~93
G4-10	Total workforce by employment type, employment contract and region	81		92~93
G4-11	Percentage of employees covered by collective bargaining agreements	78		92~93
G4-12	Major characteristics of the supply chain related to the organization's major activities, products and services	49~51		92~93
G4-13	Major changes of corporation volume, organization structure and ownership structure	12~13		92~93
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	34~36	[Third commitment] Implementing risk management that considers social and environmental factors	92~93
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	91		92~93
G4-16	Memberships of associations and national international advocacy organizations	8		92~93

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Identified Materiality Aspects and Boundaries				
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents	12~13		92~93
G4-18	Process for defining report content	14~15		92~93
G4-19	Materiality aspects identified in the process of defining the report content	14~15		92~93
G4-20	Aspect Boundary within the organization	14~15, 26, 30, 34, 37, 41, 46, 49, 52, 55		92~93
G4-21	Aspect Boundary outside the organization	14~15, 26, 30, 34, 37, 41, 46, 49, 52, 55		92~93
G4-22	Effect of any re-statements of information provided in previous reports, and the reasons for such re-statement	1		92~93
G4-23	Significant changes from previous reporting periods in the scope, boundaries or measuring methods	1		92~93
Stakeholder Engagement				
G4-24	List of stakeholder groups engaged by the organization	17~19		92~93
G4-25	Basis for identification and selection of stakeholders with whom to engage	17~19		92~93
G4-26	Stakeholder engagement approach, including frequency by type and by stakeholder group	17		92~93
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	18~19		92~93
Report Profile				
G4-28	Reporting period	1		92~93
G4-29	Date of most recent previous report	1		92~93
G4-30	Reporting cycle	1		92~93
G4-31	Contact point for questions regarding the report or its contents	94		92~93
G4-32	GRI Content Index	87~90		92~93
G4-33	Policy and current practices with regard to seeking external assurances for the report	92~93		92~93

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Governance				
G4-34	Governance structure of the organization	20-23		92-93
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	22-23, 34-36		92-93
G4-36	Whether the company appoints an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	22-23, 34-36		92-93
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	20-23		92-93
G4-38	Composition of the highest governance body and its committees	22-23		92-93
G4-39	Whether the Chair of the highest governance body is also an executive officer	20		92-93
G4-40	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	20-21		92-93
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	21		92-93
G4-42	The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	20-23, 42		92-93
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	21		92-93
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	22, 42		92-93
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	22, 42		92-93
G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	34-36		92-93

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
G4-47	Frequency of the BOD reviewing the economic, environmental and social impacts, risks, and opportunities	22, 42		92-93
G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	14-15		92-93
G4-49	Process for communicating critical concerns to the highest governance body	20		92-93
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	14-15		92-93
G4-51	Remuneration policies for the highest governance body and senior executives	20-23		92-93
G4-52	Whether remuneration consultants are involved in determining remuneration and whether they are independent of management	22		92-93
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	22		92-93
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees	78		92-93
G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees	N/A	Expect to be disclosed in 2014	-
Ethics and Integrity				
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	16		92-93
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	30-33	[Second commitment]	92-93
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	30-33	[Second commitment]	92-93
			Enhancing credibility by strengthening ethical management	

Specific Standard Disclosures

[First commitment] Creating customer value through customer-oriented management and information protection

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Customer's personal information protection - DMA		26~29		
PR8	Total number of substantiated complaints regarding breaches of customers' privacy and losses of customer data	78		92~93
Compliance - DMA		26~29		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	78		92~93

[Second commitment] Enhancing credibility by strengthening ethical management

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Anti-corruption - DMA		30~33		
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	78		92~93
SO4	Communication and training on anti-corruption policies and procedures	79		92~93
SO5	Confirmed incidents of corruption and actions taken	78		92~93
Anti-competitive Behavior - DMA		30~33		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices, and outcomes	79		92~93
Compliance - DMA		30~33		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	79		92~93

[Fourth commitment] Developing human resources and creating a great workplace culture

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Employment - DMA		37~40		
LA1	Total number and rate of new employee hires and employee turnover (by age, gender and region)	79~80		92~93
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	89	All employees are provided with the same welfare benefits	92~93
LA3	Return to work and retention rates after parental leave, by gender	80		92~93
Occupational Health and Safety - DMA		37~40		
LA5	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	80		92~93
LA6	Types of injury, rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities (by region, gender)	80		92~93
LA7	Employees with high incidence or high risk of diseases related to their occupation	N/A	None due to characteristics of the financial industry	-
LA8	Health and safety topics covered in formal agreements with labor unions	N/A	None due to characteristics of the financial industry	-
Training and education - DMA		37~40		

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
LA9	Average hours of training per year per employee	80		92~93
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	81		92~93
LA11	Percentage of employees receiving regular performance and career development reviews (by gender and employee category)	81		92~93
Diversity and Equal Opportunity - DMA		37~40		
LA12	Composition of governance bodies and breakdown of employees per employee category (by gender, age, minority group membership and other indicators of diversity)	81		92~93
Equal Remuneration for Women and Men - DMA		37~40		
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	81		92~93
Labor Practice Grievance mechanisms - DMA		37~40		
LA16	Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanisms	82		92~93

[Fifth commitment] Contributing to the development of local communities through social contribution activities

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Indirect Economic Impacts - DMA		41~45		
EC7	Development and impact of infrastructure investments and services supported	82		92~93
EC8	Significant indirect economic impacts, including the extent of impacts	82		92~93
Local Communities - DMA		41~45		
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	41~45		92~93
SO2	Operations with significant potential and actual negative impacts on local communities	N/A	None due to characteristics of the financial industry	-

[Sixth commitment] Increasing financial inclusion for the financially underserved people

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Local Communities (financial services sector-specific society performance indicators) - DMA		46~48		
FS13	Access points in low-populated or economically disadvantaged areas by type	46~48		92~93
FS14	Initiatives to improve access to financial services for disadvantaged people	48		92~93

[Seventh commitment] Pursuing shared development with suppliers and supporting their CSR activities

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Supplier Assessment for Impacts on Society - DMA		49~51		
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	82		92~93
SO10	Significant potential and actual negative impacts on society in the supply chain and actions taken	N/A	None due to characteristics of the financial industry	-
Grievance Mechanisms for Impacts on Society - DMA		49~51		
SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	82		92~93

[Eighth commitment] Developing environment-friendly products and services

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Products and services - DMA		52~54		
EN27	Extent of impact mitigation of environmental impacts of products and services	52~54		92~93
EN28	Percentage of products sold and packing materials that are reclaimed (by category)	N/A	None due to characteristics of the financial industry	-
Product Portfolio - DMA		52~54		
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	52~54		92~93
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	83		92~93
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	52~54		92~93

[Ninth commitment] Using resources efficiently and reducing environmental impacts

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
Materials - DMA		55~57		
EN1	Materials used by weight or volume	83		92~93
EN2	Percentage of materials used that are recycled input materials	83		92~93
Energy - DMA		55~57		
EN3	Energy consumptions within the organization	83		92~93
EN4	Energy consumptions outside of the organization	83		92~93
EN5	Energy intensity	84		92~93
EN6	Reduction of energy consumption	84		92~93

Index	Explanation	Page	Others (in connection with 9 strategies)	External assurance
EN7	Reduction in energy requirements of products and services	52~57		92~93
Water - DMA		55~57		
EN8	Total water withdrawal by source	84		92~93
EN9	Water sources significantly affected by withdrawal of water	84		92~93
EN10	Ratio and total volume of water recycled and reused	84		92~93
Emissions - DMA		55~57		
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	84		92~93
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	84		92~93
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	85		92~93
EN18	Greenhouse gas (GHG) emissions intensity	86		92~93
EN19	Reductions of greenhouse gas (GHG) emissions	57		92~93
EN20	Emissions of ozone-depleting substances (ODS)	N/A	None due to characteristics of the financial industry	92~93
EN21	NOx, SOx and other significant air emissions	N/A	None due to characteristics of the financial industry	92~93
Effluent and waste - DMA		55~57		
EN22	Total water discharge by quality and destination	84		92~93
EN23	Total weight of waste by type and disposal method	86		92~93
EN24	Total number and volume of significant spills	N/A	None due to characteristics of the financial industry	-
EN25	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	N/A	None due to characteristics of the financial industry	-
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	N/A	None due to characteristics of the financial industry	92~93
Transport - DMA		55~57		
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	85		92~93
Overall - DMA		55~57		
EN31	Total environmental protection expenditures and investments (by type)	57		92~93

Declaration of Human Rights

Shinhan Financial Group has decided on the 'Compassionate Finance Sharing the Future' as the group's mission, which has the meaning of "Making the world a better place through the strength of finance". Based on this, we will aim to achieve sustainable growth by maintaining relationships of partners for shared development with customers, Shinhan and society to create customer, Shinhan and social value.

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

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

Human rights of employees	<ul style="list-style-type: none"> - SFG will not make any unfair discrimination based on school relations, regionalism, age, gender, race, religion, etc. - SFG will make fair evaluation and compensation according to performances and give fair opportunities for self-development based on one's capabilities and skills. - SFG will continually improve the safe and pleasant working conditions to enhance the health of employees.
Human rights of customers	<ul style="list-style-type: none"> - SFG will not provide differentiated financial services based on age, race, religion, political preferences, etc. - SFG will not ask for customers to provide excessive information and take technological and physical measures to protect personal information. - SFG will respect the demand and expectation of customers so that we develop and provide high-quality products and services that satisfy customers.
Human rights of shareholders and investors	<ul style="list-style-type: none"> - SFG maintains the accuracy and reliability of accounting materials to ensure the transparency of management. - SFG will provide the necessary information to shareholders and investors fairly and timely in accordance with the relevant laws, regulations and internal regulations. - SFG will respect the fair requests and suggestions of shareholders and investors to maintain mutually trusting relationships with them.
Human rights of suppliers	<ul style="list-style-type: none"> - SFG will emphasize on the value that the group's suppliers have as partners for coexistence - SFG will not force the purchasing of the group's products or services when selecting the group's suppliers. - SFG will trade fairly at a mutually equal position instead of a supreme status.
Human rights of local communities	<ul style="list-style-type: none"> - SFG will actively participate in social contribution activities as a member of society in recognition of the responsibilities for the development of local communities as a financial group. - SFG will not make any unfair discrimination on the socially underprivileged people when providing financial products and services, employment opportunities and financial and economic education. - SFG will consider the impacts of large projects that might cause environmental and social issues before making loan and investment decisions. - SFG will strive to create a sound and transparent society by preventing transactions made under false name or borrowed name bank account, illegal money laundering transactions, etc.

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

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

UN Global Compact

Since May 2008, SFG joined the UN Global Compact and signed an agreement to comply with the 10 principles in the four areas of human rights, labor, the environment and anti-corruption. As a global financial company representing Korea, we will fulfill our social roles and responsibilities by implementing the CSR activities that meet international standards and transparent disclosure through the sustainability report.

Assurance Statement



Introduction

DNV GL Business Assurance Korea Ltd. (hereinafter "DNV GL") is commissioned to carry out the assurance engagement of Shinhan Financial Group CSR Report 2013 (hereinafter "the Report") of SHINHAN FINANCIAL GROUP Co., Ltd. (hereinafter referred to as "SHINHAN FINANCIAL GROUP"). This engagement focused on the information provided in the Report and the underlying management and reporting processes. SHINHAN FINANCIAL GROUP is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV GL's responsibility in performing the work follows terms of reference and scope of work agreed. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. SHINHAN FINANCIAL GROUP's stakeholders are the intended recipients of the assurance statement.

Scope of Assurance

This Assurance Engagement covered data from the calendar year 2013. The scope of DNV GL's Assurance Engagement includes only for operations under control in Korea the review and assessment of followings:

- Evaluation of the reporting principles for defining the sustainability report content and the quality as expressed in Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4.
- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard (APS) 2008 with a moderate level of assurance as stated in AA1000 Assurance Standard (AS) 2008.
- Type 2 assurance for specific sustainability performance information
- Verification of disclosures to check the Report is prepared 'In accordance' with the GRI Guidelines (Core option) (Aggregated level of data that refers to the period between January and December 2013)

Limitation

The engagement excluded the sustainability management, performance and reporting practices of SHINHAN FINANCIAL GROUP's suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial information from SHINHAN FINANCIAL GROUP's annual business report and company reporting on operations in 2013-2014 or other sources are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. The baseline data for Environmental and Social performance are not verified, while the aggregated data are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Verification Methodology

The Assurance Engagement was planned and carried out in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VeriSustain™ V.4.1; available from www.dnvgl.com) and AA1000AS(2008). As part of the verification, we visited the head office of SHINHAN FINANCIAL GROUP in Seoul, Korea in May and June and challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In accordance with the Protocol, the Report was evaluated with regard to the following criteria: DNV GL has examined and reviewed documents, data and other information made available by SHINHAN FINANCIAL GROUP. We acquired the information and technical data from the certified management systems. We performed sample-based audits of;

- The process for determining the materiality of the contents to be included in the Report;
- The process for generating, gathering and managing the quantitative and qualitative data included in the Report.
- The accuracy of data verified.

Conclusion

In DNV GL's opinion, and based on the scope of this Assurance Engagement, the Report provides a reliable and fair representation of SHINHAN FINANCIAL GROUP's sustainability performance in 2013. Further conclusions and observations on the Adherence to the principles of Inclusivity, Materiality and Responsiveness, as set forth in the AA1000APS (2008) are made below;

Inclusivity:

SHINHAN FINANCIAL GROUP has conducted comprehensive engagement with a wide range of stakeholders. Such 6 main stakeholder groups as Shareholders/Investors, Employees, Government/NGO, and Suppliers are identified in the Report. In addition, the communication channels with respective stakeholders, main concerns and expectations of stakeholders and the response from SHINHAN FINANCIAL GROUP are provided. Each business unit/department identifies the interest of stakeholders by engaging them with various ways. On-line stakeholder survey result was reflected into the materiality determination process. The expectation and interest of stakeholders are integrated into the Report. In our view, the level at which the Report adheres to the principle of Inclusivity is 'Good'.

Materiality:

Analysis of media coverage and the issues which industry peer group addresses are the basis of screening significant issues. External significant issues are also identified by analysing global sustainability initiatives and standards and by interviewing the stakeholders and mapping out with the relevance with SHINHAN FINANCIAL GROUP's vision and strategy. The prioritization is made with business impacts and social concerns considered. The output of the process clearly brings out material issues. The Report mainly consists of 9 strategies for corporate social responsibility SHINHAN FINANCIAL GROUP. In our view, the level at which the Report adheres to the principle of Materiality is 'Good'.

Responsiveness:

Various stakeholders' views, interests and expectations sought from stakeholder engagement are considered in the preparation of the Report and in the formulation of sustainability management strategy. SHINHAN FINANCIAL GROUP's CSR committee leads CSR Activities by developing strategy and implementing it. CSR activities, performances and future plan and objectives are addressed in the Report. In our view, the level at which the Report adheres to the principle of Responsiveness is 'Good'.

Findings in relation to specific sustainability performance information:

DNV GL has evaluated the nature and extent of SHINHAN FINANCIAL GROUP's adherence to the AA1000APS as described above. In addition, the reliability of data and information, especially Water Consumption, Waste generation, Business Travel distance and Absenteeism is evaluated for Type 2 Assurance. The dedicated function in Group level collects data centrally from the companies under the reporting scope and consolidate them in the Report. DNV GL has interviewed the personnel responsible for data and information at Group in order to figure out the generation, aggregation and processing of data and information and reviewed the relevant documents and records based on which the statements in the Report are addressed. The specific data and information were found to be identifiable and traceable. From our analysis of the data and information, and SHINHAN FINANCIAL GROUP's processes, we conclude that the data and information included in the Report are the results of stable and repeatable activities.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to SHINHAN FINANCIAL GROUP's management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- To enhance the data and information management with documented process to prevent inconsistent reporting or disclosure
- To enhance the materiality determination process by integrating the stakeholders' concerns and expectation identified from day-to-day communication and engagement

Statement of Competence and Independence

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



June 2014
Seoul, Republic of Korea

Country Manager **In-Kyoon Ahn**

A handwritten signature in black ink, appearing to read 'In-Kyoon Ahn'.

Contact

The Shinhan Financial Group CSR Report 2013 is published in both Korean and English. You can get the Report from the head offices and branches of Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital and Jeju Bank, including the homepage of Shinhan Financial Group (www.shinhangroup.com). For further information, please make inquiries to the contact numbers shown below.

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