



SHINHAN FINANCIAL GROU

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# Drawing a Sustainable Future

Corporate Social Responsibility Report 2010



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



SHINHAN FINANCIAL GROUP

## Message from the CEO



I would like to express my appreciation to our customers, shareholders, local communities, and employees for the unwavering support and encouragement you have given to Shinhan Financial Group (SFG). As we emerge from the global financial crisis, our awareness of the need for sustainable growth is higher than ever. In the past, business growth has relied on aggressive, large-scale expansion and short-term profitability. However, the survival of any corporation depends on whether it has a mechanism for sustainable management into the future. In a word, corporate social responsibility (CSR) is the most crucial prerequisite for sustainable growth.

Experience has shown that the corporations with the strongest sustainable growth are those who actively pursue social responsibility management as a part of the communities they belong to. As a result of this heightened social awareness, more corporations consider CSR management to be among their most strategic objectives. Since our earliest days, we have been deeply aware of the significance of CSR management and have made every effort to practice it in our daily operations. To this day, SFG continues to strengthen its CSR activities, building on its advantages as a financial group through three core tasks: Coexistence for Welfare, Sympathy for Culture and Symbiosis for Environment. Leveraging on these core tasks, SFG seeks to fulfill its corporate citizenship by regularly evaluating the impact of the Group's business on local communities and environment, to find a way to grow hand-in-hand with every member of the society. Today, SFG is redoubling its effort to meet the global-standard in sustainability management.

In 2008, SFG joined the UN Global Compact, and since then upheld the 10 Principles of the Compact in the areas of human rights, labor standards, the environment, and anti-corruption. Due to these efforts, the Group was designated the most "sustainable performer" among Korean financial institutions by the Dow Jones Sustainability Index of Korea (DJSI Korea) for two consecutive years in 2009 and 2010. Furthermore, the Group became the first Korean financial institution to be included in the DJSI Asia-Pacific Index in 2009. Meanwhile, SFG continued efforts to respond to climate changes and to become the leading financial institution in "Low Carbon and Green Growth" movement in Korea. As a result, SFG was recognized by the Korean Committee of Carbon Disclosure Project (CDP) in 2010, winning awards in the fields of financial leadership and for the improvement over the previous year. In April 2010, the "Shinhan Financial Group Volunteer Team" was launched to encourage subsidiaries to participate in volunteer work for local communities, with the added effect of maximizing synergy between subsidiaries. This report is the embodiment of our efforts for socially responsible management, documenting the steps that we've taken from the beginning to present day. In the year 2011, SFG will continue focusing on the development of core tasks, while at the same time fulfilling our responsibility as a socially responsible company by listening to the expectations and needs of our stakeholders. In closing, we sincerely hope to earn your constant support and interest as we continue this journey toward a sustainable future.

Thank you.

June 2011  
Chairman and CEO of Shinhan Financial Group **Dong Woo Han**

## Introduction to Shinhan Financial Group

### Shinhan Financial Group

As of March 2011

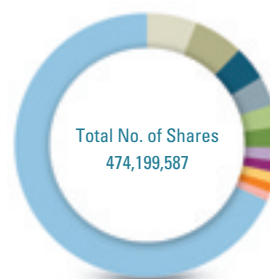
Classification	Shinhan Financial Group Inc.	Shinhan Bank	Shinhan Card	Shinhan Investment
Establishment	Sep. 2001	Feb. 1897	Dec. 1985	Aug. 2002
Headquarters	Jung-gu, Seoul	Jung-gu, Seoul	Jung-gu, Seoul	Yeongdeungpo-gu, Seoul
CEO	Dong Woo Han	Jin Won Suh	Jae Woo Lee	Hyu Won Lee
No. of Employees	152	13,945	3,451	2,066
No. of Branches	1	975	38	112
Capital stock (KRW in billions)	27,574	18,794	48,867	19,288

Classification	Shinhan Life Insurance	Shinhan Capital	Jeju Bank	Shinhan BNP Paribas Asset Management
Establishment	Jan. 1990	Apr. 1991	Mar. 1969	Aug. 1996
Headquarters	Jung-gu, Seoul	Jung-gu, Seoul	Jeju-si, Jeju-do	Yeongdeungpo-gu, Seoul
CEO	Jeom Ju Kwon	Do Heui Han	Chang Kee Hur	Bhang Gil Choi
No. of Employees	1,111	129	432	171
No. of Branches	160	6	39	1
Capital stock (KRW in billions)	10,624	4,326	2,320	1,574

### Shinhan Financial Group

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

### Ownership Structure



■ BNP PARIBAS	6%
■ KOREA NATIONAL PENSION SERVICE	6%
■ CITIBANK N.A(ADR DEPT)	4%
■ SFG EMPLOYEE STOCK OWNERSHIP ASSOCIATION	4%
■ SAUDI ARABIAN MONETARY AGENCY	3%
■ THE LAZARD FUNDS INC	3%
■ MIRAE ASSET MANAGEMENT	2%
■ THE GOVERNMENT OF SINGAPORE	1%
■ MIZUHO	1%
■ SAMSUNG LIFE INSURANCE	1%
■ DAEKYO CO., LTD.	1%
■ OTHER SHAREHOLDERS	68%

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

## Social Responsibility Management Structure & DMA

### CSR Execution Structure

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

### ● 추진조직



	Economy	Environment	Customer	Employee	Local Community
Management Principle	Despite the ongoing uncertainty surrounding the market, SFG came out strong and achieved the highest profitability ahead of other financial institutions in Korea through preemptive risk management. In addition, the Group is laying a firm foundation for sustainable growth by carrying out process innovation programs and providing support for SMEs, as well as introducing a variety of CS products.	SFG has set three roles for the Group's green management practices: greenhouse gas reduction, environmental monitoring, and promotion of green management practices. To this end, SFG is promoting six strategic tasks, such as achieving carbon neutrality. In addition, to upgrade the Group's green management to the next level, SFG has established and is operating the "Green Management Executive Council" and has set the "Integrated Green Management System" as its key strategic task.	As a leading financial institution in Korea, Shinhan Financial Group is building a group-wide customer relationship system, utilizing its comprehensive services that a financial group provides. The Group conducted a variety of 'Customer Satisfaction (CS)' programs and established 'Voice of Customers (VOC)' system in order to respond to customer complaints and opinions on a real-time basis. In addition, to protect valuable customer information, the Group has established the best information security system in the industry.	Having secured many talented employees, SFG is putting efforts into creating a great workplace via collaboration between labor and management, operation of a differentiated welfare system, and expansion of communication among employees. In addition, the Group is periodically conducting human rights education and human rights protection activities to protect employee rights and to prevent discrimination. Looking ahead, SFG will make continuous contributions and focus on the career development of employees to cultivate experts.	SFG supports the "Era of Collaboration" and aims to make the world a better place for all members of the society. Adopting a systematic approaches for its social contribution activities, SFG is expanding its contribution to the society. In addition, the Group is encouraging employee participation and continuing its contribution to the Smile Microcredit Bank, as well as increasing investments into social contribution activities. Through these efforts, SFG strives to create mutual beneficiaries with all stakeholders.
2010 Progress	<ol style="list-style-type: none"> <li>1. ROA and ROE in 2010 improved to pre-financial crisis level</li> <li>2. Total Economic value: KRW 6.787</li> <li>3. Substandard &amp; below ratio: 1.48%</li> <li>4. Minimization of overhang costs through process innovation programs (BPR Renovation 2.0, Bubble Zero campaign, etc.)</li> <li>5. Supported KRW 56.4 billion for the job creation of SMEs and won the Grand Prize for "the 14th Fighting Small Business Support Loan Awards" by Maeil Economy Newspaper</li> </ol>	<ol style="list-style-type: none"> <li>1. "Establishment of "Green Management Executive Council"</li> <li>2. Establishment of "Integrated Green Management System": Greenhouse Gas Inventory</li> <li>3. Greenhouse gas reduction through energy saving</li> <li>4. Preferential treatment in credit review for eco-friendly businesses</li> </ol>	<ol style="list-style-type: none"> <li>1. Maintained a leading position in customer satisfaction evaluations by external assessment agencies at home and abroad through differentiated services offering and integrated emotional marketing</li> <li>2. Continuously reduced the number of VOC complaints by utilizing real-time feedbacks from the VOC system</li> <li>3. Obtained globally renowned certificates, including ISO27001 for information protection, and ISO20000 for IT services</li> <li>4. Strengthened employee CS capabilities by conducting customer satisfaction trainings</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous expansion of education on discrimination and human rights</li> <li>2. Multi-dimensional evaluation system to secure objectivity and fairness in promotion</li> <li>3. Cultivation of experts through career development system</li> <li>4. Balance between the work and personal life by expanding family-friendly management programs</li> </ol>	<ol style="list-style-type: none"> <li>1. Establishment of a group-wide social contribution organization</li> <li>2. Expansion of investments in social contribution activities and number of participants Bank</li> <li>3. Promotion of the Shinhan Smile Microcredit Bank</li> <li>4. Support for SMEs and investments for the society</li> </ol>
Strategic Direction	<ol style="list-style-type: none"> <li>1. Establish a stable financial structure via proactively managing toxic assets and risks, as well as offering differential services</li> <li>2. Maintain stable credit rating leveraging sound financial conditions and firm sales network</li> <li>3. Lay a foundation for innovation activities through process improvement</li> <li>4. Achieve stable profitability and uphold corporate social responsibility by introducing strategic CS products</li> </ol>	<ol style="list-style-type: none"> <li>1. "Establishment of "Green Management Executive Council"</li> <li>2. Establishment of "Integrated Green Management System": Greenhouse Gas Inventory</li> <li>3. Greenhouse gas reduction through energy saving</li> <li>4. Preferential treatment in credit review for eco-friendly businesses</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve customer satisfaction by providing differentiated and professional financial services that fit with the customers' needs</li> <li>2. Expand the scope of CS activities to after sales services</li> <li>3. Provide specialized services, higher quality of services, and honest services to customers through the expansion of employee CS educations</li> </ol>	<ol style="list-style-type: none"> <li>1. Reinforcement of nurturing program for global talents</li> <li>2. Expansion of communication channels between employees</li> <li>3. Establishment of multi-dimensional welfare system to support health and welfare of employees</li> </ol>	<ol style="list-style-type: none"> <li>1. Revitalization of a group-wide social contribution organization</li> <li>2. Expansion of targets for social contribution activities and number of participants</li> <li>3. Diversification of Smile Microcredit Bank program and expansion of beneficiaries</li> <li>4. Diversification of SME support program and investments for the society</li> </ol>

## 2010 Highlights



### Realization of an "Enterprise of Community" by Practicing Win-Win Cooperation

SFG is committed to playing a role as a corporate citizen by pursuing a win-win cooperation with its partners. To this end, SFG is conducting the "Job-S.O.S II" project, which includes programs for supporting SMEs' employment and reducing interest rates for the leasing of facilities. Additionally, the Group is expanding contribution to the Shinhan Smile Financial Foundation, while at the same time wavering bank service charges and cutting interest rates of the Shinhan Hope Loan for the needy in the society.

### Shinhan Smile Microcredit Bank

To support underprivileged social groups, SFG contributed additional KRW 20 billion into the Shinhan Smile Microcredit Bank in 2010. Founded in December 2009, the Shinhan Smile Bank is the domestic financial group's first microcredit bank, with a total contribution size of KRW 50 billion. Combining the years of financial professionalism and know-how with a passion for social contribution, the Shinhan Smile Microcredit Bank has set an exemplary precedence in the financial industry in Korea.

### Establishment of the First Integrated Green Management System

In line with the efforts for green management and to keep pace with the global response to climate change, SFG established the integrated green management system in 2010, the first of its kind among the financial institutions in Korea, while at the same time acquiring international certification for the Group's greenhouse gas inventory system. Through these efforts, SFG is actively disclosing the results of greenhouse gas emissions, as well as the Group's preparation for climate changes, through various mediums including the Dow Jones Sustainability Index, the Carbon Disclosure Project, and the Corporate Social Responsibility Report.

### Job Fairs

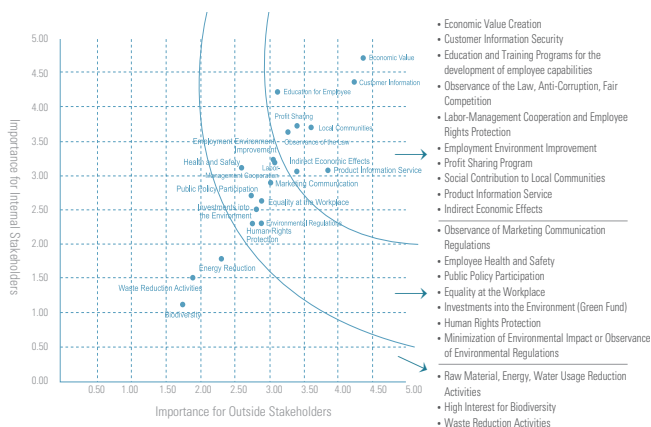
SFG is nurturing financial experts for SMEs through the Group's job creation business, while focusing on solving the problem of youth unemployment of the country through a variety of supportive activities, including job fairs. To continue the efforts, the Group will invest KRW 56.4 billion from the end of 2010 to 2013.

SFG periodically publishes surveys and newsletters as communication channels with various stakeholders. Additionally, SFG convenes regular joint labor-management conferences, incorporating the opinions of employees into business decisions, and operates employee consultation center and internal intranet to offer employees a freer and more active platform for stating their views.



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

- Materiality Issues



SFG is committed to transparent management and views transparency as part of its corporate social responsibility. The principles of ethical management comprise a major part of our management philosophy. As such, SFG has established and implemented code of conducts and additional ethical standards to which all of our employees must comply. At the same time, to fulfill our responsibility as a corporate citizen, each of our subsidiaries has implemented programs for ethical management. Ethical conduct is strictly enforced by compliance officers in the holding company and each subsidiary. In February 2010, a compliance officer was appointed to ensure the principles of ethical and transparent management. As the CEO reiterated in his 2010 New Year's Address, SFG remains deeply committed to reinforcing its ethical management and adhering to strict ethical practices, thus helping to ensure sustainable growth.

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

## Economy

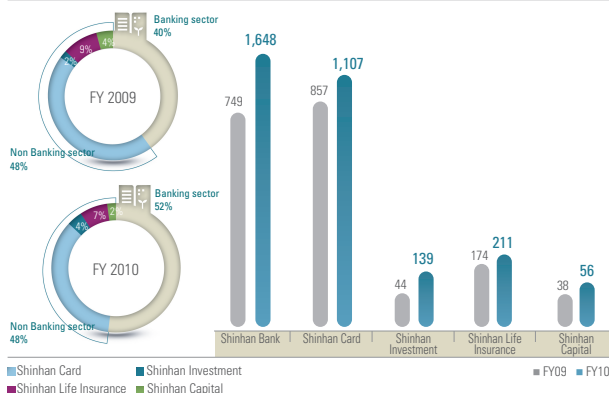
### Sustainable Economic Value Creation and Distribution

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

SFG created KRW 6.787 trillion of economic value from major business operations in 2010 thanks to higher interest margin from rising interest rates and improved asset quality. The created value was distributed among a variety of stakeholders including shareholders, employees, business partners, the government, and local communities.

#### Net Income by Main Subsidiary

(Unit: KRW in billions)



#### Excellent Credit Rating through Preemptive Risk Management

Credit ratings of the Group's major subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance and Shinhan Capital, are evaluated by domestic and global credit rating agencies. By leveraging on its preemptive risk management, the Group's substandard & below ratio recorded 1.48% in 2010, an improvement from 1.35% in 2009. In terms of capital adequacy, the holding company's consolidated equity ratio stood at 12.77%, a 0.17%p improvement from the previous year. All five subsidiaries' credit ratings have remained stable according to their sound financial conditions and sales network.

#### Overseas Credit Ratings in 2010

Moody's Corporation	Standard & Poor's	Fitch Ratings
<b>A1</b> Long-term, Shinhan Bank <b>P-1</b> Short-term, Shinhan Bank	<b>A-</b> Long-term, Shinhan Bank <b>A-2</b> Short-term, Shinhan Bank, Shinhan Card <b>BBB+</b> Long-term, Shinhan Card	<b>A</b> Long-term, Shinhan Bank <b>F1</b> Short-term, Shinhan Bank <b>A-</b> Long-term, Shinhan Card <b>F2</b> Short-term, Shinhan Card

### Maximization of Indirect Economic Effects through Innovative and Creative Management

#### Process Innovation Campaign to Enhance Business Performance

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

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

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

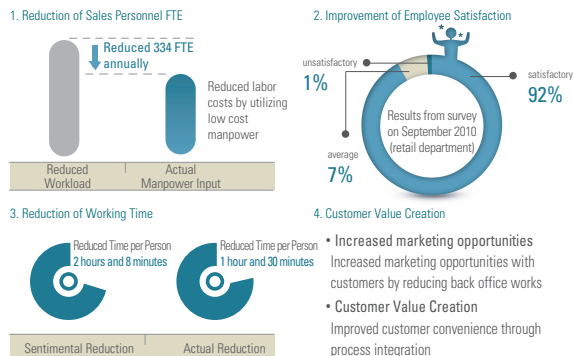
#### Pursuing Sustainable Growth by Entering a New Market

To fulfill its pledge of sustainable growth as a financial institution, SFG is making inroads into public works and new businesses. SFG is nurturing financial experts for SMEs through the Group's job creation business, while at the same time focusing on solving the problem of youth unemployment of the country. Currently, SFG is conducting the "Job S.O.S II" project with total funds of KRW 56.4 billion. To this end, the Group has developed a "Job S.O.S Hope Business Bankbook" and a "Job S.O.S Hope Installment Savings", and is providing KRW 0.3 million for new employees of over one thousand SMEs on monthly basis for the next three years. In 2010, the Group has created jobs for 2,200 youths, and is currently carrying out a variety of activities, including job fairs, to increase the number of youth employment to 5,000. Furthermore, Shinhan Life Insurance introduced a wide variety of new products, including the industry's first insurance programs that cover bicycling accidents and environmental diseases, as well as products that expand insurance coverage for children to elderly, and providing discounts for families with disabled members and households with many children. Additionally, the Group's subsidiaries are actively launching new businesses to secure new growth engines in the future.

#### BPR Performance of Shinhan Bank in 2010

##### BPR Performance Analysis

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



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

# Green Management

## Green Management

SFG has set three roles for the Group’s green management practices: (1) greenhouse gas reduction, (2) environmental monitoring, and (3) promotion of green management practices. To this end, SFG is promoting six strategic tasks, such as achieving carbon neutrality.

Each subsidiary of the Group is vigorously promoting six strategic tasks, and focuses on reducing greenhouse gas emissions and developing eco-friendly products.

● SFG’s Green Management Strategy and Six Strategic Tasks

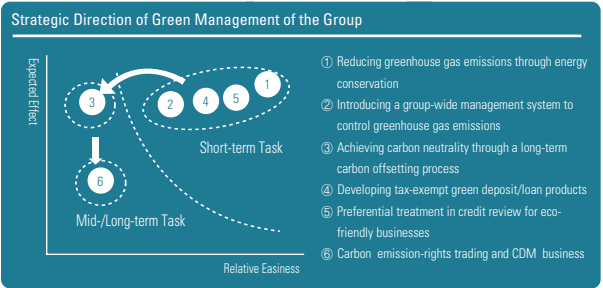
SFG Role	Strategy	Strategic Task
Greenhouse Gas Reduction	Minimization of environmental impact from business operation	① Reducing greenhouse gas emissions through energy conservation
		② Introducing a group-wide management system to control greenhouse gas emissions
		③ Achieving carbon neutrality through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

## Green Management Executive Council

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

## Energy Usage ①

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



## Integrated Green Management System ② + ③

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

## Establishment of Inventory System

To achieve carbon neutrality for the long-term, SFG has established a greenhouse gas inventory system to systematically manage and reduce greenhouse gas emissions of the whole Group. (November 2010)

The organizational scope of inventory system encompasses six subsidiaries: Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Capital, and Shinhan BNP Paribas Asset Management. Meanwhile, the operational scope of inventory system measures direct greenhouse gas emissions included in the organizational scope (Scope 1), and the greenhouse gas emissions from purchased electricity and steam uses (Scope 2). The establishment of greenhouse gas inventory system not only lays a foundation for carbon neutrality in a long-term, but also saves energy costs in a short-term by identifying inefficient businesses. In addition, the system boots the public image of the Group as a concerned corporate citizen by disclosing objective information regarding climate change. As a result of the establishment of inventory system, SFG in November 2010 became the first financial group in Korea to be awarded an international certification for greenhouse gas inventory, from Det Norske Veritas (DNV), the internationally certified agency for green management evaluation. In addition, by participating in the carbon disclosure project (CDP), SFG is disclosing information regarding the greenhouse gas emissions of the Group, as well as the status and impact of climate change.

## Development of Green Product ④

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

## Support for Green Business ⑤

SFG practices green financing by providing supports for eco-friendly businesses and green energy industry. As a first initiative, the Group offers prime rates to companies engaged in green energy industry, and also funds companies exploring new growth engines and developing more efficient, lower carbon energy sources, as well as companies that have earned environmental certification.



## Customer

### Promotion of Premium Customer Service and information security

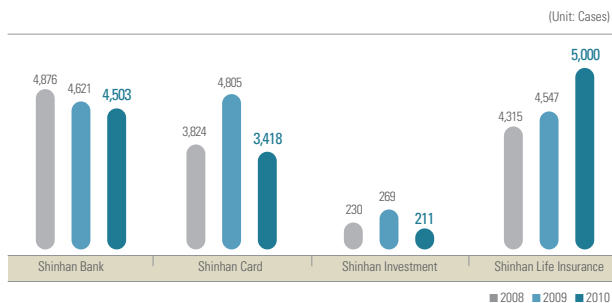
#### Promotion of Differentiated Customer Services

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

#### Operation of the Voice of Customer

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

#### ● No. of VOC Complaints



#### Provision of More Accurate Information

SFG provides its customers with accurate information on its financial products and services through leaflets, posters, handouts and electronic promotional material. These documents clearly convey key features of financial products and are carefully screened by the Compliance Department to avoid overselling or misleading statements. At the same time, SFG has established and is operating a complaint management program to resolve complaints as early as possible. To improve the efficiency of the program, the Group provides an evaluation system for the Office of Customer Complaint Management and guideline on pre-deliberation of complaints during the early stage of product development cycle, particularly in product design and marketing strategies, thereby reducing the risk of customer complaints.

#### Customer Information Security

SFG provides guidelines for exchange and utilization of personal credit information between subsidiaries, thereby strictly managing such information inside the Group. In addition, as the number of e-banking customers grows, the Group develops its information protection technology. Furthermore, SFG's customer protection and management system has obtained globally renowned certificates, including ISO27001 for information protection, and ISO20000 for IT services.

### Management of Customer Complaints and Customer Satisfaction Education

#### Discretionary Authority for Compensation in Public Disputes

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

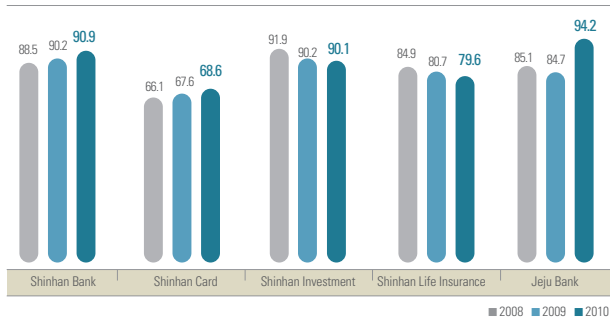
#### Customer Satisfaction Education

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

#### Continuous Improvement in Customer Satisfaction

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

#### ● Customer Satisfaction Survey (Self-Survey)





# Employee

## Fair Employment and Safeguarding Employee Rights

### Fair Employment

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

### Safeguarding Employee Rights

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

## Strengthening Competence of Human Resources

SFG provides supporting system for in-house education programs, employee's club activities, online education facilities, and training sessions. To nurture global talents, SFG established Hong Kong Finance Education Center, while supporting employees for full tuition for overseas MBA programs, short-term training at Shinhan Hong Kong Campus, and other overseas training sessions. SFG implements multi-dimensional evaluation system to secure objectivity and fairness through diverse evaluators, strengthen core competence through feedbacks for suggestion about improvement, and build transparent and fair HR management based on performance and capability.

## Employee Communications

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

### ● Investments in Education by the Group

(As of the end of 2010)

Classification	Shinhan Financial Group	Shinhan Bank	Shinhan Card	Shinhan Investment	Shinhan Life Insurance	Shinhan Capital	Jeju Bank	Shinhan BNP Paribas Asset Management
Education Expenses per Employee (KRW in millions)	2.1	1.57	1.45	1.45	1.07	1.73	0.57	2.16
Education Time per Employee(Hours)	-	175	122	45.4	110	100	170	25

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

## Great and Healthy Work Place

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

### Family-friendly Management

SFG promotes the balance between work and personal life, and conducts "Great Work Place" campaign to boost the trust and respect of employees toward the Group. To this end, SFG is operating a variety of family-friendly campaigns, including "Going Home Early on Every Wednesday" campaign.

### Practical Employee Benefit Program

SFG operates an optional employee benefits program by accumulating mileages and issuing cards, allowing employees and their family to choose the benefits according to their needs. In addition, SFG has introduced "Refresh Leaves" program to provide employees refresh time and promote long-term leaves.

### Employee Health

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



## Local Community

### Direction of Social Contribution Activities

Based on the Group's full range of communication channels with various stakeholders, SFG assesses the needs and issues of local communities, and then sets the Group's mid-/long-term strategy and direction for its social contribution activities. SFG currently has set three core tasks – "Coexistence for Welfare", "Sympathy for Culture", and "Symbiosis for Environment" – as its main CSR strategies, striving to provide fundamental and long-term solutions for social issues of local communities.



#### Coexistence

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

#### Sympathy

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

#### Symbiosis

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

### Social Contribution Activity

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

### Communication with Local Community

As a responsible corporate citizen, SFG strives to fulfill its role in social contribution by maintaining a communication channel with local community, as well as striving for further economic growth into the future. To effectively carry out social contribution activities, SFG is working together with local civic groups and public organizations to identify the needs within local communities.

### Social Contribution through Culture and Sports

SFG is committed to conducting a variety of cultural preservation activities in order to revive the interest in traditional culture of Korea. SFG's efforts include campaigns to educate the public about our history and culture, as well as providing sponsorship and supports for diverse cultural and artistic activities. Also, the Bank holds the "Shinhan Music Award" event, identifying and fostering outstanding talents in classic music to grow Korean music industry into another level. In addition to providing support for cultural and artistic activities, the Group sponsors various sports events.

### Social Contribution through Education and a Scholarship Program

The importance of financial education is being emphasized, thus increasing the needs for systematic finance education at early age. Each subsidiary of the Group offers unique financial education courses, such as basic finance, basic financial transaction, and balanced financial operations, with special education teams to improve the overall quality of programs. In addition to offering education for children and students, SFG also conducts financial education for other various stakeholders, including multi-cultural families, North Korean defectors and lower classes households, as well as immigrant women from multi-cultural families. Through the Shinhan Scholarship Foundation, SFG is operating a variety of fellowships programs such as a general scholarship program and a mentoring system, as well as providing support for academic research organizations and educational institutions.

### Supports for Financially Marginalized People

To help financially marginalized people achieve greater social and financial independence, SFG founded the Shinhan Smile Microcredit Bank. For next five years from 2009 to 2013, the entire Group will contribute KRW 70.0 billion to the Shinhan Smile Microcredit Bank and KRW 37.6 billion to the Smile Microcredit Bank, totaling KRW 107.6 billion, to underprivileged groups for supporting their business startups and operation without collaterals and guarantees. As of April 2011, the Group has contributed KRW 30 billion to the Shinhan Smile Microcredit Bank and KRW 34.1 billion to the Smile Microcredit Bank. SFG will continue its efforts to reflect the needs of communities in the development of financial products, and plans to expand its branches, as well as the borrowing limit of its loans.

### Investment for the Society

In consideration of social impact and responsibility as a financial institution, SFG is making community-centered investments, such as investing in CSR-centered companies through SRI Fund as well as investing in SOC and providing loans. In particular, the Group organized various funds, which will help resolve liquidity problems among SMEs, as well as revitalize local economy.

