

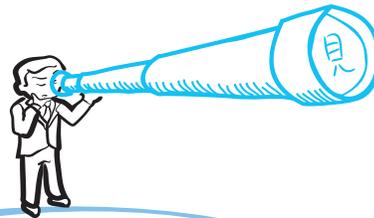


'Different Approaches to Finance, Benefiting the World'

Shinhan Financial Group's promise for a sustainable future

Cover Story

The cover page of the Shinhan Financial Group CSR Report 2017 displays the prize-winning photo of Park Dong-chul, a winner of the 24th Shinhan 'Natural Environmental Photography Contest' which was launched by Shinhan Bank in 1994 to advocate the importance of protecting the nature and environment. The contest has gained renown as Korea's largest environmental photography contest.



Shinhan Financial Group has continued to pioneer a new path for the Korean financial industry. In 2001, we established the first private financial holding company in Korea and succeeded in enlargement and diversification. We have become Korea's leading financial group based on our balanced business portfolio between banking and non-banking businesses. 'Compassionate Finance, Your Companion for the Future' is our mission representing a virtuous cycle of shared prosperity where the value of 'customers', 'Shinhan', and the 'society' increases together. Based on the mission, we are pushing ahead with Creating Shared Value (CSV) management initiatives that satisfy both corporate economic value and social community value through our core business of financing.

We strive to strengthen inclusive and productive financial support for the working-class and SMEs to be their reliable partner, practice responsible financing activities by ensuring environmental and social sustainability in our support projects and engage in leading and responsible management by contributing to the vitalization of green finance investing in the renewable energy and environment sectors.

We will continue to spread compassionate hope for mutual growth and shared prosperity through creative finance as we lead the paradigm of the future.

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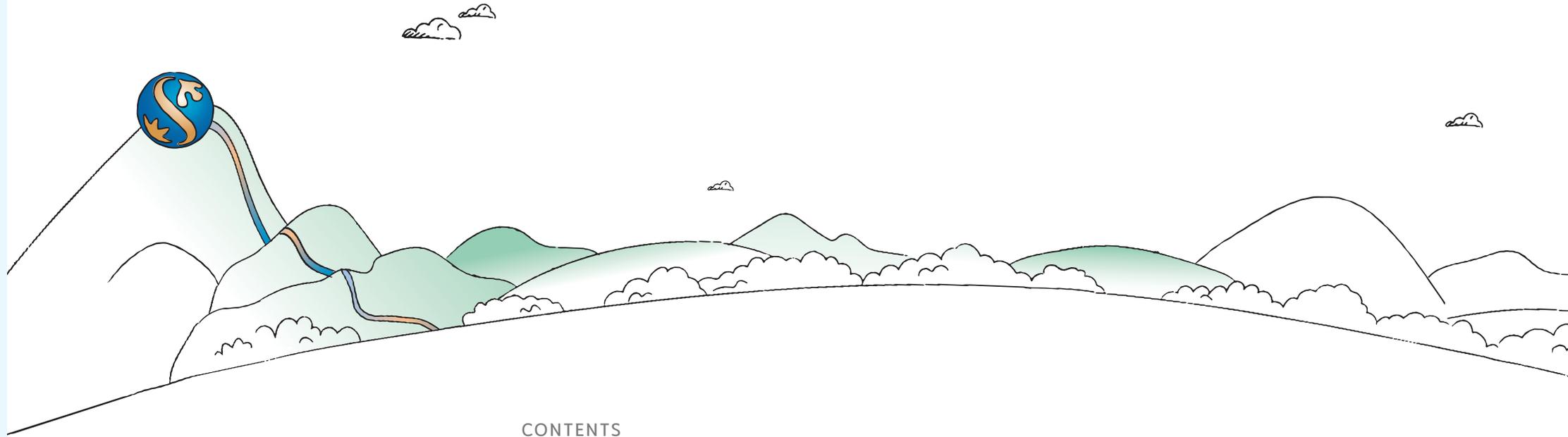
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A button that takes you to the cover page.
-  **CONTENTS**
A button that takes you to the table of contents.
-  **RE PAGE**
A button that takes you to the page just before.
-  **PREVIOUS PAGE**
A button that takes you to the preceding page of the current page.
-  **NEXT PAGE**
A button that takes you to the following page of the current page.



Framework

Impact

Factbook



CONTENTS

Framework

- 05 ESG Competencies
- 09 CSR Management Track Record
- 10 CEO Message
- 12 2020 CSR Roadmap
- 15 Materiality Assessment
- 17 Stakeholder Communication

Impact

- 20 Provide Solutions to Improve Customer Value
Case. Building a Digital Ecosystem,
Future's Lab
- 25 Fair and Ethical Business
Case. Data Protection, the First Step for
Safe Financial Transactions
- 30 Improvement of Financial Inclusion
Case. Sharing New Hopes by Writing a Letter
- 34 Establishment of a Creative and Open Culture
Case. Open Culture to Respect Diversity
- 38 Realization of Positive Social Responsibility
Case. Compassionate Finance,
Your Companion for the Future
'Society of Hope Project'
- 43 Environmental and Social Risk Management
Case. Integrated ESG Risk Management

Factbook

- 48 Socially Responsible Management Policy
- 49 Sustainable Development Goals
- 50 Report on Human Rights
- 52 UN Global Compact
- 53 Quantitative Data
- 58 Independent Assurance Statement

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

CHAPTER 1 Framework

01
ESG
Competencies

02
CSR Management
Track Record

03
CEO Message

04
2020 CSR
Roadmap

05
Materiality
Assessment

06
Stakeholder
Communication

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

ESG Competencies

Shinhan Financial Group has continuously made efforts to fulfill its responsibility as a corporate citizen as it grew together with local society since its early founding days. We have engaged in sustainable management activities and made achievements in terms of stable governance, a systematic management succession program, expansion of financial support for socially marginalized groups and SMEs, and participation in various renewable energy markets both at home and abroad such as solar power, turbine power, etc. Our efforts have been highly recognized by investors who pursue a long-term value creation and ESG rating agencies.

Governance

In order to protect the interests of its shareholders, financial service consumers and other stakeholders and promote long-term development, Shinhan Financial Group is equipped with a corporate governance structure that reflects both its growth history and organizational culture while securing independence, expertise, and transparency.

Independence

Operations of the Board of Directors, as the group's permanent supreme decision-making organ, are centered around its independents, one of whom also presides over the board meetings in accordance with a provision enacted in March 2010, to enhance the independence of the board and help it effectively keep tabs on management. The term of independent directors is less than 2 years and their reappointments are allowed, but the total term is limited not to exceed 6 years as stated in the Act on Corporate Governance of Financial Companies.

#Awarded an S rating for corporate governance in KCGS' ESG assessment (a first among listed companies)

#83% share of independent directors in the BOD

#All members of Audit Committee and Remuneration Committee are from independent directors

Diversity and Expertise

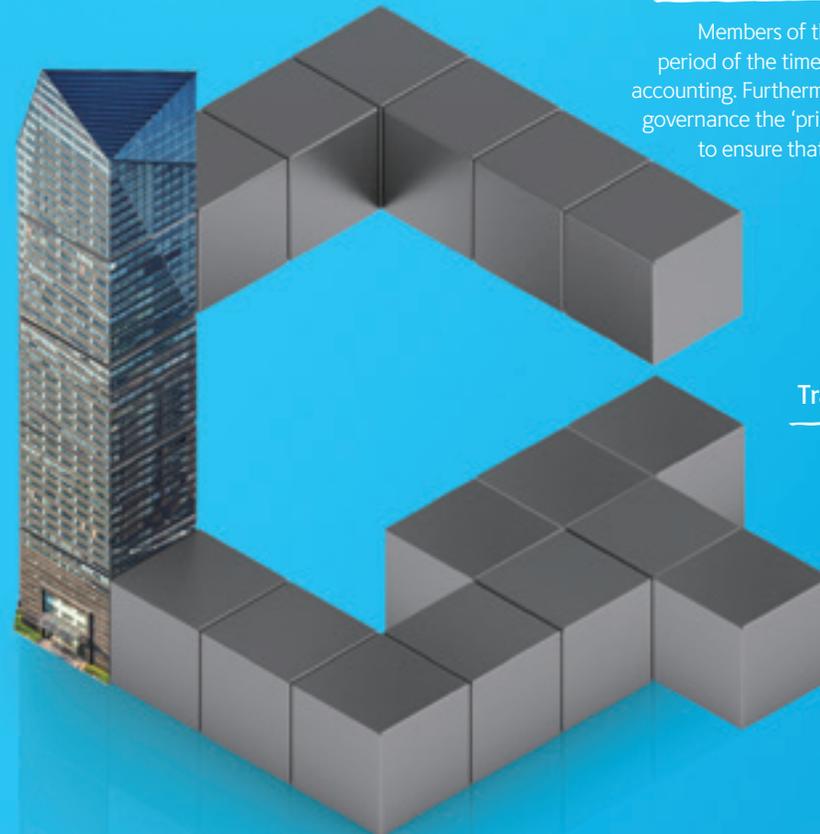
Members of the Board of Directors are individuals that have served a certain period of the time in the five sectors of finance, management, economy, law, and accounting. Furthermore, we have specified in our internal regulations on corporate governance the 'principle of diversity' in the composition of the Board of Directors to ensure that the board members do not unfairly represent certain interests.

#The Board manages 8 sub-committees in total
 #Appointed a female board chair for the first time among financial companies ('10)

Transparency and Protection of Shareholders Rights

We disclose to all our stakeholders any information related to our corporate governance by publishing an annual report on corporate governance and releasing it on our website. Also, we have made concerted efforts to enhance shareholder value by operating a cumulative voting scheme designed to protect our minority shareholders along with a system that allows shareholders to exercise their voting rights in writing at general shareholders meetings.

#System to promote the exercise of shareholder voting rights
 #Disclosure of Corporate Governance Charter



Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

ESG Competencies

Digital

We are making efforts to enhance the efficiency of our operational processes by utilizing digital technologies while providing differentiated customer experiences based on innovation in our service channels and strengthening the competitiveness of digitally specialized products and services. In conjunction with these developments, we strive to upgrade our overall information protection compliance system to improve IT infrastructure stability and the data protection level of the financial industry along with the rapid development of ICT.

Acceleration of Digital Transformation

We are committed to improving the efficiency of our operational process and automating such processes by utilizing digital technologies as transactions through the Internet or mobile channels have become commonplace and business activities towards customers via smart devices have picked up pace. We are also deploying a digital ecosystem to foster promising start-ups through mutual collaboration, while strategically responding to disruptive digital business models in the market.

#Installing 130 digital counters providing deposits, loans, and currency exchange services

#Cooperated with 61 startups and established 21 biz models through Shinhan Future's Lab

#Plan to transform 1,000 SFG employees into digital professionals in 3 years



Information Security in the Digital Era

Artificial intelligence (AI), Big Data, and cloud computing are actively studied and the importance of data security is increasing along with rapid digital transformation. We are preparing for the safety in the digital era by holding meetings with outside experts to discuss future threats and information security issues and review our preparedness and by conducting security checks carried out by security specialists.

#Operation of the SHG data protection compliance system (since '14)

#771 data protection checklists in 16 domains in total

#Provided data protection training for SHG employees and business partners for 158,060 hours

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

ESG Competencies

Inclusive, Productive Financial Support

We implement the 'Society of Hope Project' for financing support for low-income groups and for the growth of SMEs, expand products and services to relieve financial and interest burdens of the working class, and actively provide substantial financial support for SMEs to grow further by creating a virtuous circle of startup, growth, and job creation, with the aim of driving the income of our economy and realizing the social value of innovative growth.

Financing Support for the Working Class

Shinhan Bank was listed as No. 1 in the banking sector in terms of cumulative amounts lent through the New Hope Spore Loan and Mid-interest Rate Loan for the Working Class. We have 50 branches, which is the largest number among banks in the market, provide dedicated call centers and the 'Credit Loan 119 Program' which is meant for debt adjustment for financing support for the working class.

- #KRW 2.6387 Trillion lent through the New Hope Spore Loan (cumulative)
- #Product purchases, donations, and loans for social enterprises



Society of Hope Project

In December 2017, Shinhan Financial Group decided to implement the 'Society of Hope Project' designed to intensively inject its resources to support the income-earning activities of disadvantaged groups and the growth of SMEs. The project supports customers with low credit ratings, women experiencing career disruption, restoration of families in crisis, youth overseas employment, urban regeneration projects of local governments, and provide trainings for the youth in preparation of the fourth industrial revolution to realize shared values encompassing local communities and vulnerable social groups along with efforts to nurture the social economy.

- #Plan to inject KRW 270 billion in 3 years by 2020
- #Support about 330,000 local residents and disadvantaged people

Support for Venture Businesses and Innovative Companies

We strive to foster global hidden champions with technical prowess in the startup stage by utilizing technological finance support and providing consulting services related to intellectual property. We also support temporarily distressed SMEs to stabilize their business, establish joint platforms with the government and public institutions to strengthen our support for the growth of the industries of the future.

- #Net increase of KRW 3.7 trillion won in loans for SMEs (No. 1 among commercial banks)
- #No. of SME clients increased to 4,144
- #Provision of 167 consulting services to SMEs according to their development stage

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

ESG Competencies

Risk Management on Environmental & Social Aspects

We thoroughly assess the environmental and social impacts of financial support as a part of strategic directions to respond to industrial and technological changes along with social and environmental demands, discover new markets, and readjust our portfolios and implement an environmental and social risk management system by conducting reviews in compliance with global standards for large-scale Project Financing (PF).

Management of Risky Areas in Environmental and Social Performance

We selected 12 risky areas of environmental and social issues including global warming, fine dust, biodiversity, industrial safety and health, etc. based on the International Finance Corporation (IFC) guidance to manage the group's exposure to those areas. We also conduct monitoring with various perspectives such as industrial and technical changes and regulatory trends caused by environmental and social issues and exclude or provide optional financing support for projects engaging in areas with huge environmental and social impact.

#Environmental and social issues – destruction of ecosystems, air, water, and marine pollution, child labor, health, migration of indigenous people, mass destruction, and hazardous substances



Environmental and Social Reviews

As for project financing with a huge impact on the environment and society, we conduct a series of reviews such as target selection, risk level classification, environmental and social impact assessment based on the Equator Principles to evaluate environmental and social risks of the project and manage such risks by adding mitigation options to the contract terms.

#Preliminary review->classification->environmental and social impact assessment->follow-up management process

#Management of environmental destruction and human rights violation to conduct PF

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

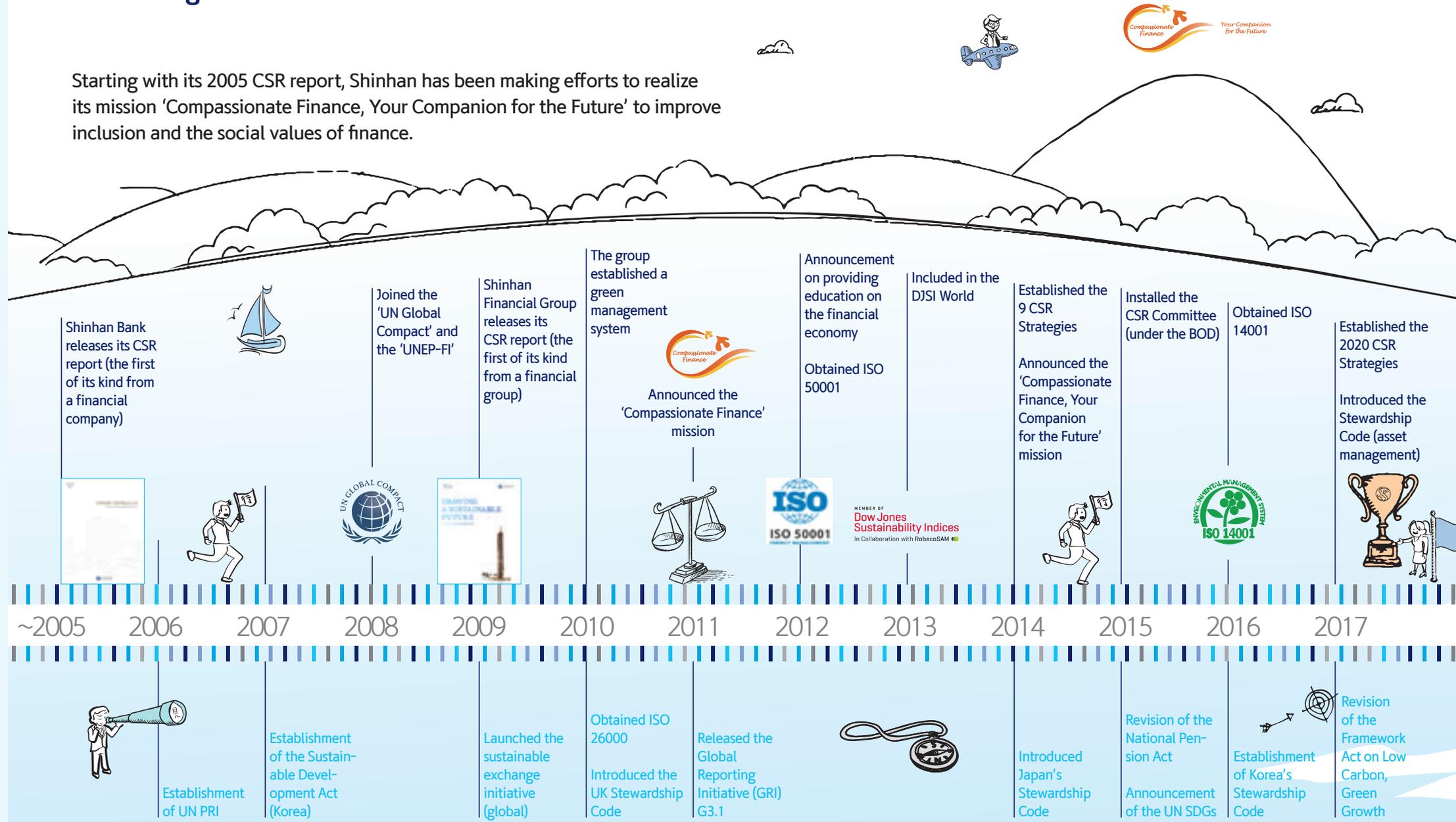
17 Stakeholder Communication

Impact

Factbook

CSR Management Track Record

Starting with its 2005 CSR report, Shinhan has been making efforts to realize its mission 'Compassionate Finance, Your Companion for the Future' to improve inclusion and the social values of finance.



Framework

- 05 ESG Competencies
- 09 CSR Management Track Record
- 10 CEO Message**
- 12 2020 CSR Roadmap
- 15 Materiality Assessment
- 17 Stakeholder Communication

Impact

Factbook

CEO Message



Ever since the company was established in 1982 to uphold its founding mission to 'Benefit the world through the power of finance' with novel thinking, Shinhan has continued to pioneer a new path for the Korean financial industry through innovations and changes in unconventional ways.

We have established various industry leading standards such as the management principles of customer satisfaction, internet banking services, unmanned branches, Retail Revolution, and others and continued to grow in both quantity and quality since the establishment of the first private financial holding company in Korea in 2001 based on its excellent risk management competency. Today, we successfully solidified our status as Korea's leading financial group.

In 2017, when a new era of volatility, uncertainty, complexity and ambiguity (VUCA) fully unfolds, we continued our efforts to leap forward as Asia's leading financial group implementing the '2020 SMART Project'.

Furthermore, we successfully deployed solid and harmonious foundations for growth to maximize the group's value as the establishment of its 13th subsidiary Shinhan REITs Management, expansion of its matrix system for major group business lines including Group & Global Investment Banking (GIB), Shinhan Wealth Management (WM), and Global Markets & Securities (GMS) Business Divisions, and development of the One Shinhan Strategy which is an implementation system of sharing its group resources as if it were one united company.

We have accelerated the implementation of glocalization strategies such as acquisition of the

retail division of ANZ Bank in Vietnam, acquisition of overseas subsidiary in Mexico, and introduction of a "Country Head system" to promote stable localization and advancement into global markets at the same time and to create synergies across the world.

Meanwhile, we have established a foothold for digital transformation by developing the group-wide digital response system and partnering with leading ICT companies at home and abroad to create a financial ecosystem.

In order to continue Shinhan culture's creativity and its advancement, we worked hard to help our employees maintain a healthy work-life balance. We also sought to nurture future talents by expanding the Smart Work System to the entire group, operating in-house venture programs, and developing the Shinhan system for fostering management leaders.

In particular, all executives and employees of Shinhan Financial Group were committed to practicing its 'Compassionate Finance, Your Companion for the Future' mission to increase the value of 'customers', 'Shinhan', and the 'society' together. Along with efforts for compassionate finance to provide inclusive and productive financial support for the working class and self-employed persons, and SMEs, we closely cooperated with government agencies to play a leading role in reinvigorating green finance and green management.

Our efforts to be a responsible corporate citizen has been widely accepted by the public. Shinhan Financial Group was listed among the '100 Most Sustainable Global Corporations' of the Davos

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook



Forum for 6 consecutive years, included in the DJSI World for 5 consecutive years, and selected for the Carbon Management Honors Club of CDP Korea in the 4 consecutive years, and awarded an S rating in the corporate governance assessment by the Korea Corporate Governance Service (KCGS) of the Korea Exchange.

We have been able to achieve such outstanding management performance and bring meaningful results socially responsible management practices through compassionate finance because of the solid trust and support from our customers, shareholders, and various stakeholders. I would like to take this opportunity to thank you on behalf of the executives and employees of Shinhan Financial Group.

The financial industry is experiencing unprecedented changes with the emergence of the fourth industrial revolution represented by hyper-connectivity and hyper-intelligence. Previous methods for success have now become outdated, so it is the time for us to set higher goals and embark on new creative challenges to wisely overcome the current business environment.

To that end, we adopted a 'Higher Vision, Innovative Shinhan!' as our management slogan of this year. Centering on the 2020 SMART Project, we will speed up the implementation of key tasks with a higher vision so that our efforts will bring substantial results, while pursuing last year's strategies established under the motto 'add speed to the creativity' consistently.

We will diversify our strategies for future growth to secure business opportunities in advance, increase the group-wide Glocalization activities based on various strategies for advancing into overseas markets. Also, we will accelerate Digital Transformation at the level of the entire group and provide a differentiated customer experience through integrated group platforms. We plan to upgrade our proven risk management competency in order to establish a solid crisis management system.

First and foremost, we will implement the 'Society of Hope Project' to make a positive impact on our society through our core business of financing and create a virtuous circle of shared prosperity along with

all stakeholders. We plan to inject KRW 270 billion by 2020 to engage in various and practical activities of the project including support for the recovery of customers with low credit ratings, employment of women experiencing career disruption, establishment of after-school child care centers for elementary students, urban regeneration projects of local governments, and trainings for the youth in preparation of the fourth industrial revolution and to actively support economic independence of low-income and socially marginalized groups and new challenges of venture businesses and startup owners.

We have a proud history of pioneering a new path for the Korean financial industry. We urge you to continue to trust and support Shinhan in the future. We will work harder to be a responsible corporate citizen that grows and develops together with our society through creative finance to lead the paradigm of the future. We look forward to your continued interest and support.

Thank you.

Chairman & CEO of Shinhan Financial Group **Cho Yong-byung**



A Shinhan Bank event that was hosted to encourage new employees

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

2020 CSR Roadmap

2020 CSR Strategies for Compassionate Finance

Shinhan Financial Group established the 2020 CSR Strategies to fulfil corporate social responsibilities based on its 'Compassionate Finance, Your Companion for the Future' mission. The 2020 CSR Strategies set a new direction for 'Responsible growth', 'Social partnerships', and 'Investments for the future' (The Three Pillars) and suggests the Six Strategical Directions (Commitments) with the aim of creating a virtuous circle of benefitting the world.



Framework

- 05 ESG Competencies
- 09 CSR Management Track Record
- 10 CEO Message
- 12 2020 CSR Roadmap**
- 15 Materiality Assessment
- 17 Stakeholder Communication

Impact

Factbook

Shinhan Financial Group increases the value experienced by various stakeholders and contributes to the sustainability of the entire society by implementing customer-centered 2020 CSR strategies. In 2017, we have achieved outstanding corporate social responsibility records based on its Six Strategic Directions. We plan to make further efforts for the balanced development of each sector by 2020.



- Customer Value**
- Enhance customer satisfaction and trust by reflecting diversified customer demands
 - Innovate customer experiences with sophisticated technologies and a digital environment
 - Improvement of financial understanding via financial economic education
 - Protect customer information and data by building a fair and secure system

- Shinhan Value**
- Expand the individual/corporate customer basis from a long-term perspective
 - Secure differentiated human resources through talent nurturing programs
 - Improving employees' quality of life by establishing the smart work system
 - Secure a new growth engine by expanding a creative and open culture

- Society Value**
- Contribute to social innovation and job stability by creating a startup ecosystem
 - Assist the economic independence of financially disadvantaged groups by expanding financing support
 - Contribute to the capital reallocation based on eco-friendly products and ESG investment
 - Mitigate environmental impact by reducing GHG emissions and managing energy use

Major Achievements of 2017 CSR Strategic Goals

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

◆ : Achieved (+3% compared to target) / ■ : Achieved (+1~3% compared to target) / ▣ : In progress (-1~3% compared to target)

	Strategic Indicators	Unit	2017 Goal	2017 Result	Progress	Key Performances	4-Year Achievement Plan
Responsible Growth	① Customer satisfaction score	Points	93.6	93.8	■	- On-site education to enhance the CS competency of branches and complete sale monitoring - Improve convenience in using mobile channels	Customer satisfaction increases by more than 0.2 point per year
	② Subscription rate of digital financing services	%	65	66.8	■	- Expansion of online product lineups - Enhancement of easy mobile banking services including one-click service, biometric authentication, etc.	Share of digital channel customers increased by 72.2%
	③ Number of participants in financial economic education	thousand people	635	638	■	- Provide the remote video career mentoring program for the first time among financial institutions - One company-one school partnering and expansion of financial economic education for retirees and university students	Number of participants in financial economic education reached 1 million (accumulated during the period of '12~'20)
	④-1 Ethical compliance training completion rate	%	98	98	■	- Provide ethical compliance cyber lectures to employees of all group companies	98% of employees completed compliance training and signed the ethical practice oath
	④-2 Rate of signing the Ethical Practice Oath	%	98	99	■	- Distribute the Compliance Letter to employees of all group companies	
Social Partnerships	⑤ Financing support for the working group	KRW trillion	1.47	1.89	◆	- Hold a contest to accept stories from applicants who have received the New Hope Spore Loan and publish their stories - Systemize on/offline processes of the Shinhan Hug Loan Linked Service	Financing support of KRW 6.3 trillion for the working group
	⑥ Support the creation of the startup ecosystem	KRW trillion	+1.6	+4.4	◆	- Technological finance support, corporate loans to SMEs and venture companies to start their business	Financing support of KRW 6.6 trillion for SMEs and venture companies
	⑦ Share of female managers	%	22.5	22.7	■	- Support for female leadership and talented women career development	Share of female manager gradually increases to 24%
	⑧ Participation rate of the smart work system	%	50	71.7	◆	- Group-wide implementation of the Smart Work System (as of Sept. '17)	Over 65% of employees participated in the program
	⑨ Loans and investment in eco-friendly industries	KRW trillion	0.46	0.73	◆	- Shinhan Bank-Environment Ministry-Environmental Industry and Technology Institute signed on 'agreement on the vitalization of green financing' - Support IPO listing, corporate bond issuance, and investment for manufacturers related to the eco-friendly energy sector	Injected KRW 1.3 trillion to support the eco-friendly industry
Investments for the Future	⑩ GHG emissions	tCO ₂ eq	98,273	97,630	■	- Set the GHG reduction target for large buildings (10.6% reduction from the base year ('10~'12) - Hold quarterly working councils on environment/energy management and monitoring of GHG emissions	Plan to reduce GHG emissions by 4.5% by 2030 (base year: '16)

Materiality Assessment

Framework

- 05 ESG Competencies
- 09 CSR Management Track Record
- 10 CEO Message
- 12 2020 CSR Roadmap
- 15 Materiality Assessment**
- 17 Stakeholder Communication

Impact

Factbook

Shinhan Financial Group has been conducting materiality assessments and identifying critical issues from the aspects of customers, Shinhan, and the society based on the Five Part Materiality Test of the AA1000SES (Stakeholder Engagement Standards) along with the definition of Materiality in the guidelines of the Global Reporting Initiative (GRI) Standards. We have continued to improve our evaluation system by considering the 2020 CSR strategies and strategical directions, which are newly adopted in 2017, and impacts on stakeholders comprehensively.



1 Determination of the issue pool

- Analyze the practices of Korean companies in the same field and the world's leading companies
- Refer to companies in other industries with high scores in external assessments including DJSI
- Internal review on last year's core agendas

2 Materiality assessment methodology

- Analysis on economic, social, and environmental impacts
 - *Global external assessment and CSR guidelines
 - *Strategic connectivity (KPIs)
- Stakeholder impact
 - *Key issues
 - *Media research

3 Reflection of strategies, trends, and stakeholder opinions

- Reflect detailed implementation tasks and objectives in consideration of the group's strategical directions and guidelines
- Identify major trends related to the financial industry: social responsibility of financial companies, digital finance, etc.
- Identify stakeholder expectations

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

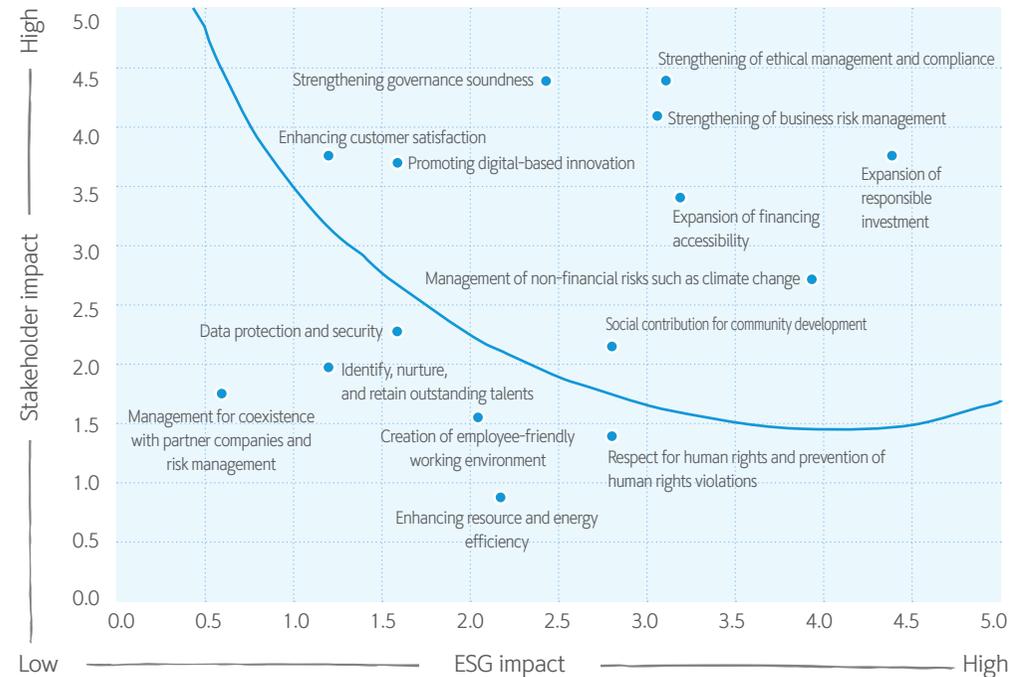
The materiality assessment was performed and 9 core issues were derived and reported in line with the 2020 CSR strategies as a result. We report mid/long term and potential issues altogether to enhance our sustainability activities.

4 Materiality assessment matrix

- Conduct the assessment based on stakeholder impact, and economic, social, and environmental impacts
- Identified 9 core issues and 4 mid/long term and potential issues
- Assessed the impact of Shinhan's business activities on the economy, society, and environment as well as stakeholders' decisions

5 Core issues and mapping of the 2020 CSR strategies

- Main objectives, performance, and KPIs of core issues are reported in line with the 2020 CSR strategies
- Related pages: See pages 12~14



Strategy	Core agenda	Mid to long/potential issues
Provide solutions to increase customer value	- Strengthening of business risk management - Promoting digital-based innovation - Enhancing customer satisfaction	
Fair and Ethical Business	- Strengthening of ethical management and compliance - Strengthening the soundness of corporate governance	Data protection and security
Improvement of Financial Inclusion	- Expansion of financing accessibility	Respect for human rights and prevention of human rights violations
Establishment of a Creative and Open Culture		Creation of an employee-friendly working environment
Realization of Positive Social Responsibility	- Expansion of responsible investment - Social contribution for community development	Enhancing resource and energy efficiency
Risk Management Considering the Environment and Society	- Management of non-financial risks such as climate change	

Framework

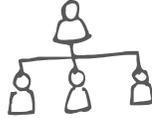
- 05 ESG Competencies
- 09 CSR Management Track Record
- 10 CEO Message
- 12 2020 CSR Roadmap
- 15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

Shinhan Financial Group engages in responsible management activities to enhance the value of customers, shareholders, and investors. We are also making efforts to improve the satisfaction level of employees and business partners who are directly involved in our business activities and grow together. Meanwhile, we are practicing our 'Compassionate Finance, Your Companion for the Future' mission by communicating and sharing with communities, NGOs, government institutions and others to create a virtuous circle for Shinhan and the wider society.

Customers	Major expectations	Response of Shinhan Financial Group	Communication channels
	Product development based on customer opinions	Released the 'Shinhan nonparticipating protection-type LTC insurance policy' by reflecting customer demand for a product that provides both security and asset saving programs ('17 customer panel opinion)	<ul style="list-style-type: none"> - Employee suggestions - Labor associations - Intranet
	Product development responding to market changes	'Shinhan DREAM installment plan' providing thematic products with prime interests tailored to the conditions of shop-owners	
		'Shinhan With Pet installment plan' for customers with companion animals along with the increasing number of single-person households and an aging population	
		Shinhan Double DREAM installment plan providing high interest benefits for customers satisfying intuitive (simple) preferential treatment requirements	
	Enhancing service convenience	'Shinhan SOL (credit, Jeonse loans)' based on automated and simplified processes requiring no paper work	
Protection of socially marginalized customers	Provide smart banking services to foreigners with time and language constraints		
Shareholders-Investors	Major expectations	Response of Shinhan Financial Group	Communication channels
	Reinforcing fiduciary obligations	Shinhan BNPP adopted the Stewardship Code	<ul style="list-style-type: none"> - Investor consulting - Activities to engage with investors
	Consideration of long-term shareholder value	Secure a basis for sustainable growth through ESG risk management and socially responsible investment	
	Improving corporate governance	Awarded an 'S' rating in the corporate governance assessment by KCGS for the first time among Korean companies	
Employees	Major expectations	Response of Shinhan Financial Group	Communication channels
	Improving communications with employees and departments	Formed Wealth Management Innovators (WMI) to discover ideas for WM projects and apply them to actual business activities	<ul style="list-style-type: none"> - Customer Evaluation Group - Homepage VOC - Shinhan Poll
		Share cases of practicing 'compassionate finance' activities and opinions each month via its mobile platform 'S-talk'	
	Work-life balance	Shinhan Bank runs on-site childcare centers for workers in Seoul and 3 other metropolitan areas (capacity to accommodate 200 children)	
		Expand the implementation of an autonomous work system, 'Smart Work System 2.0'	
Strengthening employee competency	Installing the Shinhan Digital Innovation Institute (SDII) to enhance employees' digital competency and provide competency-based trainings according to their given duties		
Female talent nurturing	Develop a mid/long term roadmap to nurture female talents (▲creating a diversity-based organizational culture ▲developing programs to nurture female talents ▲flexible personnel management system, etc.)		

Framework

05 ESG Competencies

09 CSR Management Track Record

10 CEO Message

12 2020 CSR Roadmap

15 Materiality Assessment

17 Stakeholder Communication

Impact

Factbook

Partner Companies	Major expectations	Response of Shinhan Financial Group	Communication channels
	Communication with business partners	Shinhan Bank invited its best business partners for meetings to discuss the coexistence Shinhan Card invited business partners to celebrate its 10th anniversary of foundation	- Meetings for coexistence - Transaction satisfaction surveys
	Welfare support for partner companies	Opened the 'Children's Financial Experience Class' for children of partner company employees	
		Shinhan Card provided healing programs for the call center employees of business partners	
		Shinhan Card hosted the 'LEAD BY Concert' by inviting about 300 call center employees of SME partners and outsourcing companies	
Local Society and NGOs	Major expectations	Response of Shinhan Financial Group	Communication channels
	NGO partnerships	Shinhan Card donated and participated in campaigns to solve the sanitation and drinking water problems of underdeveloped countries jointly with Good Neighbors (NGO) Shinhan Bank and ChildFund Korea signed the 'Shinhan youth happiness voucher' project to support the youth from vulnerable groups	- Meetings with local communities and NGOs - Homepage VOC
	Support for local communities and small entrepreneurs	Support the vitalization of local communities and small entrepreneurs through the Shinhan SOHO community and partnerships with local governments	
	Social contributions for local communities	Shinhan Bank donated 800 pieces of office furniture to social welfare facilities	
	Support Sports and Mecenat Sponsorships	Shinhan Bank S-Birds Basketball Team and professional sports team located in Incheon opened sports classrooms for children with developmental disabilities	
	Global policy for social contribution activities	Shinhan Bank releases the global CSR guidebook	
Government	Major expectations	Response of Shinhan Financial Group	Communication channels
	Expansion of inclusive financial policies	Expanded the New Hope Spore Loan, Mid-interest Rate Loan, and other mid-interest rate loan programs for people with mid/low credit ratings by injecting KRW 300 billion	- Consulting Groups Related to the Policies of Financial Authorities
		Write-off specific law bonds worth KRW 445.1 billion in 2017	
		Hired seniors with financial backgrounds and provided them with financial education (the project will be continued by 2020)	
	Environmental policy	Plan to develop funds supporting massive solar power generation projects and other related ESS projects in accordance with the government's 3020 plan Signed an 'agreement on the vitalization of green financing' with the Environmental Industry and Technology Institute under the Ministry of Environment	
Job creation	'Shinhan Do Dream Project' for youth employment and other job creation activities as well as investment and financing for innovative businesses		

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

CHAPTER 2

Impact

01

Provide Solutions to Improve Customer Value

02

Fair and Ethical Business

03

Improvement of Financial Inclusion

04

Establishment of a Creative and Open Culture

05

Realization of Positive Social Responsibility

06

Environmental and Social Risk Management

Framework

Impact

20 Provide Solutions to Improve Customer Value

- Case. Building a Digital Ecosystem, Future's Lab
- Compassionate Finance Experienced by Customers
- Innovate Customer Experience Based on Digital Technologies
- Financial Economic Education to Improve Financial Understanding

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

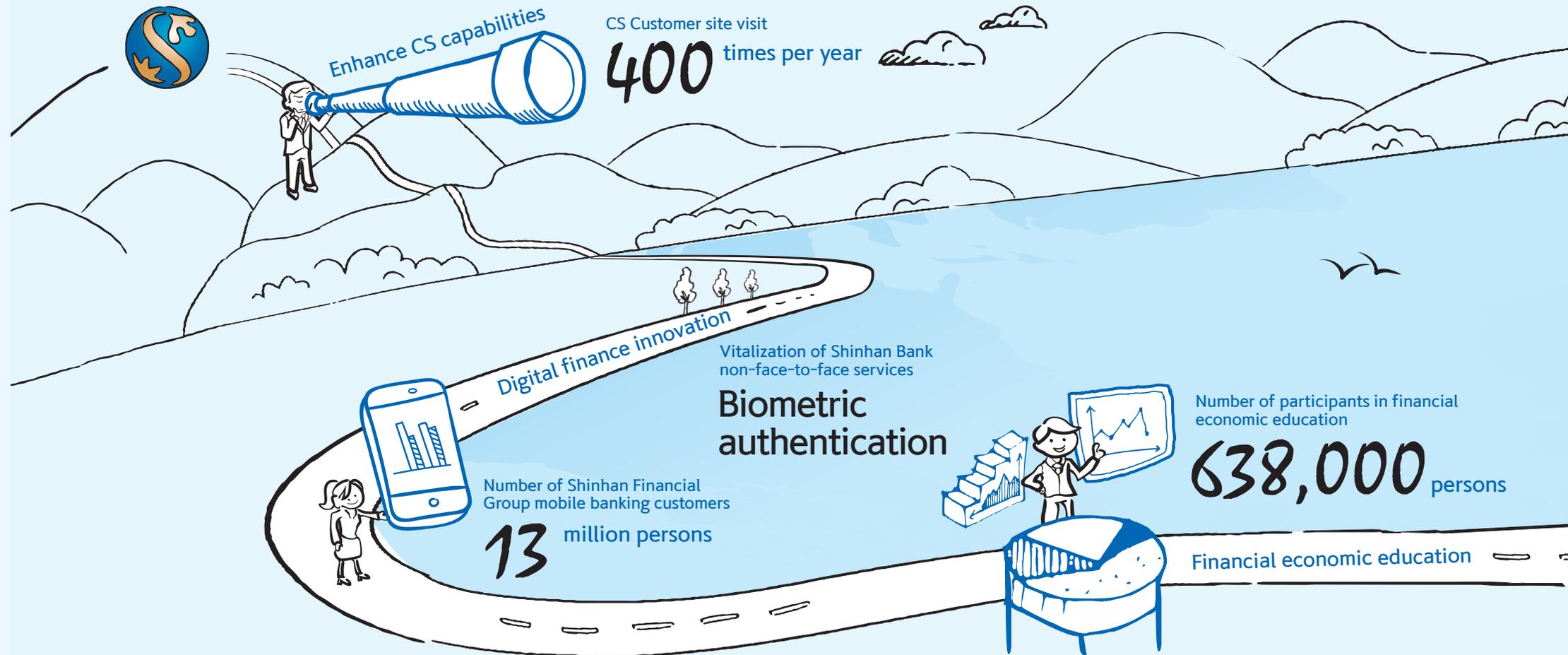
43 Environmental and Social Risk Management

Factbook

Provide Solutions to Improve Customer Value



Shinhan Financial Group strives to improve service capabilities to deliver the best customer satisfaction and provide new customer value through digital transformation and financial economic education.



Framework

Impact

20 Provide Solutions to Improve Customer Value

Case, Building a Digital Ecosystem, Future's Lab

Compassionate Finance Experienced by Customers

Innovate Customer Experience Based on Digital Technologies

Financial Economic Education to Improve Financial Understanding

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

CASE STUDY

Building a Digital Ecosystem, Future's Lab

Shinhan Financial Group operates 'Shinhan Future's Lab' to support startups and create a digital ecosystem. Shinhan Future's Lab aims to establish a win-win business relationship in which startups and financial companies cooperate and grow together. It also provides startups with the support they need in their early stages including investment, ICT infrastructure, financial know-how, and beyond. In return, they create new values through digital services that customers need and share with Shinhan while focusing on developing innovative technologies and ideas. Launched in 2015, the Future's Lab has cooperated with a total of 61 companies to date and developed joint business models in 21 areas.

Shinhan Financial Group has invested KRW 6.3 billion directly to provide practical support to startups. Recently, we have been expanding our cooperative network with fostering institutions in various industrial fields to provide startup companies with non-financial aid as well.

We launched 'Shinhan Future's Lab Vietnam' in 2016, the first Fintech startup fostering program operating overseas among

Korean companies. Shinhan Future's Lab Vietnam provides mentoring programs offered by both Fintech specialists in Vietnam and global mentoring groups in Korea to support Vietnamese Fintech companies and assist domestic companies' entry into the Vietnamese market.

The Shinhan Data System focuses on the commercialization of specified services and technologies in cooperation with Fintech venture companies from the Future's Lab. Currently, blockchain platforms for enterprise customers, a machine learning based server, infrastructure failure predictions, automatic operation services have been developed and Shinhan Bank servers and service of infrastructure failure predictions are being tested.

Shinhan supports startup companies from the Future's Lab and is making efforts to improve its technological competitiveness through developments in FinTech based on partnerships and substantial collaboration.



Future's Lab Vietnam

Framework

Impact

20 Provide Solutions to Improve Customer Value

Case. Building a Digital Ecosystem, Future's Lab

Compassionate Finance Experienced by Customers

Innovate Customer Experience Based on Digital Technologies

Financial Economic Education to Improve Financial Understanding

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Compassionate Finance Experienced by Customers



Provide customer-oriented products and services

Shinhan Financial Group improves customer satisfaction and enhances customer value by providing products with high investment yield rates.

'Shinhan BNPP Euro Covered Call' funds were receiving favorable reviews and recorded a balance of KRW 100 billion within 3 months of launch. Furthermore, and 'Shinhan BNPP Covered Call' funds released in 2016 were sold worth KRW 1.3 trillion in 2017 and demonstrated an outstanding performance.

Shinhan Bank operates a specialized fund consultation team for customers that utilizes non-face-to-face channels for the post management of customer assets.

Shinhan Investment Corp. operates the 'Customer Yield Rate Assessment System' which is the first of its kind in the industry and reflects the results to employee evaluation. Six years after its implementation, the 'Customer Yield Rate Assessment System' contributed to the constant increase of customer yield rates. The yearly yield rate for customers that received PB consultation for the last 3 years achieved an excellent performance recording 5.66% on average for 2015 and 5.76% and 10.22% for 2016 and 2017, respectively. The scope of assessment was expanded to include product sales department encompassing the entire process from product sales to customer management, contributing to the increase of the customer yield rate.

Customer-Centered Management Certification

In recognition of various customer-centered management activities, Shinhan Card obtained the Customer Centered Management (CCM) Certificate issued by Korea Fair Trade Commission (KFTC) for the second time since 2015. Shinhan Card earned the distinction of being the only company to receive this certificate among card issuers. Furthermore, the company earned the first place in the 'Korean Standard Service Quality Index (KS-SQI)' and 'Korean Service Quality Index (KSQI)' for the excellent quality of its face-to-face customer service.

We were ranked at No. 1 in the 'National Customer Satisfaction Index (NCSI)', 'Korean Customer Satisfaction Index (KCSI)', and 'Global Customer Satisfaction Competency Index (GCSI)', which measure customer satisfaction in products and services, and continued our status as the company most beloved by customers.

Korean Standard Service Quality Index (KS-SQI)

Korean Standard Service Quality Index (KS-SQI)



Awarded No. 1 by the Korean Standards Association (4 consecutive years)

Global Customer Satisfaction Competency Index (GCSI)



Awarded No. 1 by the Global Management Association (13 consecutive years)

National Customer Satisfaction Index (NCSI)



Awarded No. 1 by the Korea Productivity Center

Korean Customer Satisfaction Index (KCSI)



Awarded No. 1 by the Korea Management Association Consulting (4 consecutive years)

Korean Service Quality Index (KSQI)



Awarded No. 1 by the Korea Management Association Consulting (7 consecutive years)

Framework

Impact

20 Provide Solutions to Improve Customer Value

Case. Building a Digital Ecosystem, Future's Lab

Compassionate Finance Experienced by Customers

Innovate Customer Experience Based on Digital Technologies

Financial Economic Education to Improve Financial Understanding

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

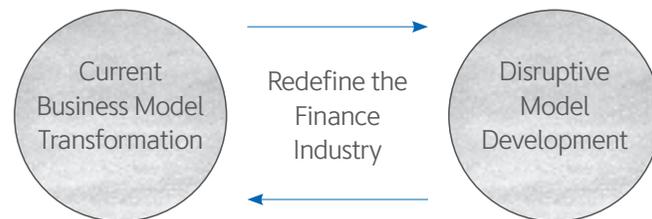
Factbook

Innovate Customer Experience Based on Digital Technologies

Shinhan Strategic Framework for Digital Transformation – 2 Tracks & 10 Enablers Strategy

Shinhan strengthened the company's strategic directions and detailed approaches in consideration of rapidly changing digital technologies, regulations, and competition trends. The strategic directions are composed of 2 tracks. The first track is to improve the customer experience and operational efficiency and the second track consists of accommodating Fintech and establishing innovative business models. The 10 Enablers present organizational preparedness including required technologies, capabilities, and governance structure.

2 Tracks: Business Model Innovation



Digital Channel and Service Innovation

Shinhan Financial Group continues to improve digital channels so that customers may promptly use its services.

As of 2017, the number of customers who use Shinhan Financial Group's mobile banking services is approximately 13 million, while Shinhan FAN Pay, an application card service of Shinhan Card, has attracted about 9.43 million customers, the largest figure among domestic card companies, leading the mobile easy payment service market. Shinhan Financial Group operates an integrated group-wide platform where customers can enjoy services offered by subsidiaries such as bank, card, financial investment, and life insurance. Meanwhile, the cumulative number of loyalty platform Shinhan FAN Club members exceed 7.81 million and Shinhan Financial Group's integrated mobile platform 'Exciting Bout' has 2.2 million customers.

Furthermore, Shinhan Financial Group has created new customer value by installing digital counters at all of its branches. With the adoption of digital counters, the processing time of banking business was reduced from 15 minutes to 7 minutes, contributing to the improvement of customer satisfaction.

10 Enablers: Organizational Preparedness

Digital technologies including AI, Blockchain, etc.	Digital specialists training program and education	Industry-academy cooperation and securing professionals
Embracing new trials and failures	Chief Digital Officer (CDO), Digital Matrix system	Renewal financial platform, connect non-financial platform
Partnership with ICT/retail leaders	Protection of 'Digital Shinhan' intellectual property	Define strategic destination
Improvement of company bylaws and regulations		

AI-based Service Expansion

Artificial Intelligence (AI) and Virtual Reality (VR) are applied to finance and our daily lives and Shinhan Financial Group responds to such trends preemptively and explores opportunities to innovate customer experience significantly. We continue our efforts to develop AI-based Robo-Advisors and improve the completion of existing services to become an IT-based financial company.

Shinhan Financial Group provides asset management services utilizing technologies to serve more customers. The asset management service was provided only to certain customers with large assets in the past. However, we are now able to deliver a quality service to general customers through algorithms and digital channels.

Shinhan Bank and Shinhan Investment Corp. launched an asset management service 'M-Folio' through Robo-Advisors in 2016 and have provided the service to 30,000 customers. The Robo-Advisors is a representative mutual growth model jointly developed by Fintech companies.

Shinhan Financial Group is developing AI-based asset management service to recommend promising global financial products to customers. We plan to improve the asset management quality by predicting the progress of global financial markets and growth potential of various products based on Watson, IBM's AI platform for business.

Furthermore, we are making efforts to provide 24/7/365 financial services through AI-based chatbot and Robotics Process Automation (RPA) and invest heavily to significantly reduce service processing time.

Framework

Impact

20 Provide Solutions to Improve Customer Value

Case. Building a Digital Ecosystem, Future's Lab

Compassionate Finance Experienced by Customers

Innovate Customer Experience Based on Digital Technologies

Financial Economic Education to Improve Financial Understanding

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Financial Economic Education to Improve Financial Understanding

Provide Financial Economic Education for Future Generations

Shinhan Bank provides financial experiences to children through the Shinhan mobile platform SOL along with the rapidly changing financial environment. Shinhan Bank also adopted programs to allow children to directly implement services offered by the company such as 'Currency exchange for everyone' through tablet PCs to help them get acquainted with banking services.

The 'Shinhan Youth Financial Economic Education Center', Korea's first venue dedicated to financial education opened in 2013, provided about 35,000 students with customized financial experience training programs as of now.

In 2017, Shinhan became the sole provider of the 'remote video career mentoring' program through its digital platforms among financial institutions. To make this happen, the company signed on a business agreement with Korea Research Institute for Vocational Education and Training (KRIVET), established education systems at the Shinhan Youth Financial Economic Education Center, and provided free-semester programs for career development to 51 schools.

Shinhan-BNPP Asset Management provides financial education programs for the children of 'Shinhan BNPP Mother's Love Installment Investment Trust Fund No. 1' customers. Fund performance report and educational materials tailored to children customers are released each month and an economic letter for economic education is sent each week, providing them with an opportunity to get acquainted with financial markets. Also, the company operates children's financial economic education programs and a finance camp in conjunction with professional childhood education institutions.



Shinhan Children's Financial Experience Class



Shinhan Savings Bank's Finance Classroom for Seniors

Expansion of Financial Economic Education for Seniors

Shinhan Life Insurance visits elderly care centers across the country to provide lectures and the topics are selected centering on items that seniors need to know for their later years such as the latest financial information, retirement planning, taxation, inheritance, and prevention of financial fraud to offer customized programs.

Shinhan Savings Bank also provides financial economic education to seniors of local communities to avoid voice phishing and fake deposit bank passbook.

Shinhan Bank's Future Design Center offers programs related to retirement plan such as cash flow and asset management after retirement for customers in their 50s who are retirees or would-be retirees. Shinhan Bank operates the 'Couple Retirement Classroom' for general customers and 'Future Design Camp' for corporate clients and the bank's finance lecturers are equipped with sufficient financial theory and field experience.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

Case. Data Protection, the First Step for Safe Financial Transactions

Enhancing Trust by Strengthening Ethical Management

Reinforcing the 'Financial Customer Protection' System

Safe Management of Financial Information

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

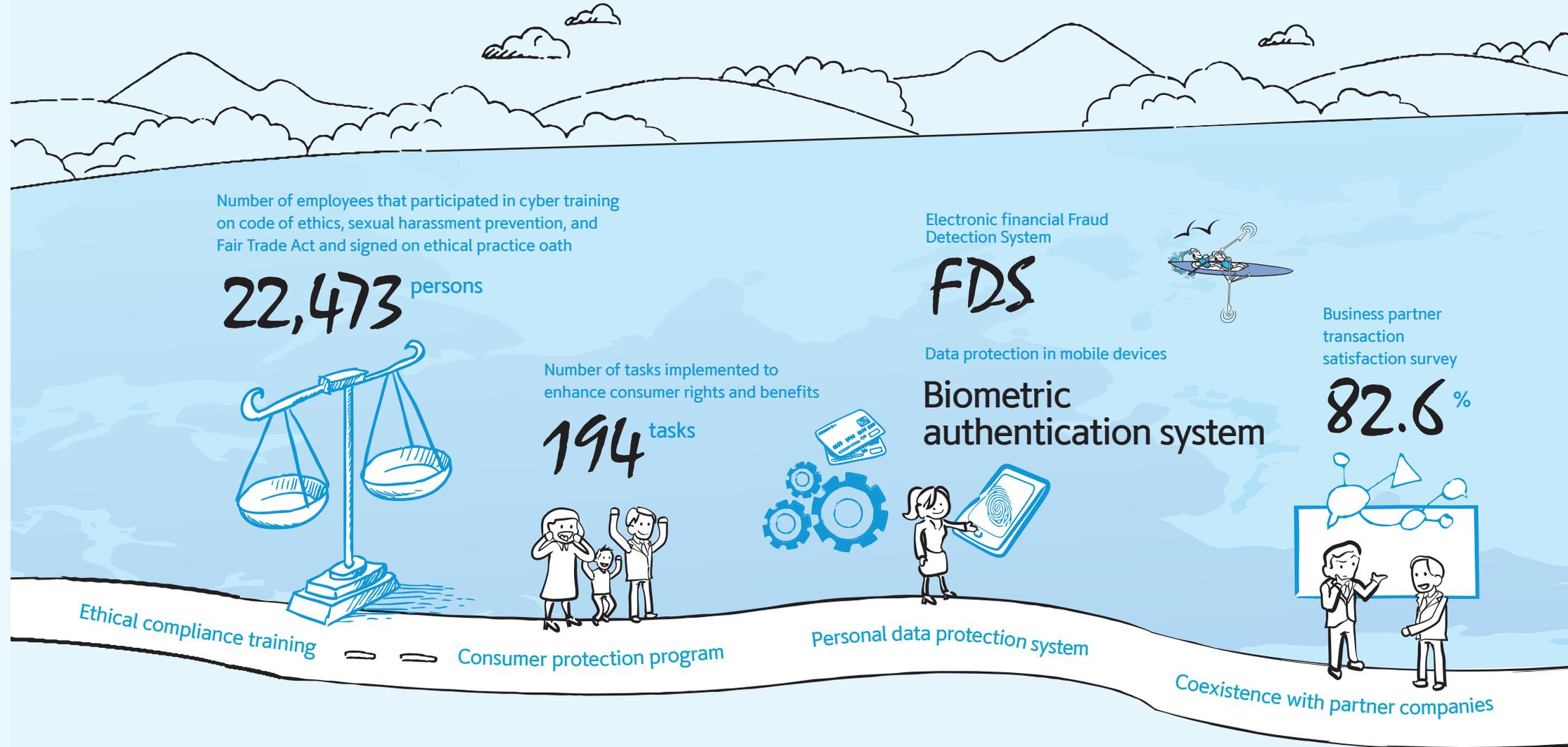
38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Fair and Ethical Business

Shinhan Financial Group builds trust with customers and the society by providing ethical and safe financial services and promotes shared prosperity with business partners by establishing a culture of fair trade.



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

Case. Data Protection, the First Step for Safe Financial Transactions

Enhancing Trust by Strengthening Ethical Management

Reinforcing the 'Financial Customer Protection' System

Safe Management of Financial Information

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

CASE STUDY

Data Protection, the First Step for Safe Financial Transactions

The importance of data protection is growing in preparation for the leakage of personal information of customers and financial crimes along with the increasing number of customers using financial services through digital channels. Data leaks involving a large number of customer information and shutdowns of transaction systems lead to significant reputation damage to the related financial company and massive costs to the entire company due to customer compensation and system repair, etc. Financial institutions are introducing new technologies such as AI, big data, and cloud computing to control data protection risks and innovate their security capabilities.

Shinhan Financial Group establishes a collaborative system with outside data protection specialists in order to respond to information protection risks. We operate the Future Treats Council with the attendance of experts from academia, business, and public institutions to gather threat information regularly and conduct frequent security checks with a group of white-hat hackers each year. Also, the group's subsidiaries jointly developed a data protection portal for security checks at the group level by collecting data of core business areas. We upgraded the integrated security control system to strengthen comprehensive security control functions.

The Fraud Detection System (FDS) is a fraudulent transaction detection system that identifies and blocks financial fraud by comprehensively analyzing information about access to electronic financial transactions, transaction details, etc. Shinhan Card conducts fine-tuned control on e-transactions by categorizing them as 10 items including highly-risky business, day and night transaction, multiple and small amount transactions, face-to-face and non-face-to-face transactions. Recently, Shinhan Card maximizes the detection rate by applying deep learning and AI solutions, and the latest machine learning algorithms. After adopting AI-based machine learning methods, its accuracy rate of detecting illegal use of credit cards in the category of overseas offline transactions increased by 6.5%p from 89.5% to 95% in the second half of 2017.

Shinhan Financial Group also strengthened its security level by utilizing the self-developed security software Patch Management System (PMS) to protect customers' information. With such efforts, the group does its best to keep all major software to their latest versions and prevent malicious programs from abusing weak points.

We also adopted the biometric authentication to strengthen user identification system for the protection of personal data and successfully upgraded our data protection level. The biometric information of customers is stored in their mobile devices such as smartphones and the authentication related information is stored in the system server of the Korea Financial Telecommunications and Clearings Institute (KFTC) to reinforce security. Also, individual group subsidiaries are making efforts with data scattering, data encryption for reception and transmission, and distribution of temperature sensing films to avoid the exposure of numbers in security cards.



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

Case. Data Protection, the First Step for Safe Financial Transactions

Enhancing Trust by Strengthening Ethical Management

Reinforcing the 'Financial Customer Protection' System

Safe Management of Financial Information

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Enhancing Trust by Strengthening Ethical Management

Ethical Management Organization and Code of Ethics

Ethical management of Shinhan Financial Group is being supervised by the legal compliance managers of the holding company in accordance with the 'Act on Corporate Governance of Financial Companies'. Legal compliance managers of each subsidiary hold bimonthly meetings to discuss key issues related to internal control and ethical management and working level meetings are being held to specify and apply items discussed during meetings with legal compliance managers.

Shinhan Financial Group has internalized the concept of ethical management as part of the corporate culture by establishing the 'Shinhan Financial Group Code of Ethics' and emphasized the need for employees to comply with the basic principles in order to reinforce their ethical awareness. The group also enacted and is operating the 'Employee Code of Conduct' as ethical standards for engaging in business activities to improve practices sticking to the principles while conducting their given tasks.

Ethical Compliance Program and Training

Each year, Shinhan Financial Group provides joint ethical compliance education via online at the group level. In 2017, Shinhan Financial Group conducted pop-up trainings nine times under the theme of financial incident prevention cases and each subsidiary continues to provide its own ethical compliance education in consideration of the characteristics of its business. Regular compliance education encompassing the headquarters, sales branches and overseas branches is provided and self-inspections are carried out through internal control monitoring activities.

Internal Control System and Structure

The internal control of Shinhan Financial Group is being supervised by the legal compliance managers of the holding company. The subsidiary legal compliance managers are regularly informed through the legal compliance audit report and internal transaction report in order to manage and oversee the internal control activities to determine whether they are being carried out appropriately while also conducting yearly themed inspections regarding the subsidiaries and on-site inspection of internal control execution.

In early 2017, each subsidiary reviewed the status of internal control systems and operation of the previous year and reported the result to the board of directors. The first competency building training for employees of the internal control department of each subsidiary was provided twice in February and August of 2017. Shinhan Financial Group plans to provide the training on a regular basis at least twice per year.

Expanding Education Regarding Disturbances of the Market Order

Each subsidiary reinforces training and monitoring activities to ensure that employees fully understand the regulations regarding the Amendment of Financial Investment Service and Capital Markets Act (effective as of July 1, 2015) for the purpose of regulating

the actions that lead to disturbance of market order as well as to ensure that no employees violate these regulations. In 2017, the group-wide educational materials were developed and provided to all subsidiaries to conduct training for related employees.

We classify and constantly monitor subsidiaries' departments that are highly likely to handle undisclosed information and develop and review checklists to protect conflicts of interest among departments. Moreover, we prevent unfair trades by expanding the range of people subject to compliance with the financial investment product transaction reporting system to include both employees of relevant departments and their immediate family members.

Implementation of Money Laundering Prevention Activities

Shinhan Financial Group complies with the recommendations of the Financial Action Task Force (FATF), an international money laundering prevention institution, as well as the Act on Reporting and Use of Certain Financial Transaction Information and implements obligations to prevent money laundering and terrorist financing by monitoring transactions.

Under these circumstances, Shinhan Bank has launched the Money Laundering Risk Assessment System in order to devise the process for preliminary identification and mitigation of risks regarding possible money laundering within bank. Department within the headquarters that are highly exposed to risk were analyzed to identify the essence of risk factors and measure the probability of occurrence. The branches were subjected to an analysis of the business environment, customer characteristics, types of customers to quantify the money laundering risk factors, and established a response strategy to implement anti-money laundering activities.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

Case. Data Protection, the First Step for Safe Financial Transactions

Enhancing Trust by Strengthening Ethical Management

Reinforcing the 'Financial Customer Protection' System

Safe Management of Financial Information

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Reinforcing the 'Financial Customer Protection' System

Establishing a System to Protect Consumer Rights and Benefits

Shinhan Financial Group installs the 'Financial Customer Protection Center', an organization dedicated to financial customer protection activities and appoints the Chief Consumer Officer (CCO) under the immediate control of the Chief Executive Officer to ensure the independence in carrying out his or her duties. Shinhan Financial Group also shares consumer protection issues through quarterly meetings of the 'Financial Customer Protection Council', a consultative body of related agencies and established the 'VOC Committee' under the council to gather customer suggestions and complaints to reflect on the policies, systems, and business activities of the company.

Shinhan Bank shares customer complaints without making any adjustments, discusses measures for improvement during monthly directors' meeting organized by the president of the bank and reflects the result to its businesses. The bank also permanently operates consumer protection council centering on heads of departments and collects big data related to customer complaints, actively engaging in activities to protect the rights and benefits of financial customers.

Establishing the Complete Sales Process

Efforts to protect customers by establishing an internal prevention system and operating its process to minimize customer complaints of financial companies are increasingly important these days. Shinhan Financial Group strives to protect customers in advance through the institution and system to eradicate incomplete sales.

Shinhan Life Insurance upgraded its complaint handling system to register all customer complaints to VOC for intensive monitoring of cases with types that are highly likely to spread dissatisfaction. Shinhan Investment Corp. provides the 'subscription withdrawal' service within 5 days of purchase and the 'zero complaint' service that returns investment principals for incomplete sales of financial products to protect its customers.

Responding to the Customer Protection Regulatory Environment

The Financial Supervisory Service amended the 'Best Practices for Financial Consumers' in January, 2017, urging the provision of comprehensive and systematic measures to protect vulnerable groups. Also, more issues related to financial consumer protection are reported along with the increase in sales of derivatives and other high-risk products. Shinhan Financial Group is responding to such changes so that financially vulnerable groups including seniors and people with disabilities do not suffer disadvantages and inconveniences during transactions.

Shinhan Bank implements comprehensive measures to protect financial consumers each year and completed 194 tasks to enhance the rights and benefits of customers in 2017. Based on such efforts, Shinhan Bank carried out various activities including reinforcing a process to protect investors vulnerable to Bancassurance products (seniors), developing products supporting financially marginalized groups and SMEs, and operating 'joint heart windows' for seniors and people with disabilities.

The Group-Wide Information Protection Compliance System

Shinhan Financial Group stipulates the information protection responsibility of financial companies and continues to improve its institutions and systems to provide safe financial services to customers. Also, the group operates the Future Threats Council to discuss and check issues related to new technologies and information protection along with external specialists to safely use the information in digital era, responding to digital innovation.

Shinhan Financial Group has been operating the information protection compliance system at the group level since 2014, which is composed of massive management processes encompassing personal data protection and all ICT security areas, instead of simple regulatory responses for compliance. Based on the system, the group maintains a high level of information protection achieving the duty of good faith and due diligence by 100% through the process of setting clear goals and objectives, checks and improvement.

Shinhan Financial Group operates internal systems to avoid credit information leakages and improves its information protection management system by identifying and evaluating weak points each year. In 2017, the group conducted site inspections on its subsidiaries and checked the management status and responses to practical information leaks.

As the group expands its operation to the global level, it is developing information protection systems by country. We have established global compliance standards to provide stable support for global businesses and develop an information protection system conforming to domestic regulations. We have provided guidelines based on the analysis of laws and regulations of the country and conducted on-site inspections.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

Case. Data Protection, the First Step for Safe Financial Transactions

Enhancing Trust by Strengthening Ethical Management

Reinforcing the 'Financial Customer Protection' System

Safe Management of Financial Information

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Safe Management of Financial Information

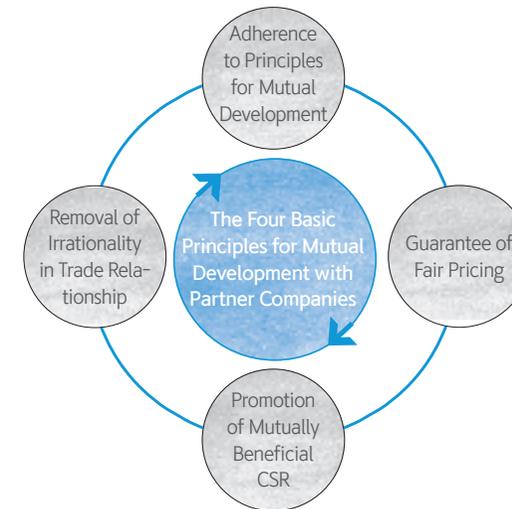
Adherence to Principles for Mutual Development

Shinhan Financial Group conducts fair trading without discrimination with all partner companies in trading relationships. In principle, restriction in bidding and discriminatory evaluations based on company size differences are prohibited and clear standards regarding contract methods are revealed when conducting a trade with a partner company to allow for transparency. Shinhan Bank discloses its biddings through its website and clearly states for a partner relationship that can grow through mutual respect within its contracts with partner companies.

Shinhan Card attaches the corporate integrity agreement, code of conducts for suppliers, privacy and data protection requirements for suppliers in every contract, conducts a fair bidding process, and selects suppliers based on purchasing rules and regulations. In December, 2017, Shinhan Card amended the entire contract provisions for fair and proper contracts for its business and purchasing duties and responsibilities are stipulated in the standard form of contract.

Removal of Irrationality in Trade Relationships

Shinhan Financial Group conducts satisfaction surveys with partner companies to improve on any irrationality in trade relationships and trade convenience. The trade relationship improvement activities such as improvements to the purchasing procedure, the establishment of work process, planning of group-wide events, and work inefficacy are performed based on the survey results. The 2017 survey results revealed that 82.6% of the companies are either very satisfied or satisfied with the trades and Shinhan Financial Group has been evaluated positively by its partner companies in terms of its efforts to improve relationships with them (respondents: 228 suppliers, response rate: 30.2%).



Guarantee of Fair Prices

Shinhan Financial Group makes an effort to pay fair prices throughout all steps from bidding to payment. Preliminary briefing sessions and overviews of the entire schedule are mandatory in the bidding stage, and we are continuing to reduce the number of private contracts that cannot guarantee a fair price.

We notify the priority candidates for negotiation on the day of bidding and guarantee fair pricing by not renegotiating a quote that has been submitted within expected price range. As for the payment process, the payment schedule has been reduced from 30 days to 15 days for a speedy payment process. We also strive to establish sustained fair-trade relationships by not having separate meetings that are irrelevant to the work.

Promotion of Mutually Beneficial CSR

Since 2014, the ICT department of Shinhan Card has been selecting 10 outstanding partner companies among 200 ICT suppliers each year to provide support for shared prosperity and seek for new options for mutual development. Also, the company jointly engages in social contribution activities with its partners to practice compassionate finance by utilizing their ICT expertise. In 2017, Shinhan Card provided education to get acquainted with smart devices and enhance the awareness on electronic financial frauds (explaining voice phishing cases and prevention education, etc.) for vulnerable groups in informatization.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

Case. Sharing New Hopes by Writing a Letter

Mutual Growth with SMEs and Startup Businesses

Inclusive Finance for Financially Disadvantaged Groups

34 Establishment of a Creative and Open Culture

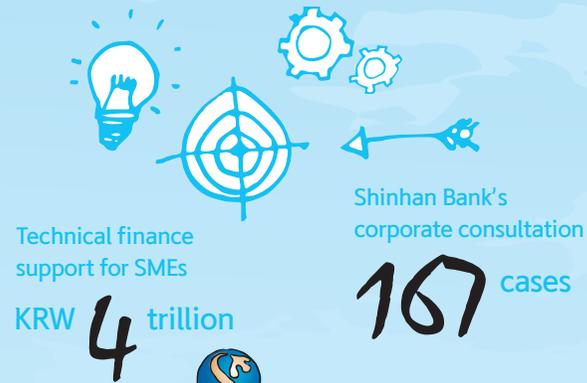
38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Improvement of Financial Inclusion

Shinhan Financial Group provides various products and services embracing SMEs, the working class, the underprivileged, and socially marginalized groups to create a virtuous circle of enhancing values of Shinhan and the society.



SMEs, the working class, and startups

Services for socially marginalized customers

Financial Services for the Underprivileged

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

Case. Sharing New Hopes by Writing a Letter

Mutual Growth with SMEs and Startup Businesses

Inclusive Finance for Financially Disadvantaged Groups

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

CASE STUDY

Sharing New Hopes by Writing a Letter

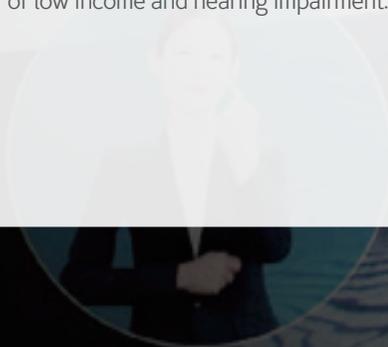
It is true that accessing financial services has become easier. However, it is still difficult for people with low credit scores or low income to receive loans. Based on this background, the New Hope Spore Loan, a finance product for the working class is providing a small help but big hope to customers who are under difficult circumstances.

A customer handed over a small note to Lee Kwang-pyo, an employee of Shinhan Bank working at the Seongsu-dong branch. The customer was a hearing-impaired person and his message read as follows, "Please, write down what you say, I have a hearing loss."

His name was Choi Jun-suh and he needed emergency loans to live on but was rejected several times due to disadvantages of low income and hearing impairment.

He joined the company only 2 months ago and his bank account balance was not enough to meet the loan requirements. However, Shinhan Bank provided the New Hope Spore Loan to him in recognition of his diligent efforts demonstrated in previous workplaces, despite many unfavorable conditions.

Likewise, Shinhan Financial Group intends to deliver a voice of hope to more customers through New Hope Spore Loans. Shinhan will be your financial partner who truly supports your future in order to build a hopeful society where everyone lives a happy life.



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

Case. Sharing New Hopes by Writing a Letter

Mutual Growth with SMEs and Startup Businesses

Inclusive Finance for Financially Disadvantaged Groups

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Mutual Growth with SMEs and Startup Businesses

Support for the Growth of SMEs

Fostering SMEs as the backbone of national economy is one of key roles of financial companies contributing to a virtuous circle for the society through compassionate financial activities. Small and medium-sized companies are still facing unfavorable conditions in conducting their businesses, although the society's perspective on them is changing and there is a growing number of polices and instruments being implemented to support SMEs. Hence, the SME and Venture Financing Department of Shinhan provides financing support and consulting services to them according to the stages of corporate life cycles through business agreements with external agencies. In line with government policies, Shinhan Financial Group offers financing supports that are tailored to the purposes of job creation, companies engaging in new growth engine industries, ones with outstanding technologies, and the ones creating social and economic values in order to encourage their growth.

Shinhan Financial Group is also expanding partnership agreements with public institutions and other external agencies and developing low-interest loan products. Shinhan Bank has jointly developed and provided guarantee secured loan programs with Korea Credit Guarantee Fund (KODIT) and Korea Technology Finance Corporation (KOTEC) as well as funds at low interest rates along with the Ministry of Employment and Labor (MOEL) and Ministry of Trade, Industry and Energy (MOTIE) according to the government direction to support SMEs.

Expansion of Synergies with Startups and Venture Businesses

The ICT industry that is mainly led by startups not only poses new challenges but also creates opportunities to financial markets. Shinhan Financial Group utilizes its platform to create an ecosystem of coexistence with startups and venture businesses and discover new growth engines. We also expand our supports in the form of investment and loans and increase the possibility of successful businesses through financing solutions so that they can grow into solid medium-sized companies.

In December 2017, Shinhan Bank and Korea Venture Business Association concluded a 'strategic agreement to support the innovative growth of venture businesses' to create a cooperative network to discover and support venture businesses with outstanding technologies and provide prime rates to companies with superior performances. Shinhan Bank launched 'loans for leading companies of new growth industries' to support promising businesses equipped with technical prowess and growth potential sufficient to lead the fourth industrial revolution. It also has installed Do Dream Space and operated programs to foster startups with the goals of training 300 persons and supporting the launch of 20 startup businesses each year.

Support for Small Entrepreneurs for Their Successful Business

Independent business owners and small entrepreneurs, who form the backbone of the Korean economy, are facing difficulties due to intensified market competition and long-term economic depression. Shinhan Financial Group is expanding its support for small entrepreneurs that is previously centered on loans in order to provide fundamental solutions and root for their success. We are also contributing to ensuring liquidity by providing financial support such as the Loan for Promotion Fund for Small Entrepreneur Market along with the Special Guarantee Loan for Company Restructuring and Job Support. Meanwhile, we provide non-financial services to reinforce the competitiveness through supporting startup lecture halls, and business district consultation utilizing Shinhan's business district system.

'Project S', which was designed to support small entrepreneurs for their successful business, provides three differentiated programs. To be specific, 'Shinhan SOHO Community' regularly updates sales tips and the latest market trends via online and 'Shinhan Secrets of Success Seminar for Independent Business Owners' and 'Shinhan SOHO Incubation Program' provide trainings for practical business activities. 'Project S' is different from Shinhan's loan-based and one-dimensional support in the past and directly supports small-scale business owners to succeed and grow further in various fields by helping them to enhance their capabilities.

Technological Finance Support (Tech Credit Bureau Loan)

6,798 companies
KRW 4 trillion*

* Total 21,688 cases, KRW 12.3 trillion (as of the end of 2017)

Relationship-oriented Finance*

964 companies
KRW 480.40 billion

* Supply fund utilizing the information on technological capacity and business outlook

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

Case. Sharing New Hopes by Writing a Letter

Mutual Growth with SMEs and Startup Businesses

Inclusive Finance for Financially Disadvantaged Groups

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Inclusive Finance for Financially Disadvantaged Groups

Microfinance Support

1,575 cases

KRW 17.82 billion*

*10,558 cases and KRW 138.2 billion in total

Shinhan Microfinance Foundation for the Working Class

In October 2009, Shinhan Financial Group announced participation in the Microfinance Project for the first time among financial companies and launched the Shinhan Microfinance Foundation. The Shinhan Microfinance has been supplying small loans for opening businesses and operating funds without collateral or guarantees for the financially disadvantaged groups, who are unable to receive loans from major financial institutions due to low credit ratings and low income.

Developing Products to Support the Working Class

Protecting marginalized groups in financial blind spots and providing them with stable financial services are basic social responsibilities of financial companies. Shinhan Financial Group practices compassionate finance as a partner of customers who shares and grows together through products supporting the working class and improves the quality of their lives by providing multiple products. Shinhan Financial Group offers products, services, and solutions tailored to the needs of the working class and disadvantaged groups and promotes inclusive finance that contributes to removing financial blind spots.

Shinhan has arranged a business agreement with the Korea Inclusive Finance Agency in July 2017, and became the first financial group providing microfinance, public and private debt adjustments, and job support for the working class. Our efforts were recognized by the Financial Supervisory Service (FSS) as best practices in financial support for the working class.

In 2017, we surpassed our financing target of the 'New Hope Spore Loan', a product for the working class and customers with low credit ratings and low income, and were selected as the 'most outstanding institution with regard to activities for supporting the working class finance' for 5 consecutive years. The New Hope Spore Loan is a loan program available in all banks dedicated to the working class who have to rely on products with high interest rates provided by non-monetary institutions or lenders due to low credit ratings and low income. According to the FSS, the total amount of financing through the New Hope Spore Loan was KRW 3 trillion in 2017, a 32% increase compared to previous year. Among them, Shinhan Bank accounted for KRW 543.8 billion.

Shinhan Bank was the first Korean financial company which launched 'Sunny New Hope Spore Loan', a mobile-only product that does not require any paperwork or branch visits, setting an example for the industry. The bank also financed KRW 109.3 billion through 'the Mid-Interest Rate Loan for the Working Class', a representative

mid-interest rate loan program, reaching the No. 1 spot in the banking industry.

Shinhan Card launched the 'Deep Dream' card, a card tailored to the lifestyle of the working class to mark the 10th anniversary of integration. Deep Dream card with benefits of saving money on living expenses to the highest level in the country was widely accepted by the working class and the number of card issued exceeded 500,000 as of December 2017. Shinhan Savings Bank is also doing its best to expand financing support for the working class based on synergies of Shinhan Financial Group. Shinhan Savings Bank operates Hug Loan Linked Services to provide loans to customers who were unable to receive the same service through Shinhan Bank.

A Society in Which Differences are Accepted

For the first time among Korean banks, Shinhan Bank released 'Future Design for You', a mobile app providing customers who are in the retirement age group with financial and non-financial information in January 2017. The app was designed to have larger font size and more easily accessible menus compared to the existing mobile banking applications to create a better experience for senior customers. Customers are also provided with detailed retirement consulting services through Korea's first one-stop retirement planning platform 'Future Design for You'.

For foreign customers, we operate a directory for the call center dedicated to foreign customers providing translation and consulting services in foreign languages. We have provided 6 foreign language services including English, Japanese, Chinese, Vietnamese, Mongolian, and Thai and three more languages (Russian, Cambodian, and Filipino) are added in May. Foreign customers can also enjoy foreign language services in our mobile platforms. In particular, 'Wongok Foreign Exchange' in Ansan city, Gyeonggi Province, has developed and provided financial services tailored to the needs of foreign customers.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

Case. Open Culture to Respect Diversity

Nurturing of Technology and Trend-oriented Talent

Smart Working System for Work-life Balance

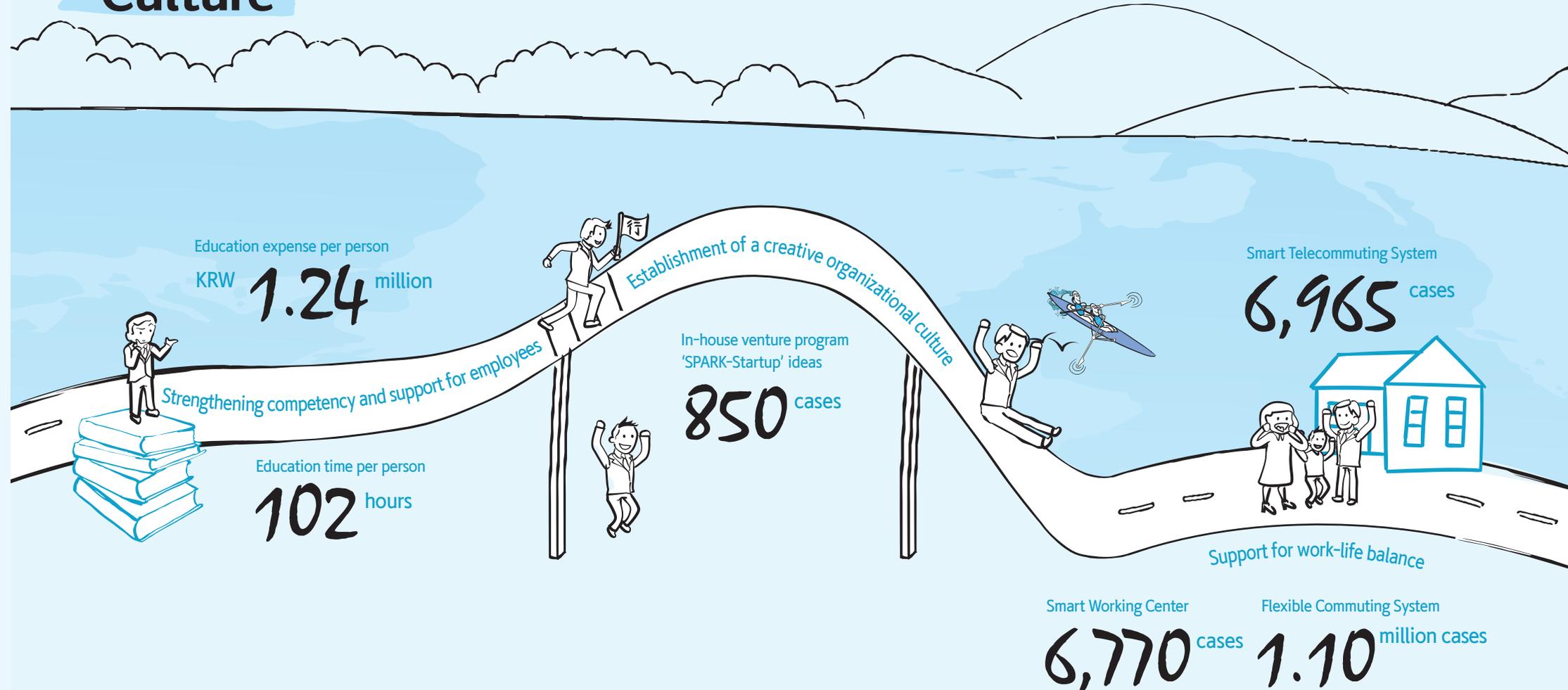
38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Establishment of a Creative and Open Culture

Shinhan Financial Group strengthens employee competency and promotes changes through a creative and innovative corporate culture. Also, we strive to create an employee-friendly working environment to make a company in which all employees are happy.



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

Case. Open Culture to Respect Diversity

Nurturing of Technology and Trend-oriented Talent

Smart Working System for Work-life Balance

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

CASE STUDY

Open Culture to Respect Diversity

Creating a flexible organizational culture and a corporate culture that respects diversity are increasingly important along with rapid ICT changes and globalization of the corporate market. Furthermore, there are growing trends to attract and retain talents with various experiences and values, promote to utilize female talents, and build a culture of gender equality in the workplace to enhance corporate adaptability and creativity.

Shinhan Financial Group is pushing for 'measures to foster female talents' to nurture female business leaders to increase the contribution of women employees with outstanding creativity, empathy, communication capabilities to the organization as well as corporate diversity and flexibility for sustainable growth. In December 2017, for instance, we have installed a task force as the group level to nurture female managers, analyzed related systems, benchmarked the best practices of leading businesses and developed a mid-term roadmap with the aim of fostering female talents. We plan to establish a cooperative channel among subsidiaries through the Shinhan Women Leaders Forum and Women's Committee within the group to come up with detailed plans for implementation.

Shinhan Financial Group will emphasize an organizational culture of recognizing diversity to foster female talents, set gender equality goals, and develop a monitoring system to track the status of goal achievement. Furthermore, we are making efforts to support the work-family balance for employees and improve working conditions to create an infrastructure that allows women to freely showcase their abilities and avoids their career disruption. Specifically, we are planning to develop a plan to foster women managers and expand the plan to our global network in the future from the long-term perspective so that we can remove stereotypes of gender roles and provide inspiring role models for women leaders.

Women middle managers (manager or higher positions)

2,489 persons

22.7%



Shinhan Bank's communication brand Do Dream

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

Case. Open Culture to Respect Diversity

Nurturing of Technology and Trend-oriented Talent

Smart Working System for Work-life Balance

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Nurturing of Technology and Trend-oriented Talent

Strengthening Employee Competency in Technology and Trends

Reinforcing the digital competency of employees has been selected as an important strategic task as the group as a whole is being managed in terms of a talent pool. Shinhan Financial Group is also operating a digitally innovative organization and a digital training program for employees. In July 2017, Shinhan Digital Innovation Institute (SDII), a group of experts to concentrate its new digital technology competencies was launched. SDII is composed of 5 labs (AI, blockchain, Open API, cloud computing, and digital experience) and 57 employees of the holding company and subsidiaries with expertise in related fields are participating in SDII to promote the group's digital transformation strategies. Furthermore, Shinhan Financial Group has installed a master's degree program dedicated to digital financial engineering to develop experts on the core financial technologies of the future. We are planning to secure 1,000 digitally talented employees and about 100 experts by 2020.

Fostering Financial Talents

Each subsidiary of Shinhan Financial Group provides various education and training programs to enhance employee digital capabilities and brace for the new era of change.

Shinhan Bank is reinforcing the competency of its professional workforce in the field of asset management and corporate financing for developing professional manpower with consulting capabilities and developing talent that can respond to environmental changes in the future through ensuring job flexibility. Shinhan Bank has established intensified courses for corporate financing and asset management to educate its employees and operated its 'Career Plus School' program for those who hope to work in certain positions in the departments at the headquarters (IB, Dealer, Risk, Digital Banking, Big Data, IPS). Shinhan Savings Bank also established the RM school to enhance RM capabilities and the understanding on loan sales of employees.

Education time per person

101.9 hours

Education expense per person

KRW 1.24 million

Operation of a Creative Organization to Discover New Growth Engines

Shinhan Financial Group strives to enrich employees' creative capacities for constant change and innovation. We operate various creative groups to develop a process that employees voluntarily provide creative ideas, and leaders support the realization of such ideas.

Shinhan WM group launched its first Wealth Management Innovators (WMI) in March 2017. WMIs are composed of employees dedicated to seek new changes in the WM business and they discover and recommend creative ideas in various fields and carry out roles as windows for communication with sites and the WM group.

Shinhan Bank operates in-house venture program 'SPARK-Startup' in which employee can freely provide and realize finance-related ideas. Shinhan Card has invited employees to participate in a venture program titled 'In-house Venture 220M VOLT' and operated 3 venture business teams (VEN) in areas of weddings, medical contents, and P2P based on the selected ideas after incubation and review.

Expansion of Communicative Culture for Change and Innovation

Shinhan Financial Group emphasizes a value of communication for change and innovation by removing barriers between subsidiaries and ranks to expand the communicative culture. The opinion leader group S-Force and Young-Force, a group equivalent to that of the deputy manager level, were established to carry out activities to continue Shinhan culture's creativity and its advancement. In addition, there is S-SQUARE, which discusses major items on the agenda within Shinhan Bank and makes suggestions to employees, and the Smart Work Campaign which shares the management philosophies of the CEO with employees and makes an effort to reflect employee opinions in the company policy.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

Case. Open Culture to Respect Diversity

Nurturing of Technology and Trend-oriented Talent

Smart Working System for Work-life Balance

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Factbook

Smart Working System for Work-life Balance

Smart Working System Leading to Employee Satisfaction and Customer Trust

Shinhan Financial Group intends to realize a corporate culture of creating a great place to work so that employee satisfaction can lead to the best customer service.

Shinhan Bank has implemented the Smart Work System in July of 2016 to expand the creative and innovative culture through changes in the way of working. Therefore, employees were able to work without being limited in terms of time and space by implementing Smart Working Centers, the Smart Telecommuting System, and the Flexible Commuting System. The scope of the Smart Work System has expanded in 2017. For instance, the Flexible Commuting System was expanded by requiring employees to use the system for more than three times per week, which was stipulated to use it for two times per week. Also, 105 employees who were subject to the Smart Telecommuting System were officially appointed. Shinhan plans to further discover smart telecommuting duties to increase the number of employees under the program and reinforce flexible working hours in line with the Flexible Commuting System.

Better Work-life Balance of Employees through Maternity Protection and Childcare Support

Shinhan provides various welfare systems with regard to childcare and parenting to support the work-life balance of employees. Along with the maternity leave, we provide a series of working hour systems including a shortening of daily working hours for pregnant employees by 2 hours and the flexible working hour system, etc. In addition, Shinhan Card systemized all regulations and institutions related to pregnancy at work such as vacations for prenatal diagnosis, maternity leave before after delivery and others in order to support the maternity protection systematically and proactively.

Shinhan Card has introduced the Flexible Commuting System to reduce working hours so that employees can strike a balance between work and childcare through the Shinhan i-Care program, guaranteed menstrual leave for fertile women and provided fertility leave and the cost of fertility treatment. We also provide pregnant employees with designated chairs to help them reduce pregnancy fatigue. We plan to extend the period of maternity leave and introduce infertility leave to reinforce childcare support for employees.

We are also strengthening childcare support for employees by expanding childcare facilities. Shinhan Bank is currently operating 4 company daycare centers in the metropolitan area and has admitted more children and installed new centers to build an environment to accommodate 200 children. In 2018, we plan to maximize synergy effects by building childcare centers for employees of Shinhan Financial Group from the One Shinhan perspective.

Operation of Employee Welfare Programs

Shinhan Financial Group implements various systems and programs to improve employees' health and welfare.

Shinhan Bank operated a health improvement program titled 'Reducing Biological Age' for the systematic management of employee health. The company provided the estimation of the biological age of vital organs, exercise tips to stay young, and diet methods to promote a healthy lifestyle among employees and create a health workplace. Shinhan plans to introduce the Shinhan mental health diagnosis program in 2018 to expand its support for mental health of employees such as stress and depression management, parenting, and improving marital relationships. Also, the employee health checkup system, medical expense support system, and employee marathon and walkathon events are operated at the group level.

Shinhan encourages in-house club activities for employees to develop their hobbies and pursue happiness. Shinhan has implemented a club incubation program and Communication Up program along with clubs within the company. As of 2017, 1,155 employees are actively participating in 33 clubs.

Meanwhile, we have established various welfare facilities such as a cafeteria, cafe, and gyms to improve the working environment and convenience for employees. We also provide leisure resorts at home and abroad to provide employees with an opportunity for rest and refreshment.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

Case. Compassionate Finance, Your Companion for the Future 'Society of Hope Project'

Participation in Local Communities and Social Contribution Activities

Expansion of Responsible Investment

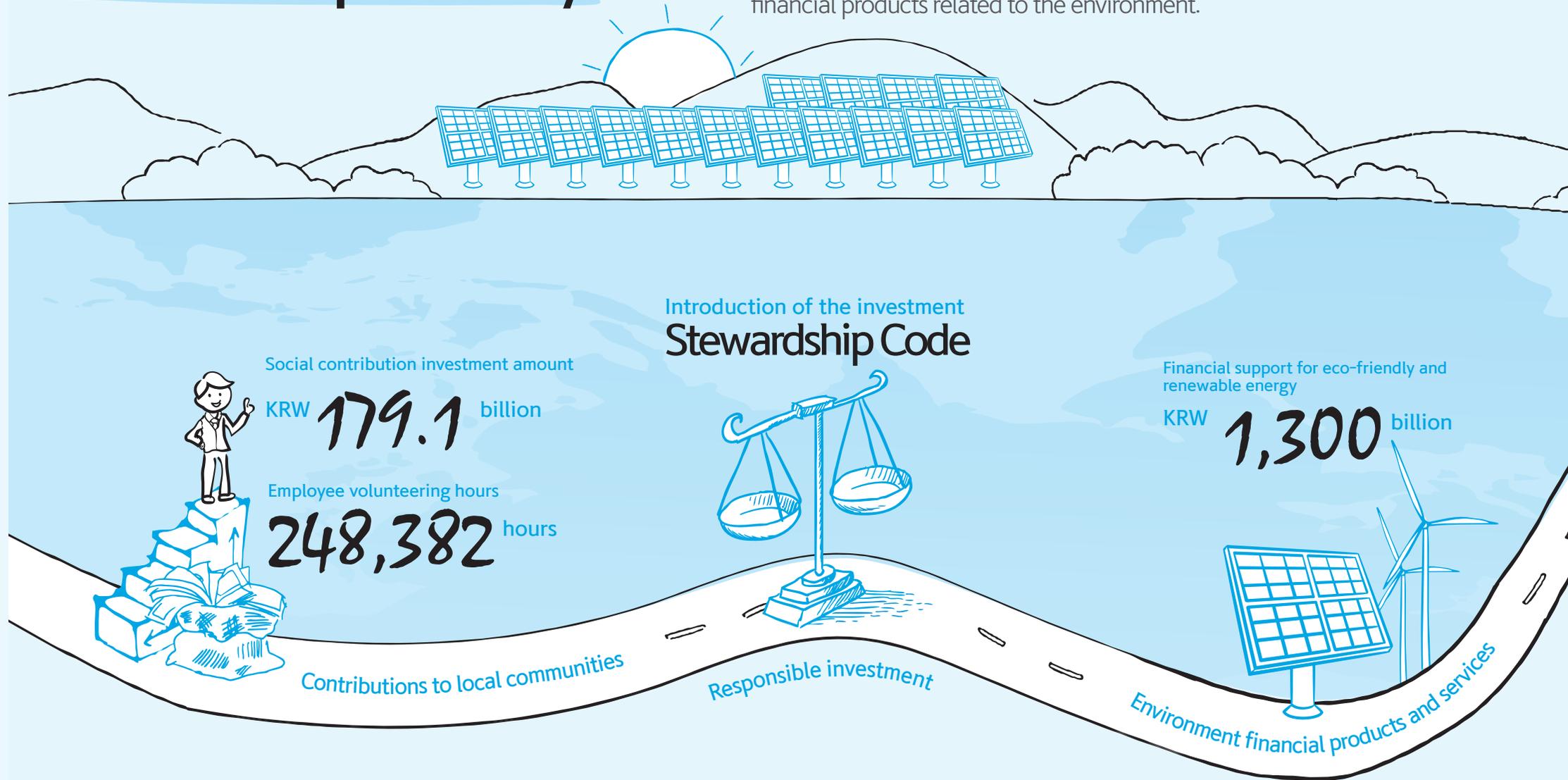
Providing Green Financial Products and Services

43 Environmental and Social Risk Management

Factbook

Realization of Positive Social Responsibility

Shinhan Financial Group engages in various social contribution activities for local communities, introduces the Stewardship Code to fulfill social responsibilities relevant to its core business of financing, and operates financial products related to the environment.



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

Case, Compassionate Finance, Your Companion for the Future 'Society of Hope Project'

Participation in Local Communities and Social Contribution Activities

Expansion of Responsible Investment

Providing Green Financial Products and Services

43 Environmental and Social Risk Management

Factbook

CASE STUDY

Compassionate Finance,

Your Companion for the Future

'Society of Hope Project'

Shinhan Financial Group launched a new social contribution project to practice its mission 'Compassionate Finance, Your Companion for the Future' with the spirit of 'benefiting the world through the power of finance'. The 'Society of Hope Project' represents the determination of Executives and the Board of Directors that all subsidiaries of Shinhan will lead the efforts for the sustainable growth of the Korean economy and realization of social values.

Shinhan Financial Group plans to engage in 'mutually beneficial activities' that raise values for the customers, Shinhan, and society and support income-led growth and innovation through the 'Society of Hope Project'. It is a social contribution program of injecting KRW 270 billion by 2020 in total to support the income earning activities of socially marginalized and low-income groups and the growth of SMEs.

We are helping customers with low credit ratings, employment of women with low-income, youth seeking work overseas, establishment of after-school childcare centers for their economic independence. We also aim to contribute to enhancing

individual and institutional capabilities by supporting urban regeneration projects and youth training for the fourth industrial revolution from the perspective of innovative growth. All subsidiaries of Shinhan Financial Group will continue to implement the 'Society of Hope Project' by 2020 to be engaged in more strategic and developed social contributions.



Financial Recovery Program for People with Low Credit Ratings

Shinhan Financial Group has arranged a business agreement with the Ministry of Employment and Labor (MOEL) to provide a financial recovery program for people with low credit ratings as its first 'Society of Hope Project'. Among 5,000 applicants who are participating in the Successful Employment Package Program of MOEL, those who are subject to be engaged in the second stage of career training are provided with partial living expenses for 6 months to the maximum by the Credit Management Consulting Team of Shinhan Credit Information, besides training allowances. Shinhan Credit Information also provides them with credit and financial consulting services. The Credit Management Consulting Team has been expanded and operated to provide more active and engaged consulting services since early March.

Providing Support for After-school Child Care Centers for Women Experiencing Career Disruption

Shinhan Financial Group has signed an MoU with the Ministry of Gender Equality and Family and invested KRW 5 billion to support about 5,000 socially marginalized women experiencing career disruption to continue their work. Also, we will implement a project to 'establish after-school child care centers by injecting KRW 9.5 billion to build basic facilities that are favorable to parenting within the community.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

Case. Compassionate Finance, Your Companion for the Future 'Society of Hope Project'

Participation in Local Communities and Social Contribution Activities

Expansion of Responsible Investment

Providing Green Financial Products and Services

43 Environmental and Social Risk Management

Factbook

Participation in Local Communities and Social Contribution Activities

Social contribution expenses

KRW **1,791** million

Employee volunteering hours per person

248,382 hours

Social Contribution System and Activities

Shinhan Financial Group has been conducting businesses to support social minorities, disadvantaged groups along with the culture and arts, and the environment, and providing volunteer activities based on its coexistence, sympathy, and symbiosis which are its philosophy on social contribution.

The 'Grand Festival of Volunteer Work' consisting of various activities for mutual coexistence with local communities was first held in 2008, and all group employees attend the event between April and May each year. The 2016 Grand Festival of Volunteer Work was held under the slogan of 'Global One Shinhan' and overseas employees carried out various volunteer activities in welfare facilities in their regions such as Vietnam and India.

Our efforts for social contribution in consideration of the environment are constantly made in various forms. Shinhan Bank has installed sunlight power generation equipment in 26 welfare facilities and started the rooftop garden project since 2009. We also donated and recycled unused PCs belonging to the company and our employees, contributing to energy resource conservation and reuse.

The social contributions of Shinhan Financial Group have been creating a ripple effect across society and performance through continuous support over a long period of time to bring actual changes to the local community. The fund of KRW 100 billion endowed from the group was used to establish the 'Shinhan Scholarship Foun-

ation' in 2006 and it has given out scholarships amounting to KRW 22.6 billion to 6,031 students since its establishment. The scholarship program helps to identify prominent students who are suffering from harsh living conditions, in order to help them fulfill their potential.

Shinhan Bank is improving the facilities of senior welfare centers and senior community centers to improve the quality of life of the elderly in the era of the silver generation. Shinhan Bank has made a business alliance with the Ministry of Health and Welfare and the Korea Association of Senior Welfare Centers to build THE Dream guest rooms with the aim to establish a cooperative system for senior welfare and installed its first Shinhan THE Dream guest room in the municipal welfare center for seniors in Yongsan.

Shinhan Card has been operating the 'Arumin', the first website dedicated to donations operated in the financial industry as well as the first social contribution brand of the Korean card industry, for over 10 years. As of the end of 2017, over 270,000 customers have participated to collect KRW 5.2 billion in total. This has helped us to lead the way for the culture of small donations as an exemplary channel of donation in the financial industry.

Meanwhile, Shinhan Life Insurance has designated October as the period of '1004DAY Grand Festival of Volunteer Work' and has been engaging in volunteer activities to practice sharing with local communities since 2011. The company conducted the 'Compassionate Wall Painting' project in 2017.



Shinhan Financial Group's volunteer work – Creating Clean Cities Together



Shinhan Life Insurance's 1004 Grand Festival of Volunteer Work – Compassionate Wall Painting



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

Case. Compassionate Finance, Your Companion for the Future 'Society of Hope Project'

Participation in Local Communities and Social Contribution Activities

Expansion of Responsible Investment

Providing Green Financial Products and Services

43 Environmental and Social Risk Management

Factbook

Expansion of Responsible Investment

Efforts to Increase Responsible Investment

Shinhan is making various efforts to expand responsible management factors in its investment environment. For instance, Shinhan BNPP Asset Management utilizes external consulting agencies to assess the non-financial factors of each business for corporate analysis as its investment target. We regularly review corporate analysis data, attend relevant seminars, and immediately reflect governance or social and environment issues to the responsible investment portfolio when they occur. We are further seeking options to apply non-financial factors to our research materials and data.

In December 2017, we introduced the Stewardship Code containing contents related to socially responsible investment. Also, we plan to foster socially responsible investment funds on a consistent basis. Socially responsible investment funds are strategically selected centering on the ones with a huge growth potential, although the value of assets management is relatively small. We will do our best to attract pension funds and institutional funds in the future.

Meanwhile, we are providing the customers with marketing and education programs at the group level to raise their awareness on responsible investment. Through these efforts, we are enhancing customers' understanding on non-financial factors and actively promoting the fact that expansion of socially responsible investment is linked to their higher yields.

The performance of Shinhan BNPP 'Tops Beautiful SRI Fund', a strategic fund of Shinhan, continued to exceed the benchmark's return in 2017. Shinhan BNPP Asset Management operates a portfolio focusing on the ones with higher scores on non-financial factors by combining internal and external research data and materials and maintains outstanding performances as all of the 3-year performances are in the top 25%. In 2018, we will actively reflect factors relevant to responsible investment to maintain our performances in the upper ranks of the class.

Shinhan Life Insurance applies the asset management methods considering both social and environmental, and ethical factors and sticks to the principle of developing responsible products and services that increase the core value of insurance. Under the background of low interest rates and low growth, Shinhan Life Insurance plans to strengthen the competitiveness of variable insurance products by utilizing SRI funds and other relevant funds from the long-term perspective and contribute to the long-term growth of the society in general.

The company gradually increases and rebalances the scale of funds under management by comparing the assets and performance of ESG ETF related products of other management companies regularly. The company also reviews the possibility of partially including other funds besides them if it is considered that the value of ESG investment is higher than other assets to diversify the company's portfolio. Based on this, Shinhan plans to strengthen socially responsible investment and increase the yield rates of variable products from the long-term aspect.

Introduction of the 'Stewardship Code' to Implement Our Stewardship Responsibilities

Societal demands pertaining to shareholder return and corporate governance are increasing and the importance of transparent corporate management is being emphasized centering on the Korea Fair Trade Committee (KFTC). Recently, movements to adopt the Stewardship Code have been intensifying across the globe and South Korea's National Pension Service plans to introduce the Stewardship Code in the second half of 2018 as well.

Under such changing investment environments, Shinhan BNPP Asset Management prepares to adopt the Stewardship Code in December 2017 to lead a sound investment culture and improve profits from the long-term perspective.

The Stewardship Code clearly states the stewardship responsibilities and its introduction is expected to contribute to building a culture of long-term investment and sustainable growth. The stewardship responsibilities represent shareholder activities of reviewing core corporate management items such as strategies and performances, risk management, environment, society, and governance. Shinhan plans to communicate with the Executives of companies that are our asset management and investment targets in accordance with the proxy voting guideline.

Investment in companies and assets satisfying social and environmental demands leads to better performance for the long term. Moreover, this coincides with Shinhan's mission, 'Compassionate Finance, Your Companion for the Future' and offers higher yield rates for customers.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

Case. Compassionate Finance, Your Companion for the Future 'Society of Hope Project'

Participation in Local Communities and Social Contribution Activities

Expansion of Responsible Investment

Providing Green Financial Products and Services

43 Environmental and Social Risk Management

Factbook

Providing Green Financial Products and Services

Loan products and billings (as of the end of 2017)

(Unit: KRW million)

Loan for companies with outstanding green environmental management

6,150

New green corporate loan

101,057

Eco-friendly Products and Services to Promote the Transition to a Low Carbon Economy

Shinhan Financial Group implements policies to expand renewable energy PFs, eco-friendly funds, and green loan products based on its core business. The '2020 CSR Strategies', mid- to long-term strategies of Shinhan Financial Group proposed in 2017, set goals for climate change related projects to inject KRW 1.3 trillion in the form of loans and investment in green industries.

Shinhan Bank, Shinhan Investment Corp., Shinhan Life Insurance, and Shinhan Capital have provided deposit and loan products related to climate change from the beginning of the market and continued their investment on renewable energy as alternative options to the investment of owners' equity. Based on this, they launched the Group & Global Investment Group (GIB) to maximize the One Shinhan capacity and jointly invested KRW 100 billion to create a blind fund. 'Shinhan BNPP Future Energy Private Equity Fund No. 1' will be engaged in various transactions relevant to renewable energy for the next 22 years with the fund.

Vitalization of Green Finance by Expanding Partnerships with Environment-related Public Institutions

Shinhan Financial Group has established a cooperation platform with the government and public institutions related to the environment to vitalize green finance and support the industries that will led the future economic growth.

We have extended our policy support for ESS to expand its distribution as a technological foundation of the new energy industry and provided loans to both ESS suppliers and demanders under the 'warranty agreement on new energy industry' and which became the only financial support program specializing in the ESS industry (with 34 cases worth KRW 31.6 billion in total as of 2017). We are also actively participating in private-public consultative

bodies related to energy chaired by the Minister and Vice Minister of Trade, Industry and Energy including new energy industry convergence alliance and the financial investment committee on new energy industry.

We have launched the 'loan for companies with outstanding green environmental management' in April 2017, concluded a 'business agreement for the vitalization of green financial products' with the Korea Environmental Industry and Technology Institute, a subsidiary public institution of the Ministry of Environment, to link the environmental data provided by the government institution (enVinance) with our loan qualification process. Companies exhibiting excellent green environmental management performance are provided with loans at prime rates and other preferred services.

Participating in Renewable Energy Projects

Solar energy is a stable asset to pursue a relatively high rate of return and a representative renewable energy source that can help to mitigate global warming effects and reduce CO₂ emissions. In 2017, Shinhan Financial Group financed various renewable energy projects contributing to expanding renewable energy generation facilities.

Shinhan will further develop funds that can invest in solar power projects and ones related to solar power ESS and secure investment opportunities preemptively in accordance with the government's action plan to implement the 'renewable energy 3020'. Also, demands for non-solar renewable sources such as wind power, biofuels, fuel cells, waste-to-energy, and others are increasing and which expands the investment on such areas as well. We participate in various projects in countries with a high consumption of eco-friendly energy including Japan, the US, Portugal and others.

Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

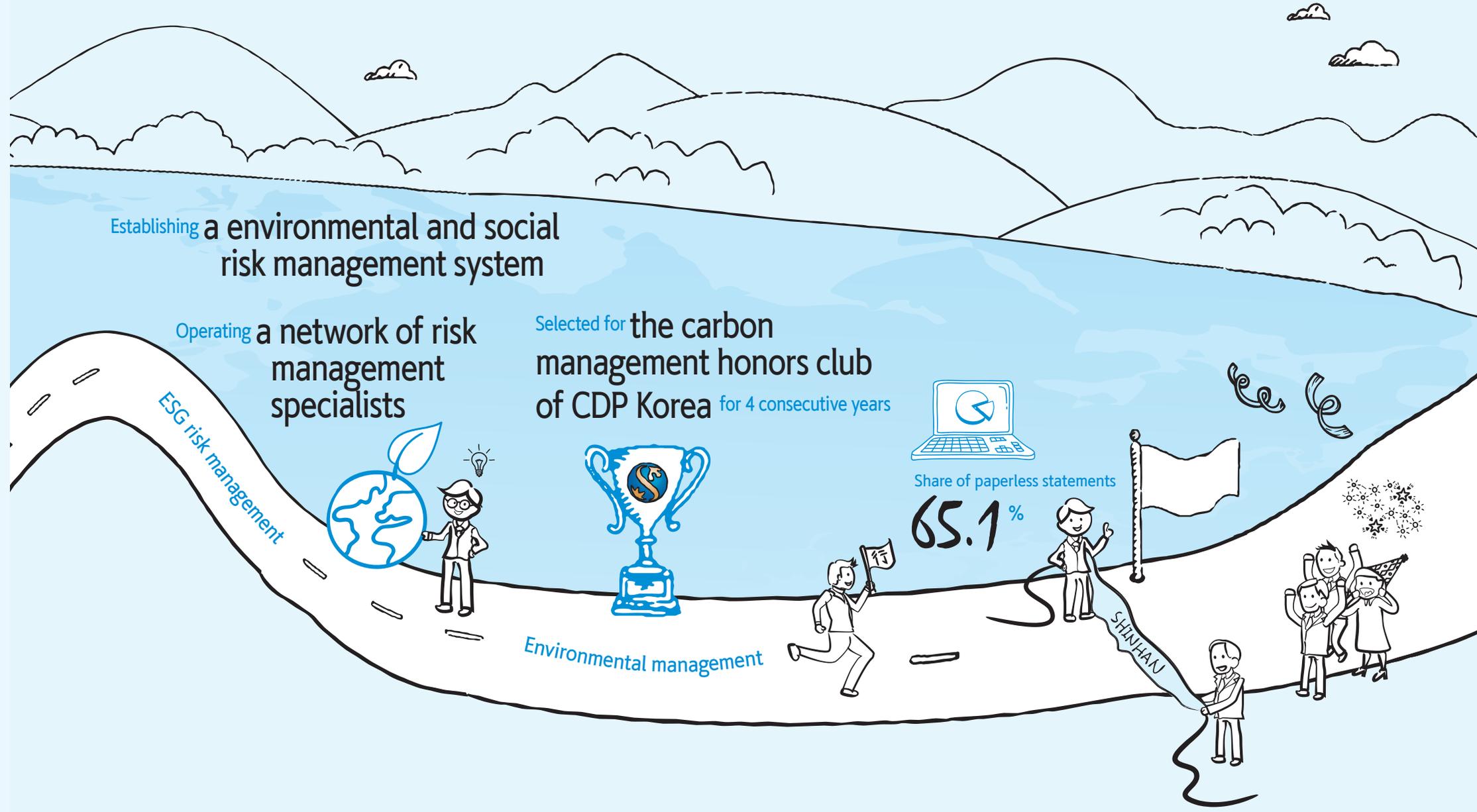
Case. Integrated ESG Risk Management

Environment Management

Factbook

Environmental and social Risk Management

Shinhan Financial Group has managed potential risks in consideration of the Environmental, Social and Governance (ESG) criteria and established eco-friendly operating processes to build a sustainable society.



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Case. Integrated ESG Risk Management

Environment Management

Factbook

CASE STUDY

Integrated ESG Risk Management

Shinhan Financial Group operates loan and investment policies in consideration of ESG issues to fulfill the social responsibility of a financial institution through sustainable finance and recognize risk factors related to the Environmental, Social and Governance (ESG) in determining its intent of loan and investment. To this end, we have introduced the Environmental & Social risk management policy framework (ESRM) and established the sector policy to designate and manage risky areas that are critical to the environment and society and create many issues and implemented the Environmental & Social risk review procedure (ESRP) for risk assessment and management of large-scale projects' financing.

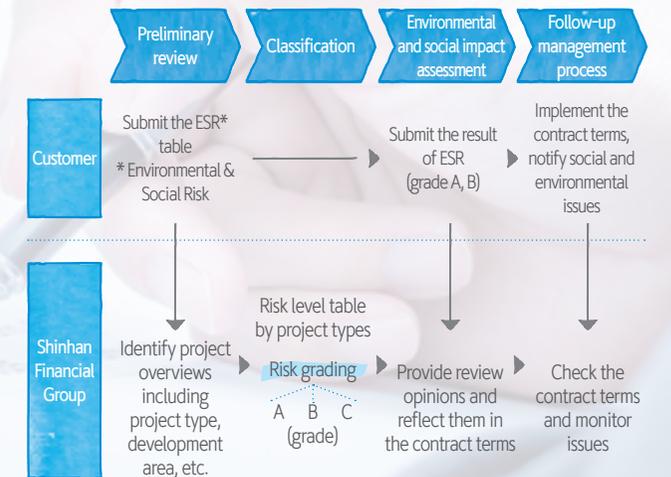
Designation and Management of Risky Areas

Shinhan has designated and managed areas and industries with huge social and environmental risks including GHG emissions, settlement violations and habitat destruction, industrial safety and health. By doing so, we have excluded areas that pose a negative impact on the environment and society significantly from our financial support and provided optional financing support for projects related to fossil fuel uses including climate change and fine dust. We have selected 12 risky areas based on the International Finance Corporation (IFC) guidance, excluded them from our financial support, and operated optional financing support as our policies.



Environmental & Social Risk Review Procedure (ESRP)

As for project financing, we grade risk levels according to the social and environmental impact of the potential development project and reflect the result of ESRP in our investment decision. Also, we prohibit loans to unhealthy types of businesses such as manufacturers of unhealthy entertainment tools, adult entertainment bars, and loan shark establishments on principle, and any new applications must be approved by the loan review committee. We conduct a series of reviews such as target selection, risk level classification, environmental and social impact assessment based on the Equator Principles to evaluate environmental and social risks of the project.



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Case. Integrated ESG Risk Management

Environment Management

Factbook

Environment Management

Establishment of the Integrated Green Management System

Shinhan Financial Group promotes environmental management throughout the entire group by the 'CSR Committee' which is a sub-committee within the Board of Directors. Each subsidiary has the 'Integrated Green Management System' that quantitatively measures and manages the amount of greenhouse gas emissions and energy usage with indicators. Shinhan Bank has established an 'environmental and energy management council' mainly consisting of members from its strategic planning department to continue our efforts in reducing GHG emissions and energy usage. We plan to expand and operate the council to the group level in 2018.

We have established the environment and energy management policy and managed and monitored 12 environmental indicators including water, waste, green purchase, paper, etc. Likewise, we are promoting our policy for energy reduction systematically while simultaneously responding to the demands of external stakeholders for the public disclosure of environmental information. Thanks to such an excellent system, we have earned ISO14001 certification and joined the UNEF Financial Initiative (FI) to disclose the environmental information.

Environmental performance indicators

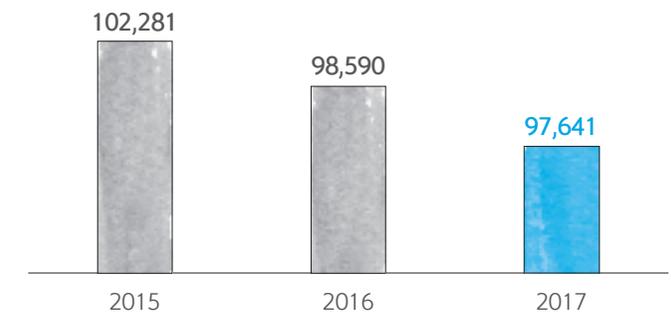
Operating performance			Management performance		
Resource management	Energy and GHG management	Waste management	Green management education	Green products and services	Social contribution
Paper usage	Energy usage	Amount of waste generated	Green management education	Green product purchase rate	Social contribution result
Water usage	GHG emissions	Waste recycling rate		Green product result	
Water recycling rate	Business travel distance				

In recognition of our continuous efforts and interest to prevent climate and environmental changes, Shinhan has been the first Korean financial company to be selected as a member of the Carbon Management Honors Club, a global sustainability assessment system related to climate change by CDP Korea, for 4 years in a row as of October 2017. CDP refers to the Carbon Disclosure Project, a global project led by the financial industry that demands to disclose the information of listed companies in terms of responses to climate change at the request of global financial investment institutions.

Shinhan Financial Group became the only Korean financial company to obtain 'Leadership A' in this year's assessment and was accredited for having the best level of response system to climate change.

GHG emissions of Shinhan Financial Group

(unit: tCO₂eq)



Framework

Impact

20 Provide Solutions to Improve Customer Value

25 Fair and Ethical Business

30 Improvement of Financial Inclusion

34 Establishment of a Creative and Open Culture

38 Realization of Positive Social Responsibility

43 Environmental and Social Risk Management

Case. Integrated ESG Risk Management

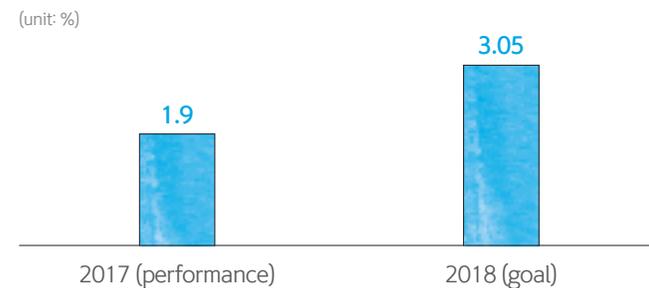
Environment Management

Factbook

Greenhouse Gas and Energy Target Management System

Shinhan Bank is assigned an annual target goal in terms of reducing greenhouse gas emissions from the government as a company subject to the 'Greenhouse Gas Energy Target Management System' and proceeds to perform activities for reduction to contribute to achieving the national goal for greenhouse gas reduction. Shinhan Bank has established yearly interim emissions reduction targets to keep the company on track to meet the national goal of reducing 37% of emissions from the business-as-usual (BAU) level by 2030 and monitored related activities.

Shinhan Bank, Goal for Greenhouse Gas Reduction (compared to expected emissions)



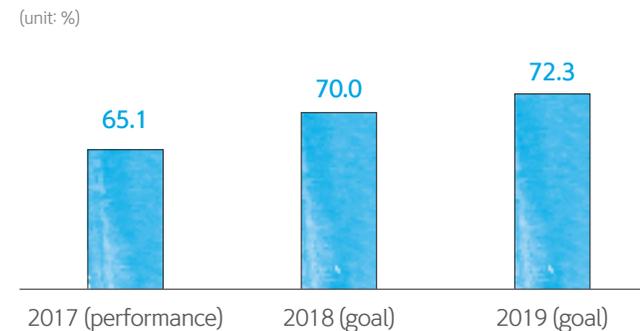
In 2017, the company was assigned emission allowances of 112,046 tons by the government and achieved even more at about 27.1% or 30,396 tons, which equals to 1.9% reduction compared to last year, through the willing participation from all of our employees.

Expansion of Eco-friendly Tasks and Services

Shinhan Bank has conducted 140 financial transactions without paper through 'Smart Lounges', accounting for 90% of the trades made over the counter and which means that 13 million paperless trades have been made. If we saved 1 sheet of A4 (4.37g) per trade, this is equivalent to saving about 57 tons of paper. Shinhan Bank plans to expand the number of Smart Lounges as well as their scope of transactions to continuously save paper documents.

Shinhan Card has set the target of reducing invoices through the postal mail and increased the issuance of paperless invoices each year as well.

Shinhan Card, Paperless Bill Performance and Goal (share of digital statements)



Implementation of the Building Energy Management System

Shinhan Financial Group has participated as a consulting institution regarding financial products in the 'Alliance for Zero Energy Building' jointly launched by the Ministry of Land, Infrastructure and Transport and the Ministry of Trade, Industry and Energy in order to enhance energy efficiency in buildings and realize zero-energy buildings in the future. Based on this, we are responding to the environmental policies of the government and mitigating environmental impacts of building operations.

We have implemented the Building Energy Management System (BEMS) to major large buildings. The BEMS conducts performance assessment regarding the data it collects in real-time and corrects inefficiently operated items, while determining the optimal operation conditions to reduce energy usage. We have set the reduction targets and they are: 5.0% reduction for environmental indicators (water, waste, paper, and food waste) compared to last year, and 11% from the baseline (year 2010 to 2012). Based on this, each department has established action plans for environmental and energy management and implemented them. Such outstanding management and efforts are evidenced by the acquisition of ISO 14001, the international standard for energy management system, and we continue to operate the environment and management system.

The Shinhan Data Center that integrates and manages data of Shinhan Financial Group has designed its building to the gold grade for LEED certification of the US Green Building Council (USGBC), an international certification agency for accrediting environmentally-friendly buildings, with the aim of building the 'optimal green data center', and enhanced energy efficiency and minimized GHG emissions. Also, LED lights were installed for the majority of lighting fixtures in locations such as lobbies, electronic equipment rooms, and underground parking lots and this has resulted in a reduction of 1,344,054kWh in terms of energy usage for the year. Furthermore, energy consumption was reduced by 83,217MJ through the solar thermal power, while 95,820kWh was generated and used through photovoltaic power.

Framework

Impact

Factbook

48 Socially Responsible Management Policy

49 Sustainable Development Goals

50 Report on Human Rights

52 UN Global Compact

53 Quantitative Data

58 Independent Assurance Statement

CHAPTER 3 Factbook

01
Socially Responsible
Management Policy

02
Sustainable
Development Goals

03
Report on
Human Rights

04
UN Global
Compact

05
Quantitative
data

06
Independent
Assurance Statement

Framework

Impact

Factbook

48 Socially Responsible Management Policy

49 Sustainable Development Goals

50 Report on Human Rights

52 UN Global Compact

53 Quantitative Data

58 Independent Assurance Statement

Socially Responsible Management Policy

Economic

Governance

Articles of incorporation

BOD By-Law

Annual governance report

Ethics

Finance Employee Code of Conduct

Shinhan Financial Group Code of Ethics

Code of Conduct for suppliers

Code of Conduct for employees

Fair trade compliance program

Shinhan Bank's whistle-blowing system

Stewardship Code

Asset Management Stewardship Code

Asset Management Proxy Voting Policy

Shinhan Financial Group CSR Policy Report

Shinhan Financial Group has been dedicated to creating a sound society by fulfilling its responsibility as a corporate citizen to grow together with local society since its early founding days. Starting with its 2005 CSR report, the first of its kind from a financial company, Shinhan Financial Group has been leading the way for responsible management through establishing CSR strategies, participating in global initiatives, and operating the CSR committee within the Board of Directors.

Environment

Climate change response

Environmental management standards

Commitment to environmental conservation

Social

Human rights

Declaration of Human Rights

Financial consumer protection

Shinhan Bank financial consumer protection system

Shinhan Bank financial consumer centered charter

Shinhan Bank Shinhan Standard Guidelines for Sales

Shinhan Bank Complaint Processing & Product Development Process

Shinhan Investment Corp. Product Development Process

Shinhan Investment Corp. Guidelines for Investment Recommendations

Personal information protection

Shinhan Bank global security authentication

Customer information handling policy

Personal information processing policy

Framework

Impact

Factbook

48 Socially Responsible Management Policy

49 Sustainable Development Goals

50 Report on Human Rights

52 UN Global Compact

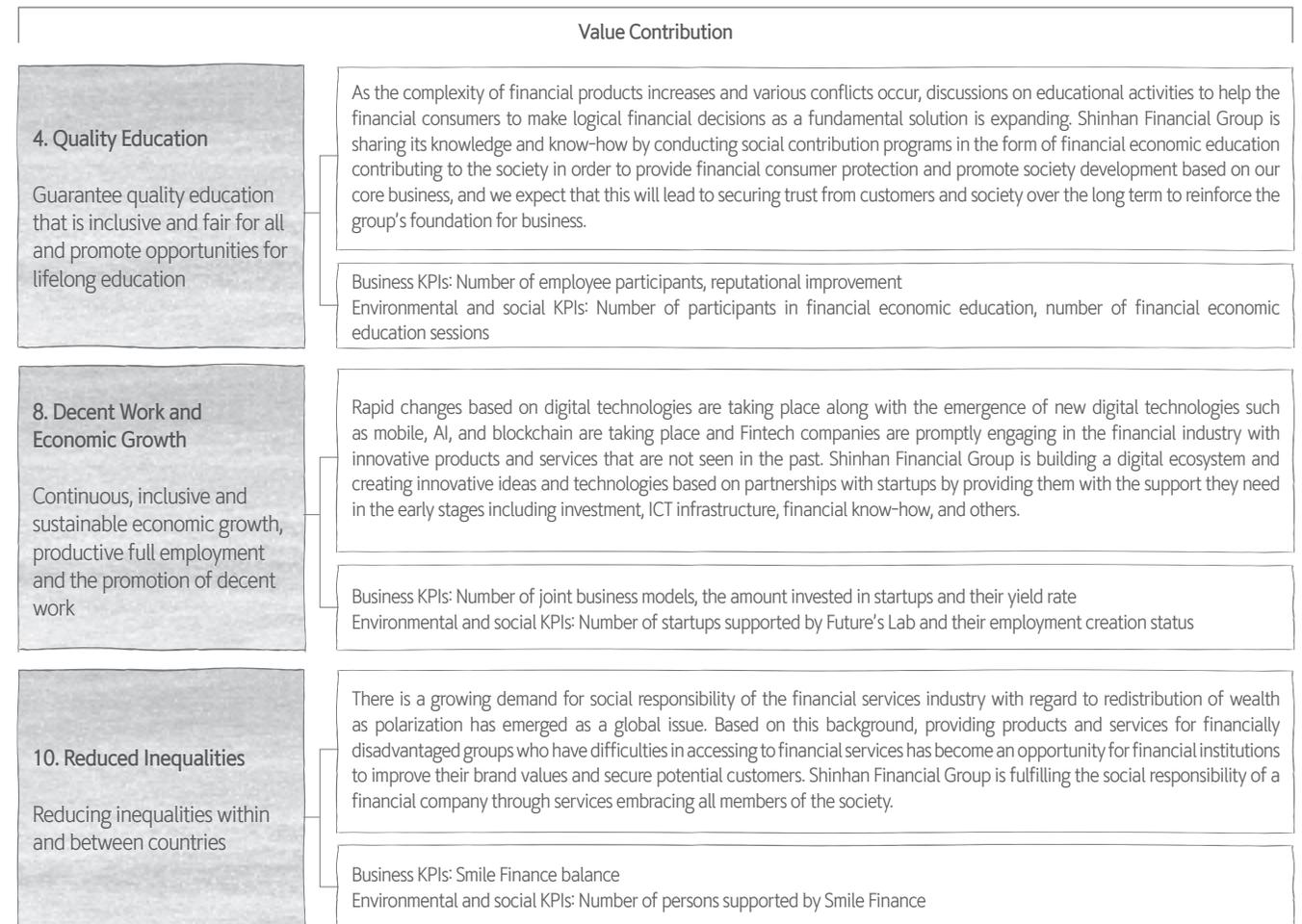
53 Quantitative Data

58 Independent Assurance Statement

Sustainable Development Goals



The 2020 CSR Strategies of Shinhan Financial Group have contributed to the implementation of the UN Sustainable Development Goals (SDGs). We are participating in carrying out the three major tasks, 'Quality Education', 'Decent Work and Economic Growth', and 'Reduced Inequalities' based on its core business of financing and increasing the value of Shinhan and society.



Framework

Impact

Factbook

48 Socially Responsible Management Policy

49 Sustainable Development Goals

50 Report on Human Rights

52 UN Global Compact

53 Quantitative Data

58 Independent Assurance Statement

Report on Human Rights

Promise to Respect Human Rights

Shinhan Financial Group declared that it shall comply with all laws and regulations related to employment and labor of the regions where its sites are located, support the basic principles of human rights protection and respect for human rights stated in the 'Universal Declaration of Human Rights' of the UN Human Rights Council and 'Guiding Principles on Business and Human Rights', and strive to comply with the above principles. Also, we promote mutually growing relationships through fair transactions with business partners including suppliers and service providers and conduct business with them in a mutually equal position. Specifically, we are making efforts to eliminate factors violating human rights that may occur in all areas of our businesses including financial product sales, provision of financial services, and others, and to seek for remedies immediately and efficiently if such case takes place. By doing so, we are leading the effort for the management in favor of human rights. Our promise to respect human rights is also applied to our subsidiaries, associated companies and limited partnership company, and business partners in contractual relationship.

Reference) Universal Declaration of Human Rights,
Guiding Principles on Business and Human Rights

<p>Labor Rights Protection</p>	<ul style="list-style-type: none"> · We provide a safer and more pleasant work environment to employees and prevent illegal labor practices such as forced labor, and child labor. · Observe working hours: We define working hours and overtime according to the standard stated in labor laws and regulations of the region where our place of business is located and provide overtime pay when employees work overtime exceeding the designated working hours. · Proper payment of wages: We provide wages higher than the minimum amount defined in the labor laws and regulations of the regions where our place of business is located. · Prohibition of discrimination: We do not discriminate based on school network, local network, age, gender, race, or religion in terms of personnel management related to employment, employment retention, evaluation and promotion, and payment of wages. 	<ul style="list-style-type: none"> · Employees · Partner companies · Local communities
<p>ESG Screening in Investments</p>	<ul style="list-style-type: none"> · We restrict sales and investment activities including investment, loans, and savings for certain regions, industries, companies or individuals that have the possibility of forced labor or child labor. · We restrict sales and investment activities including investment, loans, and savings for certain regions, industries, companies or individuals that may violate human rights of indigenous people due to significant social and environmental impacts. 	<ul style="list-style-type: none"> · Employees · Partner companies · Local communities
<p>Access to financial services</p>	<ul style="list-style-type: none"> · Provision of fair services: We do not provide discriminatory financial services based on gender, race, religion, or political preferences. · Information protection: We take technical measures required to prevent the violation of human rights caused by customer information leakage in advance and collect the minimum level of data to conduct sales activities. · Protection of financially disadvantaged groups: We provide additional information and guidance services for seniors, people with disabilities, and marginalized groups who are restricted in their usage and access to financial services. 	<ul style="list-style-type: none"> · Customers · Local communities

Framework

Impact

Factbook

48 Socially Responsible Management Policy

49 Sustainable Development Goals

50 Report on Human Rights

52 UN Global Compact

53 Quantitative Data

58 Independent Assurance Statement

Human Rights Principles to Protect Stakeholder Interests

Respecting for human rights of all stakeholders provides a background for Shinhan Financial Group to achieve its mission 'Compassionate Finance, Your Companion for the Future', and for employees, customers and all members of society to prosper and grow together. The human rights principles of Shinhan Financial Group represent our belief that all people deserve to enjoy their basic rights and freedom and we will strive to keep that faith. As one of the most influential companies supporting the growth of local communities and a financial service provider, and partners of our suppliers, Shinhan Financial Group complies with all employment and labor related laws and regulations of the regions where our sites are located and supports the basic principles for protection and respect for human rights stated in the 'Universal Declaration of Human Rights' of the UN Human Rights Council and 'Guiding Principles on Business and Human Rights'.

Stakeholder	Human rights principles for key stakeholders
Employees	<ul style="list-style-type: none"> · We do not discriminate based on school network, local network, age, gender, race, or religion. · We fairly evaluate and compensate employees according to their performance, provide fair opportunities of self-development based on talents and capabilities. · We continue to provide a safer and more pleasant work environment to improve the health of all our employees.
Customers	<ul style="list-style-type: none"> · We do not provide discriminatory financial services based on gender, race, religion, or political preferences. · We do not demand that our customers provide excessive information and take technical and physical measures to ensure privacy protection. · We respect the demands and expectation of customers and develop and provide the best products and services.
Shareholders and investors	<ul style="list-style-type: none"> · We maintain the accuracy and reliability of accounting documents to ensure transparency in management. · We provide the information required for shareholders and investors fairly and in a timely manner in accordance with related laws and internal regulations. · We respect the reasonable demands and recommendations of shareholders and investors and maintain a mutually trusting relationship.
Partner companies	<ul style="list-style-type: none"> · We highly regard the value of partner companies as a companion for coexistence. · We do not solicit to purchase products and services of the group in selecting its partner companies. · We conduct business in a mutually equal position rather than in a superior position.
Local communities	<ul style="list-style-type: none"> · We are aware of our responsibility for the development of the local community and actively participate in social contribution activities as a member the local community. · We do not unfairly discriminate unfairly socially marginalized groups within local society when it comes to providing financial products and services, employment opportunities, and participating in financial education programs. · We determine our loans and investments for large-scale projects that can cause potential issues for local environment and society by considering their potential side effects.
Government institutions and relevant associations	<ul style="list-style-type: none"> · We comply with the laws and regulations of a country where our sites are placed, strengthen internal control to achieve compliance management, fulfill the taxation obligation and liability for tax payment. · We prevent transactions with false or borrowed name accounts and illegal money laundering transactions to make a sound and transparent society. · We strictly comply with the Political Funds Act that prohibits the political donations of corporates or entities and do not provide political funds.

Framework

Impact

Factbook

48 Socially Responsible Management Policy

49 Sustainable Development Goals

50 Report on Human Rights

52 UN Global Compact

53 Quantitative Data

58 Independent Assurance Statement

UN Global Compact

Shinhan Bank joined the UN Global Compact in May of 2008 to reflect international standards regarding sustainable management into its policies and to showcase its desire to promote socially responsible management at home and abroad. We will lead the way for a healthy financing culture based on compliance with the 10 principles in the 4 areas of human rights, labor, environment, and anti-corruption and disclose our performance and progress in a transparent manner.

Principles		Activities
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in the abuse of human rights.	Enactment and posting of the human rights declaration, education on the protection of human rights, operation of the distress consultation channel, activities to prevent sexual harassment and rudeness at the workplace, etc.
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect to employment and occupation.	Assuring labor union activity, prohibiting child labor and forced labor in accordance with the law, practicing the personnel policy of not allowing discrimination in the cases of employment, rewarding, and evaluations, etc.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: Undertake initiatives to promote greater environmental responsibility; and Principle 9: Encourage the development and diffusion of environment-friendly technologies.	Development of environment-friendly financial products and services, established an environmental management system, signed on the Global Investor Statements on Climate Change, encouraged affiliates to conduct the eco-friendly management, participated in CDP, developed the 'Sustainable Banking Principles' led by UNEP FI, participated in the Core Group, etc.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	The enactment and implementation of the Shinhan Financial Group's Code of Ethics, operation of the fair trade compliance program, ethical practice oath, etc.

Quantitative Data – Economy

Economic Value Generated and Distributed (GRI 201-1)

Scope: Holding Company
Unit: KRW billion
Note: Consolidate basis

Economic Value Generated

	2015	2016	2017
Sales	30,674.5	31,989.7	38,432.5
Pre-tax profit	3,140.6	3,170.5	3,796.3
Net profit	2,367.2	2,774.8	2,917.7

Net profit: Based on shares of controlling company

Distribution of Economic Value

		2015	2016	2017
Shareholders/ Investors	Dividends and Interests	5,067.7	4,718.5	4,643.3
	Payroll	1,833.9	1,827.0	1,914.7
Employees	Benefits	644.3	688.5	753.5
	Corporate tax	694.6	345.6	848.1
Local communities	Investment for social contribution	81.1	49.4	179.1
Partner companies	Purchases and services	1,548.9	1,452.8	1,482.7

Defined benefit plan obligations and other requirement plans (GRI 201-3)

Scope: Group
Unit: KRW billion

	2015	2016	2017
Present value of defined benefit liabilities	1,567.9	1,690.0	1,695.2
Fair value of external accumulated assets	-1,341.8	-1,559.1	-1,688.1
Recognized liabilities from defined benefit plan	226.1	130.9	7.1

Compliance (GRI 206-1)

Scope: Group

Anti-competitive practices

Year	Penalty and corrective action	Description
2014	Disciplinary caution to the institution	- Unhealthy sales activities while reporting small bond prices
2015	- None	
2016	- None	
2017	Disciplinary warning and penalty KRW 852.2 million	- Violation of bans on trust property transactions and linked transactions - Violation of bans on transactions to avoid the transaction restrictions between trust properties - Violation on the process of handling collective order of trust property - Failed to seek approval for ex-post investment in relation to the acquisition of other company's shares
	Penalty KRW 37.5 million	- Violation of bans on provisions and acceptance of improper profit in property

Quantitative data – Customer

Customer satisfaction (GRI 102-43)

Scope: Shinhan Bank, Shinhan Card
Unit: points

Shinhan Bank				
		2015	2016	2017
Internal	Customer satisfaction (self-survey)	95.9	95.8	96.2
External	NCSI	76	75	76
	KS-SQI	74.7	73.9	75
	KCSI	76.9	77.7	78.7
	KSQI	93	94	94
	GCSI	72.9	73.1	73.3

Shinhan Card				
		2015	2016	2017
Internal	Customer satisfaction (self-survey)	86.4	87.2	87.6
External	KS-SQI	74.5	73	74.3
	KCSI	74.5	75.1	77.1
	KSQI	92	94	94

Customer Complaint Processing (GRI 102-43)

Scope: Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Jeju Bank
Unit: cases

	2015	2016	2017
Total number of cases	2,464	2,307	2,175
Number of processed cases (%)	100	100	100

Note) Types of complaints: loans, savings, currency exchange, credit cards, products, price, services, usage and follow-up management, sales, bonds, consultation, electronics, etc.

Information Protection (GRI 419-1)

Scope: Group
Unit: cases, hours, persons

Data breaches

	2015	2016	2017
Number of cases of customer information leakages	0	0	0

Information protection education

		2015	2016	2017
Employees	Training hours	161,950	133,768	133,738
	Number of participants	22,661	21,752	20,927
External/business partners	Training hours	23,530	25,197	24,322
	Number of participants	5,153	5,367	5,436

Quantitative data – Employees

Diversity among employees (GRI 102-8)

Scope: Group
Unit: persons

		2015		2016		2017	
		Female	Male	Female	Male	Female	Male
Female leadership	Management	5	165	6	167	8	185
	Upper-level managers	2,230	8,404	2,332	8,334	2,489	8,326
	Manager	734	1,576	709	1,468	732	1,447
Veteran employees		417	672	425	662	405	648
Disabled employees		56	163	55	153	57	152

Note) Management: Director ~ CEO
Upper-level manager: Manager ~ General Manager

Strengthening of Employees' Capabilities (GRI 404-1)

Scope: Group
Unit: hours, KRW million

	2015	2016	2017
Total education hours	2,796,091	2,352,974	2,054,556
Total education expenses	16,862.5	22,713.2	25,030.3
Education time per person	135.0	114.9	101.9
Education expense per person	0.81	1.11	1.24

Maternity leave status (GRI 401-3)

Scope: Group
Unit: Persons

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Employees scheduled to return to work in the current year after maternity leave	726	9	790	11	879	12
Employees that returned to work in the current year after maternity leave	633	8	715	8	796	10
Share of employees that returned to work in the current year after maternity leave (%)	87	89	91	73	91	83
Returning employees that served over 12 months after maternity leave in the previous year	362	2	412	8	485	7
Share of returning employees that served over 12 months after maternity leave in the previous year (%)	69	100	65	100	68	88

Employee engagement (GRI 102-43)

Scope: Shinhan Bank
Unit: %

	2015	2016	2017
Employee engagement	33	60	50
Response ratio	90.9	95.9	96.4

Quantitative data – Responsible Finance

Financing Support for the Working Class (GRI FS7)

Scope: Shinhan Bank, Shinhan Savings Bank
Unit: KRW billion

Shinhan Bank				
	2015	2016	2017	Note
New hope spore loan	369	472	543.8	1. Accumulated amount: KRW 2.0946 trillion
Mid-interest rate loan for the working class	-	60	109.4	
Household debt healing program	514	633	769	2. Credit loan: 26,386 cases worth KRW 491 billion, housing loan: 610 cases worth KRW 141.7 billion
Microfinance	18	18	18	3. Accumulated amount: KRW 138.2 billion
Shinhan hug loan	-	128	235.9	3. Based on accumulated amount
Korea Inclusive Finance Agency	-	8	4.1	
New hope installment savings	219	353	239	

Eco-friendly Products (FS8)

Scope: Shinhan Bank, Shinhan BNP Paribas Asset Management
Unit: KRW 100 million

	2015	2016	2017	Note
Loan	223.3	160.9	121.9	Shinhan Bank
Fund	-	258.8	602.8	Shinhan BNP Paribas Asset Management
Project financing (home/abroad)	1,916.0	2,272.0	2,306.0	Shinhan Bank
	-	3.0	1,780.0	Shinhan Investment Corp.
Total	2,139.3	2,694.2	4,810.6	

Financing Support for SOHO · SMEs (GRI FS7)

Scope: Shinhan Bank, Shinhan Investment Corp
Unit: KRW million, cases

Shinhan Life Insurance				
	2015	2016	2017	Note
Premium discount for socially vulnerable groups	46	47	63	12,579 cases for people with disabilities, multi-child families, and low-income families, etc.
Payment of premiums for disaster-affected families	9	4	20	24 cases for 2 times per family damaged by heavy rain and earthquakes
Strengthening payments of unclaimed insurance benefits (hidden benefits)	35,741	37,883	31,130	55.212 cases of notifying matured and dormant insurance money and payment management
Microinsurance	5	6	-	Support the payment of arrears of protection-type insurance policies for low-income seniors

Framework

Impact

Factbook

48 Socially Responsible Management Policy

49 Sustainable Development Goals

50 Report on Human Rights

52 UN Global Compact

53 **Quantitative Data**

58 Independent Assurance Statement

Quantitative data – Environment

GHG emissions (GRI 305-1~3)

Scope: Group
Unit: tCO₂eq

	2014	2015	2016	2017	Scope of each indicator
Scope1	17,972.20	17,793.10	16,732.10	16,733.30	All group affiliates excluding Jeju Bank
Scope2	85,860.60	84,487.70	81,858.00	80,897.20	All group affiliates excluding Jeju Bank
GHG emission intensity (Scope 1+2)	5.1	5.0	4.9	4.9	Regular employees excluding Jeju Bank
Scope3	746.50	18,652.60	18,501.70	19,462.50	

Energy usage (GRI 302-1)

Scope: Group
Unit: GJ

	2014	2015	2016	2017
Electricity	283,662	318,481	319,939	339,793
Gas	44,324	47,068	53,108	53,648
Gasoline	156,159	160,716	142,845	146,508
Diesel	875	2,058	1,986	1,603
Total energy intensity ¹⁾	24.0	26.0	25.8	27.4

Note 1) Based on the headquarters of Shinhan Bank

Water usage (GRI 303-1)

Scope: Group
Unit: m³

	2014	2015	2016	2017
Waterworks	186,562	236,098	195,745	192,981
Underground water	63,321	58,170	64,970	72,813

Waste (GRI 306-2)

Scope: Group
Unit: ton

	2014	2015	2016	2017
General waste	258.3	297.4	334.0	324.8
Recyclable waste	188.3	231.0	214.1	117.4

Environmental Investment

Scope: Shinhan Bank
Unit: KRW million

	2015	2016	2017
Environmental investment amount	5,790	5,790	4,455

Independent Assurance Statement

Introduction

Shinhan Financial Group commissioned DNV GL Business Assurance Korea, Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of 'Shinhan Financial Group CSR Report 2017' (the "Report"). The Shinhan Financial Group have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of Shinhan Financial Group in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by Shinhan Financial Group for our review have been prepared in good faith.

Scope of assurance

The scope of assurance includes a review of sustainability activities and non-financial performance data over the reporting period from 1st January to 31st December 2017. This also includes

- Evaluation of the Report for the adherence to the AccountAbility principles set forth in the AA1000AccountAbility Principles Standard(APS) 2008
- Evaluation of the process for determining material topics for reporting and the management approach to material topics and the process for generating, gathering and managing the quantitative and qualitative data in the Report
- Review of data gathering process for the selected data

Basis of our opinion

We've performed our work based on the DNV GL's assurance methodology VeriSustain™¹⁾ and AA1000AS:2008. We applied the Moderate level of assurance and Type 1 of assurance engagement. Type 2 engagement was applied to the selected data sets. The audit was carried out from April till June 2018. The site visits were made to Shinhan Financial Group's headquarters in Seoul, Korea. We undertook the following activities as part of the assurance process

- 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

- interviewed representatives of Shinhan Financial Holding Company and subsidiaries
- conducted document reviews, data sampling and interrogation of supporting databases and associated management systems
- reviewed the materiality assessment report

Limitations

The assurance engagement excludes the sustainability management, performance and reporting practices of Shinhan Financial Holding company's other subsidiaries, associated companies, suppliers, and contractors except Shinhan Financial Holding Company and its 7 subsidiaries (Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank). DNV GL did not interview external stakeholders as part of this Assurance Engagement. The audited financial statements, the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) and data on the website of Shinhan Financial Holding Company and its 7 subsidiaries are not included in the scope of the assurance engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in Shinhan Financial Holding Company were applied. The baseline data for Environmental and Social performance except the selected data are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision which a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the information and data in the Report are not properly stated. Further opinions with regards to the adherence to the Principles of AA1000APS (2008) are made below

Note 1) The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

Framework

Impact

Factbook

- 48 Socially Responsible Management Policy
- 49 Sustainable Development Goals
- 50 Report on Human Rights
- 52 UN Global Compact
- 53 Quantitative Data
- 58 Independent Assurance Statement**

Foundation Principle of Inclusivity

Shinhan Financial Group has identified internal and external stakeholder groups such as Employees, Customers, Shareholders & Investors, Suppliers, Local communities & NGOs, and Regulators. Shinhan Financial Group engages with the stakeholders through various channels. The examples of engagement approaches, major expectations and concerns from stakeholder groups and Shinhan Financial Group’s corresponding responses are described in the Report.

Principle of Materiality

Shinhan Financial Group has formed a sustainability issue pool by analyzing stakeholders’ opinion, peers’ reports and conducting media research etc. The material topics are prioritized by evaluating the issues in terms of significance and relevance with Shinhan Financial Group. The output of the materiality assessment process brings out material topics.

Principle of Responsiveness

Shinhan Financial Group monitors and reports performances on material topics drawn by the materiality assessment process in the Report. Balanced reporting on the financial (economical) and the non-financial (social and environmental) performances is made. Shinhan Financial Group states the business strategies (2020 CSR strategy) and strategic objectives in the Report.

Further opinions on the report quality is as follows;

Report quality: Accuracy and Reliability

DNV GL verified the accuracy and reliability of the selected data (Greenhouse gas emissions, Water consumption, Waste volume, Business travel distance, Occupational accident rate, Absentee rate, monetary value and number of transactions of Microfinance and Microinsurance) in the Report through sampling. The audit team did not identify any intentional errors or misleading descriptions. The data provided in the report was gathered from the subsidiaries and processed by Shinhan Financial Holding Company to meet the purpose. The assurance team conducted interviews with the responsible

individuals and reviewed the process of data gathering and data processing and verified the supporting documents and records. The depth of data verification is limited to the input data in the data gathering templates submitted by respective subsidiaries. The personnel responsible for the data control can demonstrate to trace the origin of the selected data and interpretation of the selected data in a reliable manner. The assurance team concludes that the selected data are results of stable and repetitive activities.

Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 – Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. During 2017~2018, DNV GL has verified the greenhouse gas emissions and has certified ISO 14001:2015 and ISO 50001:2011 in Shinhan Bank. Verification and Certification services which DNV GL provided to Shinhan Bank are not considered as a conflict of independence or impartiality of CSR report verification.



June 2018
Seoul, Korea

In Kyoon Ahn
Country Representative DNV GL Business Assurance Korea, Ltd. *Ahnik*

ABOUT THIS REPORT

Reporting Principles

This report complies with Sustainability Reporting Guidelines of Global Reporting Initiative (GRI) and fulfills the conditions in accordance with the Core Option. The financial information included in this report follows the Korean International Financial Reporting Standards (K-IFRS), which use the unit of the Korean Won (KRW and ₩).

Reference Standards

This paper reports on the establishment and activity of SDGs based on corporate behavior guidelines regarding SDGs and their performance along with their progress on human rights activities according to UN Guiding Principles on Business and Human Rights (UNGP).

Reporting Period and Scope

The reporting period of this report is from January 1, 2017 to December 31, 2017. Some qualitative activities and results from 2018 have also been included. For identifying trends, data for the previous 2 to 5 years have been reported. The scope of report includes 8 group affiliates of Shinhan Financial Holding Company, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank, which amount to 99.35% of all group affiliates in terms of sales volume. In order to minimize the confusion of readers, separate explanations are given for issues requiring attention on the scope of reporting, and abbreviations of the company names are used for reader's convenience.

Reliability of the Report

To improve the reliability of the report, it went through a verification process in accordance with the AA1000AS (2008) assurance standard based on its principles of inclusivity, materiality, and responsiveness by a global verification institute DNV GL. The format of the engagement was structured to meet the AA1000AS Type 1 and certain performance related information was verified according to the Type 2 of the same assurance standard. The result of verification can be found in page 58 to 59 of the report.



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For this report, we used FSC®/COC (Forest Stewardship Council®) certification paper that has been sourced and managed in a socially responsible and economically viable manner. And this report paper was printed in soy ink by a company that earned an FSC®Chain-of-Custody certificate (license code. C005448).



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