

Drawing a Sustainable Future

Shinhan Financial Group CSR Report 2015



Your Companion for the Future

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Mega Trend and Group Strategy

Shinhan Financial Group identifies risk and opportunity factors by analyzing the changing business environment and mega-trends, and is using data drawn from the analysis to carry out group-wide strategic responses.

Shinhan WAY



“Shinhan WAY” is the value system and guiding principle for the thoughts and actions of all Shinhan employees. It consists of mission, core value and vision.

Mission

Compassionate Finance,
Your Companion for the Future

Building a Better World through the Power of Finance

Core Values



Customer



Respect



Change



Excellence



Ownership

Vision

WORLD CLASS
FINANCIAL GROUP

Risks and Opportunities

Risks

- Decrease in number of customers
- Decrease in profits from insurance due to increasing life expectancy

Opportunities

- Increase in size of middle-aged and elderly customers
- Creation of new financial comprehensive products and services market such as the retirement market.

Risks

- Withdrawal of time deposit funds from banks
- Limitations of fund management in Korea

Opportunities

- Increase in importance of rate of return for investments
- Change in competitive landscape

Risks

- Rise of new rivals due to market entry by Fintech companies
- Increased risks such as leakage of personal information

Opportunities

- Advancement of big data and increased ratio of mobile channels
- Lower entry barriers to foreign markets through online services

Risks

- Increased inflow of foreign assets
- Extended effects of global shock

Opportunities

- Increased global expansion
- Improvement of company structure due to competition with multinational companies

Mega Trend



Korea is rapidly growing into an aged society. The emergence of an aged society and the demographic cliff by 2018 is expected to result in the decrease of a working age population and continuation of a low-growth trend. Consequently, the need for creating differentiation of products and services is rising along with the changes in customer demographics.



With the advent of an era with low interest rates, it is predicted that money will go wherever that yields higher profits, resulting in capital withdrawals from banks. Also, due to the worsening of adverse parity in the insurance industry, followed by low interest rates, the need for efforts to improve profit ratio, such as expansion of foreign assets, is rising.



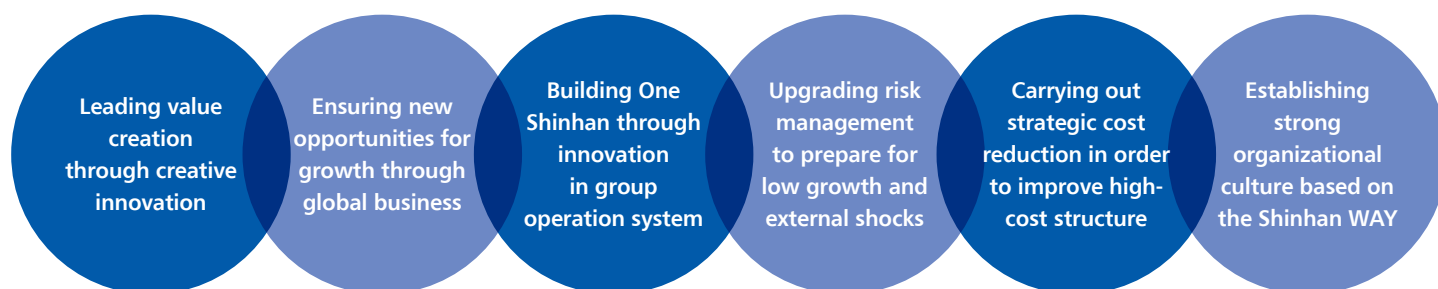
Along with the development of ICT, paradigms of the financial industry are changing due to digitization, the Internet, and mobile banking. The importance of digital finance is gradually increasing, as witnessed by the consistent increase in the acceptance of digital finance by the middle-aged class in Korea. Also, global Fintech companies are emerging as new rivals by providing differentiated products and services based on big data and platform.



The Korean economy is facing increased effects of crisis and opportunity from changes in the global economy, due to its growing association with the global economy and financial markets. The competitive landscape is experiencing a change due to the inflow of foreign assets, especially Chinese assets. At the same time, however, the opportunity for domestic finance companies to engage in global expansion has newly increased.

Long-term Strategic Tasks in 2016~2018

In order to take one more step towards becoming a 'World Class Financial Group', Shinhan Financial Group begins its long-term strategic tasks from 2016 and plans to execute them continuously for the next three years.



The Group's 9 CSR Strategies

By seeking a balance among economic performance, sustainability, and social responsibility, Shinhan Financial Group will create sustainable values for customers, Shinhan and society.







We Deliver the Value of Compassionate Finance to Every Region of the World.

Shinhan Card Arumin Overseas Volunteer Group carried out educational service activities in Sentul, Bogor, Indonesia, for ten days, by improving the residential environment and constructing the Arumin library in an elementary school. Nearly 75% of the population in Sentul, Bogor live in extreme poverty. With the construction of the Arumin library, which possesses 1,500 books in an Environment-friendly learning space, students studying in a poor educational environment can now develop their hopes for the future. The project received a warm welcome by the local government and residents. Apart from 422 Arumin libraries in Korea, Shinhan Card opened Arumin libraries in Vietnam and Indonesia, and plans to expand the project to Myanmar, and other areas.



We Provide Educational Opportunities of Experiencing and Learning about Finance to Students in Financially Underserved Regions.

Shinhan Bank carries out 'A Wonderful Bank Visited Our School' as part of the Visiting Finance Education program using mobile branch 'Bangbird'. This was conducted to help students living in financially underserved regions to experience various banking services in easy and fun ways. Starting with the Gangwon region in May 2015 to Chungcheong region in June, Jeolla region in September, and Gyeongsang region in October, we strive to provide educational opportunities of experiencing and learning finance to more students living in rural areas.









We Spread the Value of the Natural Environment.

Since 1994, Shinhan Bank has hosted the 'Shinhan Natural Environmental Photography Contest' in order to preserve the beautiful nature of Korea and to increase Environment-friendly campaigns. Also, we inspire others to value of nature and gain interest in protecting the environment by hosting a countrywide traveling exhibition that showcases works of art to everyday citizens.

'Reflection' by **Yoon, Hye Jeong**. Received Gold Award in the 22nd contest



We Make Generous Investments to Realize a Clean and Pure Environment.

The floating photovoltaic project is an environment-friendly energy project that prevents forest damage that may occur on land. The generation facilities installed on a water surface serves as an advantageous environment for fish by blocking out light and creating shade, and decreases occurrence and expansion of algal bloom. The Sangju Floating Photovoltaic Power Plant built in 2015 at the Otae and Jipyong reservoirs of Sangju, Gyeongsangbuk-do has a gross area of 64,000m², which is ten times the size of a soccer field, and can produce 8,600MWh of electricity every year, supplying electricity to 2,400 households. Shinhan Bank and Jeju Bank provided approximately KRW 10 billion for this project, and Shinhan BNP Paribas Asset Management provided KRW 5.3 billion through investment shares and subordinated loans from a renewable energy fund.









CEO Message

Dear Customers, Shareholders, and Citizens,

Shinhan Financial Group started the first private holding company in 2001, keeping pace with the global trends of diversification and enlargement. Later, Shinhan Financial Group established a balanced business portfolio between banks and non-banks and created synergy based on the strength of each affiliate, growing as a financial group which represents Korea.

In 2015, Shinhan Financial Group took one step further towards promoting sustainable growth. Even with the consistent decrease in profits for the overall industry as low growth and low interest rates became the New Normal, Shinhan Financial Group achieved a net profit of KRW 2.37 trillion. This was thanks to the efficient management of asset integrity as well as creation of balanced profit between banking and non-banking sectors. With this, Shinhan Financial Group established its status as the leading business in the financial sector.

Also, as a result of practicing Compassionate Finance, Shinhan Financial Group ranked 18th on the list of the Global 100 Most Sustainable Corporations at the Davos Forum, ranking the highest among Korean firms. Shinhan Financial Group also had the honor of being included in Dow Jones Sustainability World Index for three consecutive years, being recognized as the first place in the banking sector in Korea. Shinhan Financial Group was the only listed company in Korea which acquired A+ in the ESG integrated grade, receiving the Grand Prize for outstanding management governance from the Korea Corporate Governance Service, confirming its high esteem in sustainability.

Domestic and foreign economic conditions are not likely to improve easily in 2016. Unlike the United States, which increased its interest rates, various countries such as China, European countries, and Japan are continuing quantitative easing, which is expected to bring huge confusion to the global finance market. Also, along with the rapid growth of ICT, Fintech companies, including Internet Primary Banks, are entering the financial market, which is expected to greatly change the competitive landscape.

In order to adapt to the rapidly changing environment and to achieve sustainable growth, Shinhan Financial Group aims to trigger a new revolution through ceaseless change and innovation. In this respect, Shinhan will carry out the following tasks in 2016.

First, we aim to incorporate 'Compassionate Finance, Your Companion for the Future' in the routine works of our employees, which will create various cases of providing differentiated experiences to our customers. Our customers will learn that they can obtain greater values by doing business with Shinhan, as characterized by technology finance, expansion of the CIB model to small and large businesses, and development of differentiated products and services for improving customer values.

Next, we will seek new ways that can increase customer values in accordance with changes in the digital environment. We are already facing a new period where the digital environment leads social change. Along with such changes, we will develop products and services that fit the digital age through creative innovation, and will build the most convenient and safest digital finance from the perspective of our customers.

In addition, we aim to acquire a new engine for growth in the global market, centering on Asia, which has high potential for growth. Although Shinhan Financial Group is solidifying its place in some Asian countries, such as Vietnam, its presence in the entire region still remains low. We will diversify our expansion strategies such as utilizing non-face-to-face channels and will strengthen sales-based localization so that our global business will grow as an axis of growth.

Lastly, we will continue to promote our corporate social responsibility(CSR) activities. We will check the status and support our group affiliates and suppliers' CSR activities so that they can improve the level of their CSR, in a bid to increase the overall sustainability of the company. Shinhan Financial Group joined UN Global Compact, promising to comply with the ten principles related to human rights promotion, environment promotion, opposition to labor discrimination, and anti-corruption, and will make regular examinations on subsequent achievements. Also, we will continue to participate in global initiatives such as the Carbon Disclosure Project(CDP), growing as an exemplary company that takes the initiative in CSR activities.

One of the factors that enabled Shinhan Financial Group to accomplish unprecedented growth is the 'Shinhan WAY', the corporate culture and value that is exclusive to Shinhan. Shinhan Financial Group will continue to uphold the spirit of 'Shinhan WAY' and will promote finance where customers, Shinhan, and society can achieve mutual growth. We ask for your attention and love along the way to realizing new finance, which Shinhan Financial Group plans to pioneer.

Thank you very much.

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



Introduction to the Company

Overview

Shinhan Financial Group was established by Shinhan Bank(est. 1982) as Korea's first financial holding company of private capital on September 1, 2001. Since then, it merged with companies like Choheung Bank, which is over one hundred years old, and LG Card, growing as a representative financial brand in Korea now.

Shinhan Financial Group, which consists of twelve affiliates including Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank, promotes synergy and customer value through close networks between such affiliates to meet the various needs of the customers, solidifying its status as the top finance brand in Korea. In addition, in a bid to create stable profits and discover sustainable sources of profit, Shinhan Financial Group utilizes nationwide channel networks and customer based on the balanced business line between banking and non-banking sectors, strengthening the basis of core businesses of each affiliate, while operating matrix-type corporate structures(CIB, PWM) based on the banking and securities sector in order to maximize synergy for customers. Also, in a bid to establish a foundation for success in the global market, Shinhan Financial Group owns 140 networks in 19 countries, such as USA, United Kingdom, Japan, China, Germany, India, Hong Kong, Vietnam, and Singapore.

Global Initiative

Shinhan Financial Group complies with global standards by participating in sustainable initiatives. Shinhan Bank and Shinhan BNP Paribas Asset Management participate in the CDP(Carbon Disclosure Project). Shinhan Bank has joined UN Global Compact and is upholding its ten principles on human rights, labor, environment, and anti-corruption, and is also participating in UNEP-FI(United Nations Environment Programme-Finance Initiative), an environment-related initiative led by the UN.

Shinhan Financial Group also made an oath to support and comply with the Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights by the United Nations Commission of Human Rights through a declaration of human rights.

Sustainability Assessment

As an acknowledgement of its efforts on fulfilling CSR, Shinhan Financial Group is included in major sustainability indices in Korea and overseas, and is receiving attention from long-term investors such as global institutional investors and pension funds. Shinhan Financial Group is included in KRX SRI, KRX SRI ECO, KRX SRI Governance selected by Korea Exchange, as well as global indices such as Dow Jones Sustainability Index(DJSI), FTSE4Good, and MSCI ESG.

Assessment Institution(Index)	Assessment Result	Grade/Score in 2015
RobecoSAM(DJSI)	Included in DJSI World for three consecutive years	88
Korea Corporate Governance Service(KRX SRI, etc.)	Received the 'Grand Prize' as a company with outstanding corporate governance(first place)	A+
CDP	Selected in Carbon Management Honors Club for two consecutive years	100A
Corporate Knights(Global 100)	Ranked 18th on the list of the Global 100 Most Sustainable Corporations by The World Economic Forum	68.80%



Shinhan Financial Group, received the Grand Prize as a company with outstanding corporate governance



The Group's 9 CSR Strategies

As a financial group which leads sustainable management, Shinhan Financial Group established 9 CSR strategies in 8 areas of economic, social and environmental aspects for sustainable management activities, and is carrying out systematic CSR activities.

By seeking a balance between creating economic performance with sustainable and social responsibilities in everyday tasks, thoughts, and actions, all group affiliates and employees will create sustainable values for customers, Shinhan, and society.

Value Creation through Responsible Management



Creating continuous economic performances by implementing reliable business practices

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

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

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

Spreading the sustainability of environment through environmental management

Shinhan Financial Group is spreading the sustainability of the environment by strengthening the environmental management, by way of developing environment-friendly products and services and minimizing environmental impacts through efficient energy use.



CSR Key Performances

CSR strategy	Key indicator	Unit	2013	2014	2015
Creating customer value through customer-oriented management and information protection	Employees participating in education on protecting financial consumers	persons	-	19,950	19,142
	Education expense per person	KRW 1 million	1.70	1.38	0.85
	Education time per person	hour(s)	144.2	110.0	137.5
Developing human resources and creating a great workplace culture	Newly recruited members	Male	330	257	518
		Female	327	407	443
	Turnover members	Male	175	165	151
		Female	160	171	145
	Employees participating in stress self-diagnosis	persons	7,500	9,503	8,324
Contributing to the development of local communities through social contribution activities	Investment in social contribution	KRW 1 billion	78.8	61.4	81.1
	Employees conducting volunteer work	persons	67,027	71,444	68,393
	Time spent by employees in volunteer work	hour(s)	240,400	261,263	259,519
Increasing financial inclusion for the financially underserved people	Smile Microcredit (cumulative)	KRW 1 billion	61	84	103
	New Hope Spore Loan	KRW 1 billion	321	354	369
	Household Debt Healing Program	KRW 1 billion	350	437	514
	Redemption of arrears using 'my Shinhan points(reward points)'	KRW 1 billion	-	8	11
	Payment of uncollected insurance payments	KRW 1 billion	61	41	59
	Loans to Technology-Driven Startups	KRW 1 billion	202	1,040	1,346
	Corporate Success Program	KRW 1 billion	291	219	414
	Amount signed by Shinhan Hope Love Insurance contract	KRW 1 billion	0.32	0.28	0.24
	People receiving financial economic education	persons	97,942	117,272	135,983
Pursuing shared development with suppliers and supporting their CSR activities	Number of suppliers performing a self-diagnosis of their code of conduct	Companies	-	271	376
	Number of suppliers participating in diagnosis and support for sustainable management	Companies	-	-	32
	Number of suppliers subject to investigation on transactional satisfaction	Companies	448	684	578
	Transactional Satisfaction Level of Suppliers	%	86	83	86
Developing environment-friendly products and services	Balance from Green+ installment savings	KRW 1 million	-	368,604	384,462
	Balance from New Green Corporate Loan	KRW 1 million	445,484	339,917	201,563
	Balance from Green Energy Factoring	KRW 1 million	12,664	11,583	8,183
	Balance of the Green Remodeling Interest Subsidy Loan	KRW 1 million	-	4,548	13,636
	New deposits of Reimbursement Card for Light Vehicle Fuel Taxes	accounts	-	14,679	63,046
Using resources efficiently and reducing environmental impact	Direct & indirect greenhouse gas emissions	tCO ₂ eq	105,973	103,472	100,057
	Amount of copy paper used	ton	995.3	812.9	933.6
	Investment in the environment	KRW 1 billion	3	7	6

Scope of Report

- Basic Scope: 8 affiliates including Shinhan Financial Holding Company, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank
- Employees participating in education on protecting financial consumers: Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management
- Education expense and time per person: Data for Shinhan bank in 2013 and 2014, expanded to 8 affiliates starting in 2015
- Employees participating in stress self-diagnosis: Shinhan Bank
- Household Debt Healing Project: Data modified for 2013 and 2014
- Participants of financial economic education: 2013 data modified to data which includes self-education in branches
- Transactional Satisfaction Level: Data for group ICT suppliers



Stakeholder Engagement

Definition and Engagement of Stakeholders

Shinhan Financial Group defines major stakeholders as customers, shareholders, investors, employees, government agencies, local community, NGO, suppliers, etc., which have direct and indirect influence in operating the company. Shinhan Financial Group establishes and operates communication channels according to the characteristics of each stakeholder, and utilizes such channels to listen to expectations, interests, and various opinions of stakeholders.

Among the expectations of stakeholders, Shinhan Financial Group checks issues which pose a significant effect on corporate management performance as well as economy, society, and the environment, and reflects them in managerial activities, strengthening its relationship of trust with stakeholders, and creating new business opportunities.

Customer

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

Shareholder-Investor

- Meeting with Investors
- General Meeting of Shareholders
- Disclosure Committee
- IR Presentations

Suppliers

- Transaction Satisfaction Surveys
- Joint Volunteer Works
- Invitational Financial Seminars
- Continuous Business Meetings and Present Status Monitoring
- Discussion Meetings for Mutual Growth

Employees

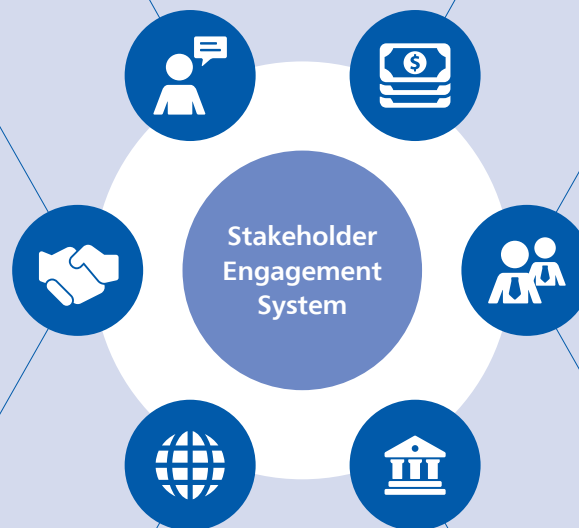
- Training and Education Programs
- Campaigns
- Internal Suggestion and Debate Systems
- Intranet, Company Magazines, Internal Broadcasting etc.
- Communication Programs between Employees and Departments
- Employee Satisfaction Programs
- Community of Practice(CoP), Clubs

Local Community and NGO

- Local Community Contribution Activities
- Philanthropic Activities Review and Plan Discussions
- Cooperation with Partnerships When Carrying Out Volunteer Programs
- Develop Social Contribution-related Products and Services and Consult on Partnership
- Local Community and NGO Discussion Meetings
- Sports and Mecenat Sponsorships
- Global Social Contribution Activities
- Scholarship Foundation

Government Agency

- Partnership Agreements with Government Agencies and Public Institutions
- Consulting Groups related to Policies of Financial Authorities
- Consultations and Responses to Issues Raised at the National Assembly
- Making Recommendations to Relevant Associations on Governmental Issues





Stakeholder Engagement Performance



Key Issues	Reflection in Management(Shinhan Financial Group's Response)
Strengthening Customer Protection	<ul style="list-style-type: none"> Created 'Consumer Protection Index' to promote customer-oriented thinking Signed oath to practice 'Behavioral Principles for Financial Consumers' Conducted meetings for consumer protection and education of employees regarding consumer protection Conducted role-plays by branches for understanding product sales and preventing complaints Developed tasks that process consumer protection by launching Consumer Protection System(CPS) Provided Self FDS(Fraud Detection System) used by customers for promoting safe card use
Improvement of Customer Satisfaction	<ul style="list-style-type: none"> Expanded company-wide CS culture through internal campaign during the business year Operated 'Yes-Reward,' a policy for accepting outstanding suggestions by customers Provided various customer-centered convenience activities such as preferential services to long-term customers
Improved Convenience at Customer Contact Points	<ul style="list-style-type: none"> Conducted satisfaction survey at customer contact points(once a quarter) and reflected the results in branch KPI Expanded simple service on cyber/smart channels and managed usage status
Information Protection	<ul style="list-style-type: none"> Upgraded compliance system on group information protection Established self-examination process for affiliates Conducted preliminary response training and established detection · control system Conducted on-site examination and reflected the result for branches · HQ departments



Key Issues	Reflection in Management(Shinhan Financial Group's Response)
Improving the Value of Shareholders and Investors	<ul style="list-style-type: none"> Shared the interests and demands of shareholders and investors with relevant departments to improve the shareholder value
Improve Information Accessibility	<ul style="list-style-type: none"> Strengthened indirect channels through tablets and smartphone channels
Improvement of Disclosure System	<ul style="list-style-type: none"> Standardized tasks by creating a disclosure system manual Strengthened disclosure control system by implementing disclosure risk monitoring which reflects task characteristics



Key Issues	Reflection in Management(Shinhan Financial Group's Response)
Enhancement of Communication between Employees and Departments	<ul style="list-style-type: none"> Operated diverse communication programs for employees and departments
Work-Life Balance	<ul style="list-style-type: none"> Operated stress care programs for employees Hosted cultural events participated by families of employees Operated PC OFF policy
Strengthening of Employees' Capabilities	<ul style="list-style-type: none"> Operated MBA course in core areas of global channels Selected and developed the 'Global Leader Group' for local employees overseas
Development of female workforce	<ul style="list-style-type: none"> Increased quotas for women in promotion and training Operated 'Shinhan Mom-pro Program' using flextime for certain periods Operated job promotion policy to strengthen professionalism of women doing office work Newly created local head policy for task support in order to support female workforce at sales sites

Key Issues	Reflection in Management(Shinhan Financial Group's Response)
Financial Innovation(Fintech, etc.)	<ul style="list-style-type: none"> Operated evaluation/reward system based on performance by position in order to develop performance-based system in the financial sector Improved accessibility/convenience of finance by expanding complex finance channels (PWM center, Creative Finance Plaza, etc.) Established Fintech ecosystem by operating Shinhan Future's Lab Led digital financial environment by commercializing non-face-to-face certification method (Digital Kiosk, Sunny Bank, etc.)
Creative Finance	<ul style="list-style-type: none"> Supported revitalization of real economy by improving household debt restructuring and increasing support for microfinance Improved its own model for technology evaluation and revitalized investment based on technological value Developed/operated education programs on technology finance by stage for the first time in the banking sector Revitalized performance-sharing products and relationship-oriented finance for blue-chip technology companies and companies with high potential for growth
Job Creation	<ul style="list-style-type: none"> Expanded employment of youths with high capabilities(including graduates of specialized vocational high school) Introduced differential wage peak system for efficient personnel operation Conducted flextime employment(for women with career discontinuation, etc.) and continue employment of disabled people and people of merits.



Key Issues	Reflection in Management(Shinhan Financial Group's Response)
Support for Socially Disadvantaged and Vulnerable Groups	<ul style="list-style-type: none"> Conducted 'Education for preventing financial fraud of the elderly' by visiting welfare centers in Seoul and Gyeonggi regions Operated Visiting Finance Education using mobile branch Bangbird for students living in financially underserved regions Supported employment at outstanding small and medium-sized companies through the Best Company-Best Employee Matching Project Supported the socially disadvantaged through charity programs run by employees (Click of Love, Good Day Good Donation, etc.)
Activation of Cultural Art for Local Community	<ul style="list-style-type: none"> Establishment of volunteer group for systematic and professional management of preservation of cultural assets Hosted Shinhan Gallery Cultural Arts Academy Hosted Shinhan Gallery exhibition for culturally underserved class(intellectual disability, developmental disability, etc.)
Activation of Employees' Engagement	<ul style="list-style-type: none"> Spread a culture of participation by holding the Grand Festival of Volunteer Work Actively participated in solving social problems(MERS) - supported traditional markets, purchased agricultural products in isolated areas, etc.
Activation of Stakeholders' Engagement	<ul style="list-style-type: none"> Participated in project for improving the educational environment in Myanmar, supported by KOICA Operated the Customer Volunteer Group to enable customers to voluntarily participate in volunteer activities for the local community



Key Issues	Reflection in Management(Shinhan Financial Group's Response)
Compliance with the Basic Principles for Shared Development	<ul style="list-style-type: none"> Opened communication channels with suppliers within integrated purchase management system Added suppliers' code of conduct to contract with Shinhan Financial Group suppliers Granted plus points to companies that possess outstanding technology and conduct CSR activities Granted fair opportunities for project participation through ICT project disclosure
Guarantee of Appropriate Price	<ul style="list-style-type: none"> Prohibited unconditional minimum bidding system which cannot guarantee appropriate price Calculated additional expenses if any





Materiality Assessment

Shinhan Financial Group annually conducts materiality assessment in accordance with principles for defining report content of GRI G4 guideline in order to determine contents to be included in the report. The materiality assessment process consists of 4 stages of analyzing environment for CSR, creating the issue pool, prioritizing, and selecting and reporting issues. We created 30 issue pools by analyzing internal and external environments,

and ultimately derived 10 core issues such as improvement of customer satisfaction and prevention of financial fraud through prioritization of issue pool based with criteria of social interest, which considers expectations and interests of stakeholders, and business impact on corporate management activities. The CSR activities and achievements related to these core issues are available in the report and on the website.

Materiality Assessment Process

STEP 1. Analyzing Environment for CSR

- Analyze international standards and trends
- Analyze media research
- Analyze management status and strategic tasks

STEP 2. Creating Issue Pool

- Create 30 CSR issue pools through internal and external environmental analysis

STEP 3. Prioritizing the Subjects

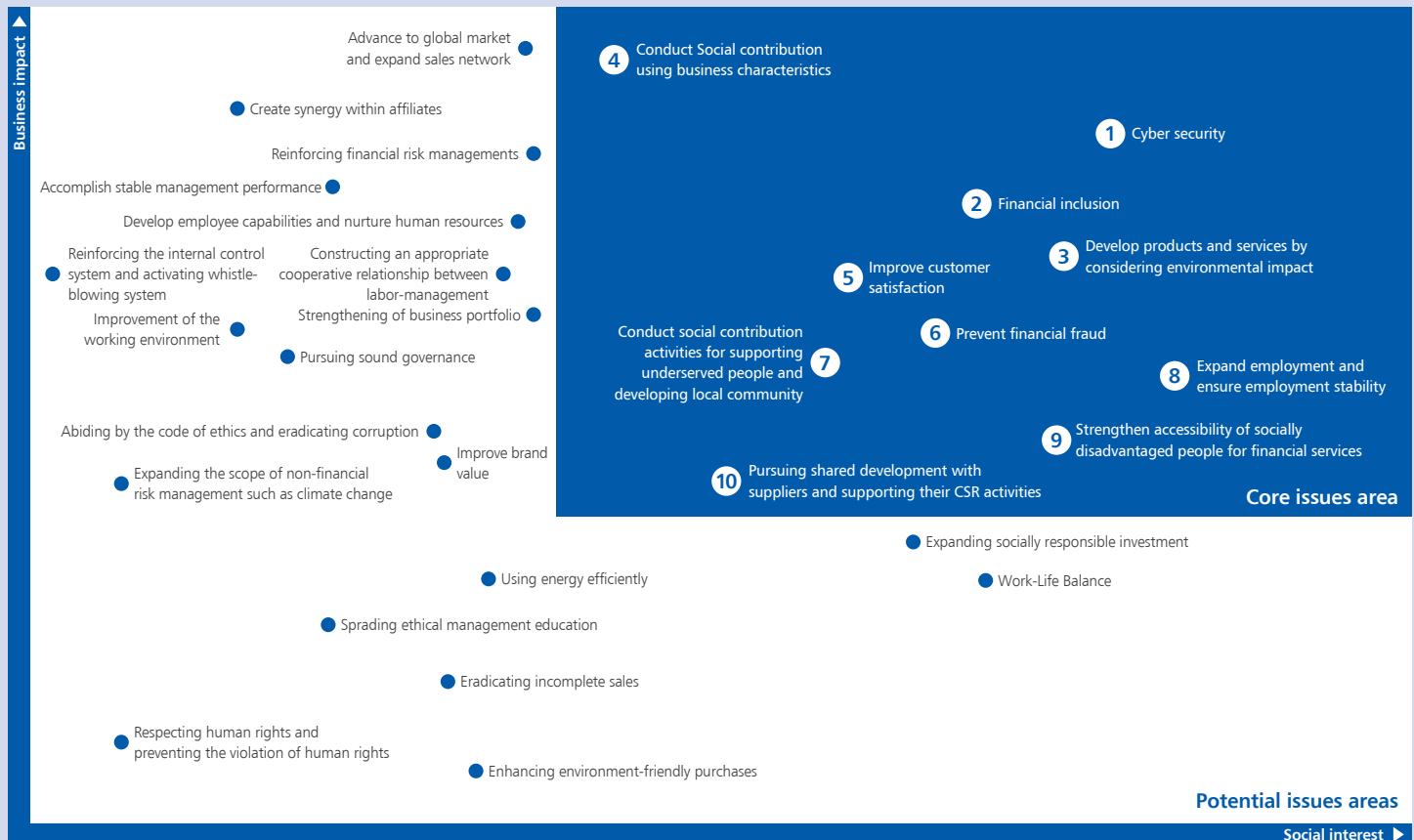
- Level of social attention
→ Review legislation and regulations, industrial issues, and media exposure
- Business impact
→ Review links with management strategies and financial performance

STEP 4. Selecting and Reporting Issues

- Core issues
→ Report activities and performances in the report
- Potential issues
→ Manage activities and performances consistently

Materiality Assessment Result

* Report boundary: Shinhan Financial Group



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Meaning of Compassionate Finance, Your Companion for the Future

Since its establishment, Shinhan Financial Group has contributed to the nation's development with its financial services, and has continued to challenge itself with the mission of creating new value for customers and society. With the initial spirit of the company, Shinhan Financial Group has set 'Compassionate Finance, Your Companion for the Future' as its group's mission, which also carries the idea that it aims at "Building a Better World through the Power of Finance". 'Compassionate Finance, Your Companion for the Future' implies that by practicing 'creative finance' within Shinhan's main business sector, it will create a virtuous cycle structure in which customers, Shinhan, and society all grow together. 'Compassionate Finance, Your Companion for the Future' is significant in that it shows how corporate values and customer(social) values can 'coexist' rather than clashing with each other. In order to actualize such coexistence, Shinhan Financial Group will make sure that all employees incorporate compassionate finance in their services so that customers can experience differentiated services. Shinhan Financial Group is also upgrading various policies/systems in order to spread a culture where employees who actively practice the goals of compassionate finance can stand out in the company.



The Core of Financial Business

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



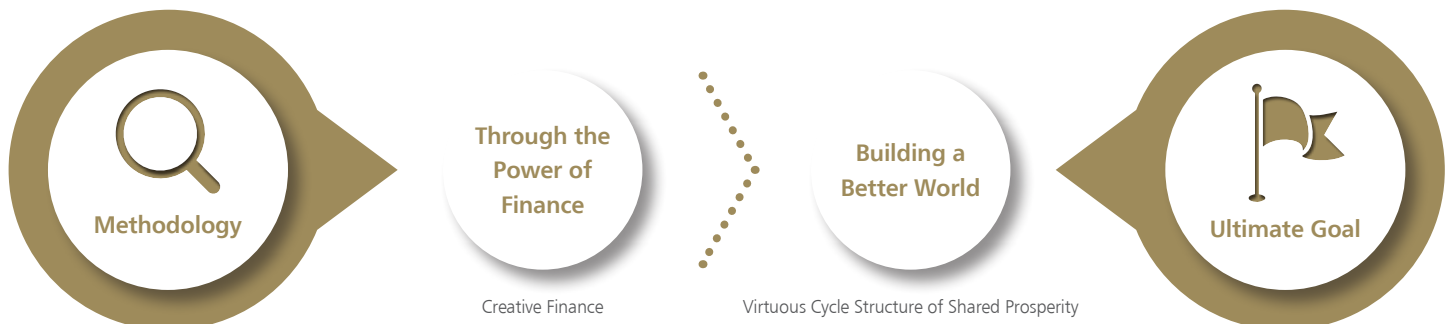
Creative Finance

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



Virtuous Cycle Structure of Shared Prosperity

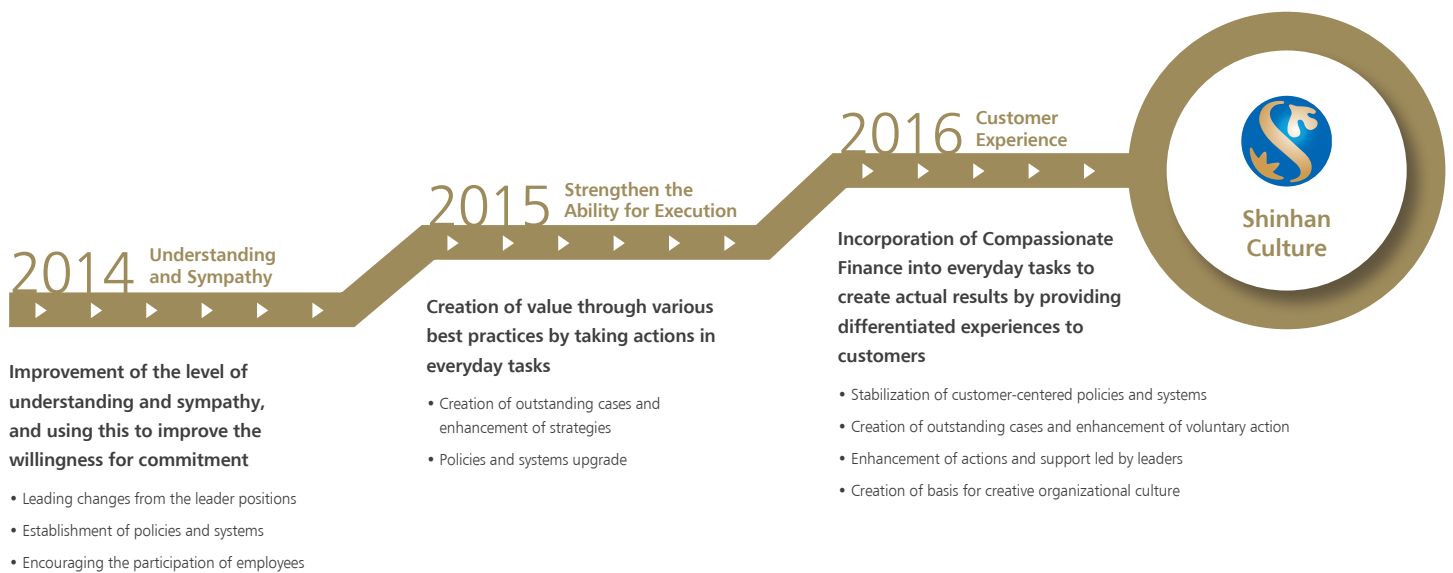
When Shinhan offers greater customer value through Creative Finance, more customers will wish to do business with Shinhan. As a result, Shinhan's value will also grow. Furthermore, if Shinhan supports more customers to succeed and appropriately conducts the basic function of finance—efficient allocation of economy's resources—the society's overall value will also increase. We call this the 'virtuous cycle of shared prosperity', a phenomenon in which the customer, company, and society all grow together.



Compassionate Finance Roadmap

In 2016, Shinhan Finance Group plans to incorporate 'Compassionate Finance, Your Companion for the Future' in everyday tasks of the employees in order to firmly establish it as the organizational culture of Shinhan, and to create various cases of providing differentiated experiences to our customers. While continuing our efforts to improve operative yield rate of customers' intrinsic assets so that customers and Shinhan will obtain real value, we plan to focus on developing cases where customers directly feel our efforts by planning to provide leading support on technology finance, expanding CIB model for SMEs and high-potential enterprises, and developing differentiated goods and services for improving customer values.

All these efforts will be directed to materializing the Group Mission: Compassionate Finance, Your Companion for the Future. We firmly believe that our persistent pursuit of Compassionate Finance is integral in achieving sustainable growth and becoming a world leader in the 21th century financial markets.



Practice of Compassionate Finance

Shinhan Bank

Start-up Training for Small Entrepreneurs

Through business alliances with small enterprise support institutions, Shinhan Bank provides a bank-wide training program on start-ups to anyone who is considering starting a business. In 2015, a total of 2,743 prospective SOHO founders completed the training.



New Hope Spore Loan

In 2015, Shinhan Bank extended a total of KRW 369 billion through a microfinancing program jointly launched with other banks in Korea. The program aimed to expand financial inclusion for the financially underprivileged.



Preferential Fee Rates for Low-income Families

In 2015, the bank offered fee reductions for those currently receiving financial support or workers subsidies from the government up to 81,602 cases.



Corporate Success Program and Support for Recovery of SMEs

Supported corporate normalization for companies that suffer temporary difficulties with liquidity but have moderate sales competitiveness or technological capabilities, using various methods such as new/repayment delay/interest rate reduction, and targeting coexistence of companies and banks.



Loans to Technology-driven Startups

Supported loans amounting to KRW 1,345.6 billion in a year in order to develop potential for small businesses in their early stages with outstanding technology and to contribute to job creation.



Shinhan Investment Corp.

SME Financing through the P-CBO

Shinhan Investment Corp. assists SMEs that face difficulties in funding by underwriting the issuance of a P-CBO with a guarantee from the Korea Technology Credit Guarantee Fund(KIBO). The company administered KIBO's P-CBO issuance on three occasions in 2015(the year's first, fifth and sixth issuance).



Shinhan Card

Redemption of Arrears Using Reward Points

Prepared a process where overdue members who cannot use points due to suspension of card usage can repay overdue funds using points, supporting the revival of overdue members of small amount and preventing degradation of their credit rating.



Support Product Sales and Promotion for Small Businesses through 'All that Shopping Mall'

Provided channels and services for selling and promoting products for outstanding small businesses, suppliers, and small groups with poor distribution channels and marketing using 'All that Shopping Mall' that is run by the company



Operation of Exclusive Counseling/Evaluation Group for Financially Underserved People

Provided counseling services appropriate to various situations of customers such as improving procedures for ARS registration and personal identification by operating the organization for counseling and evaluating card issuance for elderly customers. Created online chat evaluation process for hearing-impaired customers so that customers are able to enjoy various financial benefits without being underserved.



Shinhan Life Insurance

Follow-up Service

Shinhan Life Insurance offers a follow-up service for customers whose insurance representatives have changed. Provided that the policyholders have allowed consent, the new representative visits them in person to provide five key services* upon request. In 2015, 285,838 customers received the service.

* Five Key Services : Readdressing the coverage of products with policies in force, checking the eligibility of insurance claims, updating customer information, offering a guide on designating beneficiaries, and including babies soon to be born in the coverage as well as coverage reviews



Payment of Uncollected Insurance Payments

Conducted 'Payment of uncollected insurance payments' campaign for customers not receiving insurance even though reason for insurance payment has occurred. Identified 103,155 cases and paid unpaid insurance claims amounting to KRW 58.6 billion for one year, and made efforts to deliver the intrinsic value of insurance.



Provide Customer-oriented Solutions

Conduct Deposit Service for Means of Payment for Tourists Prior to Departure

Shinhan Bank Incheon Airport Branch

Over time, there tends to be many customers at Incheon International Airport who are forced to deposit excess value in financial institutions after being penalized by customs officials for excess cash transfer when departing the country. As such, cases of failing to board the plane on time frequently occur due to delay in deposit. In order to alleviate such inconveniences, Shinhan Bank signed an 'MOU for providing deposit service for means of payment for tourists prior to departure' with Incheon Airport customs. Thanks to the MOU, departing tourists can submit the minimum documents needed for deposit at the Shinhan Bank currency exchange center on the third floor of Incheon International Airport to receive deposit service. When using the deposit service at the Shinhan Bank currency exchange center, the processing time that used to be 40-80 minutes dramatically reduced to 10-20 minutes, leading to improvement in convenience in using financial services.

Value Creation through Compassionate Finance



Customer value	<ul style="list-style-type: none"> Prevent loss of customers' money due to delay in procedure and alleviate customer inconvenience by reducing processing time
Shinhan value	<ul style="list-style-type: none"> Increase profits from interest rate of liquidity deposit through deposit service Improve task efficiency for banks and institutions and improve reliability
Social value	<ul style="list-style-type: none"> Present new financial solutions for financially underserved people such as foreign laborers Improve reputation of customs

Develop Structured Product which Improves the Value of Coexistence

Shinhan Capital Strategic Finance Team

Shinhan Capital predicted that there will be a large amount of capital demand by SK Networks, which plans to increase its vehicles to 50,000, in a bid to become one of the top 3 companies in the industry, and sought cooperation between group companies by changing the existing standard automobile lease product into a capital solution optimized to the corporate customers. Through deal structuring and negotiation of contract conditions with Shinhan Bank CIB group, we liquefied the simple lease product into lease bonds in order to make a structured product for Shinhan Bank. Notably, the previous condition of '3-year contract, no deposit, 50% balance, 30% non-guaranteed balance' was changed into '2-year contract, 5% deposit, 66.7% balance, 30% non-guaranteed balance', resulting in a decrease in risk and creation of a more safe environment for investment. Using this, the corporate customers signed a limit contract of a large amount and was able to expand its business through smooth financing, and Shinhan Capital was able to have the opportunity of building a new trust relationship with the client apart from an increase in profit. We will continue to practice creative finance through coordination with group affiliates in order to create opportunities of producing coexisting future values.

Development of New Products and Services

Electronic Card for Retirement Benefits for Construction Laborers

Shinhan Card Institution Sales Team

Approximately 57% of construction laborers are temporary laborers, and are classified as underserved class at blind spots of social benefits. Although retirement benefit policy for construction laborers was introduced in order to strengthen social benefits for construction laborers, problems such as intentional reduction of labor days by business owners have occurred. As a result, Shinhan Card introduced an electronic card system based on a financial card through consultations and persuasion with government agencies so that the retirement benefit policy will be able to settle and develop appropriately. The electronic card system is a system establishment project, which issues electronic cards with attendance check function and manages labor status. This was able to establish a policy environment of improving the awareness of construction laborers at construction sites of the pilot project regarding retirement benefits, and of accumulating a mutual benefit fund for retirement in normal way. This project does not merely emphasize the convenience of using a card, but has a greater significance in that it protects the rights of construction laborers and improves the structural problems of social policy.

Development of Shinhan Mezzanine IPO Stock Wrap

Shinhan Investment Corp. IPS HQ

As the distrust on financial products of securities firms rises along with the increased variability of the stock market and other unfavorable events, customer needs have expanded to products that minimize risks while yielding profits that exceed the deposit interest rate. For the first time in the securities industry, Shinhan Investment Corp. planned a combination of bonds, mezzanine, and public offering called 'Shinhan Mezzanine IPO Stock Wrap' in order to fulfill stability of bonds and profitability of stocks at the same time. Since it was developed for the first time in the securities industry, we established the entire process through coordination between Shinhan Investment Corp. and Korea Financial Investment Association. This product guarantees basic interest income through bond interest rate+ α (margin, additional gains), while converting bonds to stocks when the stock price rises in order to gain margins. It maximizes customer satisfaction by ensuring a minimum safety network for profit through IPO investments.

Development of Whole Life Insurance Producing Pension in Advance

Shinhan Life Insurance Product Development Department

In order to reduce the economic burden of customers who have difficulty in preparing guaranteed insurance and pension insurance while practicing profit-oriented management through sales of guaranteed insurance at the same time, Shinhan Life Insurance developed 'Whole Life Insurance Producing Pension in Advance' which offers 'prepayment of death benefit pension' for the first time in the industry. This product combines concept of housing reverse mortgage with whole life insurance and utilizes the coordination factor when calculating pension amount, creating a new customer value with the lasting value of guaranteed pension and death benefit. Moreover, it is emerging as a new third-generation whole life insurance by creating multiple product values such as its contribution to product policies in preparation of the ageing society.

Introduction and Increased Sales of Asset Allocation Fund

Shinhan BNP Paribas Asset Management Pension Solution Center

Along with the accelerating trend of ageing society and rapidly changing economic environment, customer needs have expanded to a pension product that guarantees stable profit after retirement. Accordingly, Shinhan BNP Paribas Asset Management developed a new customer-centered retirement pension fund which guarantees stable operation of retirement fund by actively reflecting results from simulation using past fund data, verification of sales channel, and problem analysis on benchmarked products. As a result, we were able to ensure asset allocation that is appropriate to market situations and has an effect of risk reduction in operating funds. This was made possible by investing in traditional financial assets such as stocks and bonds, as well as various domestic and foreign assets such as real estate and raw materials.

Guidance on Employment Support Program of Government for Debtors

Shinhan Credit Information Card Bond Department

In order to solve fundamental problems of debtors who suffer from economic burden due to job loss of job loss and unemployment, Shinhan Credit Information established a plan for operating an employment program for debtors through coordination with internal organizations and established special reduction benefits for applicant customers. Moreover, the company signed a business agreement with Seoul Northern District Office of Ministry of Employment and Labor and officially started the Shinhan Financial Group 'Overcome Credit Crisis' program,' successfully launching the guidance program on employment success package. In this program, the Ministry of Employment and Labor provides training and employment counseling for debtors and manages employment assistance upon successful completion of training, while the team from Shinhan Credit Information supports the delay in repayment of debt and additional financial benefits for customers for the duration of the training.

By putting the focus on a change of perspective on debtors in order to promote long-term stabilization of living and credit recovery and by contributing to expanding the size of low-income, low-credit recipients of government assistance, we achieved 'Compassionate Credit Management Accompanied by Hope.'

Value creation through compassionate finance



Customer value • By providing not just a simple deferment of interest but also a fundamental solution through employment, provided proactive consulting for long-term stabilization of living and credit recovery

Shinhan value • By providing credit consulting for lasting income to customers without the ability to pay back principal and interest, increased possibility of collecting bonds and improved external image

Social value • By creating the basis for a cognitive shift where those of low-credit class living in employment blind spots can complete the training, contributed to expansion of recipients for support programs from employment support center

Improvement of policies and processes

Establishment of System for Individual Alliance Contract Limit

Shinhan Card Corporate Sales Team 2

When a customer requests an increase in credit card limit, the card company reviews the reason for request and the customer's credit status and asks for disposable income documentation. Due to such complicated procedures, most customers change their cards or provide payment using cash. By coordinating with relevant departments, Shinhan Card planned a method of utilizing partnership agreement limits of corporate cards on individual transactions. By sharing risks with large franchises through agreements on payment by subrogation, risks are shared if customers do not pay the price for products. A system for individual partnership agreement limit was established where customers can purchase products even if they exceed their credit limits within a certain limit. Even if the card limit is exceeded, customers can immediately purchase products using an exclusive ARS call center with guidance of the sales staff within partnership agreement limit. This resulted in increased customer convenience and an accumulated amount of KRW 10.5 billion for Shinhan Card for three months.

Development of DR.S, a total wealth asset management system

Shinhan Investment Corp. Next-generation WMS Development Team

In response to the need for a total wealth asset management system followed by activation of asset management, Shinhan Investment Corp. launched a development team in order to develop a next-generation WMS. By studying customer needs using various channels such as analysis of peer companies, benchmarking of outstanding systems, and collecting opinions from internal employees who are real users, it created five core tasks. Also, by developing a user-centered system, it provided all functions needed for sales activities, such as customer management and strengthening of product information contents, contributing to improvement of customer values.

By providing follow-up management of entire assets of customers using various follow-up management indicators as well as a diversified portfolio customized to customers, Shinhan Financial Group acquired the capability for providing a differentiated WMS, which leads the industry. Shinhan Financial Group utilizes period yield rate for the first time in the industry and provides performance analysis report to customers, contributing to improvement of the yield rate for customers and being subject to benchmarking by peer companies.

Simplification of Documents for Hug Loan

Shinhan Savings Bank Retail Sales Department

‘Shinhan Hug Loan’ is a representative mid-interest rate loan product developed by association between banks and savings bank, with the purpose of being able to promptly offer an alternative product to customers at the sales site. However, with strengthened policies on personal information protection in 2015, documents that need to be submitted by applicants of Hug Loan increased to 8 types and 14 pages, weakening the original purpose of linked loan and resulting in customer inconvenience. As such, Shinhan Savings Bank sought for a method of simplifying loan documents in order to provide benefits of microfinance to more customers. By reviewing documents that may be skipped, reviewing alternative solutions such as voice recordings, and even considering trivial aspects such as grievance from consultant employees, we came up with an improved solution and simplified the required documents to 5 types and 7 pages. Moreover, we developed the Hug Loan application process through Smart App, making consistent improvement of accessibility of customers.

Development of pan-financial sector corporate loan information system

Shinhan Bank Marketing Department

Shinhan Bank has developed a pan-financial sector corporate loan information system, which can make detailed exploration on credit loan status of domestic companies in local units for the first time in the financial sector, providing customized financial solution to corporate customers. We expanded the scope of corporate transaction status to approximately 3,000 financial institutions such as banks, card companies, financial investment firms, and public financial institutions. Also, through big data analysis, we are checking not just simple loan information but also information on expiration by subject and month, as well as information on overdue amount for the past one year and information on mortgage rates. Using this, any HQ department, local HQ, and sales branch can recognize the characteristics of the corporate customers that needs assistance, using market analysis appropriate to each situation. For example, a sales branch checked information that was overlooked by another financial institution using this system and succeeded in attracting approximately KRW 8 billion, confirming the possibility of attracting blue-chip corporations through proactive suggestions that are appropriate to customers.

Value Creation through Compassionate Finance



Customer value	<ul style="list-style-type: none"> • Provided customized financial solutions for companies maintaining conventional transactions with financial institutions • Resolved new financial needs and provided timely financial opportunities(Calculation of appropriate credit offering limit, consulting on improvement of finance structure, etc.)
Shinhan value	<ul style="list-style-type: none"> • Improved market insight and increased possibility for attracting blue-chip client companies • Carried out strategic sales activities and strengthened competitiveness, through the establishment of strategic marketing direction and increased efficiency
Social value	<ul style="list-style-type: none"> • Contributed to risk management of financial company through effective OE management through time series analysis on the status of credit offering by regions, industries, and business

THE GROUP'S 9 CSR STRATEGIES





Creating Customer Value through Customer-oriented Management and Information Protection

The paradigm of finance is shifting towards enhancing the protection of financial consumers in order to develop sustainable financial industry globally. Social demand for reinforcing the rights of financial consumers is also on the rise. Such a paradigm shift in finance calls for the need to strengthen preventive processes rather than subsequent measures for customer complaints. With the goal of practicing its customer-centered core values, Shinhan Financial Group operates an organization for protecting financial consumers by placing customers as a priority, and is planning and executing regulations for protecting financial consumers, complaint-processing procedures, and product development processes, etc.

In addition, along with the rapid development of ICT and the increasing importance of the protection of personal information, security accidents have recently occurred in various forms such as traditional hacking attacks through external networks and internal leakage by employees of consigned businesses. Although no incidence of personal information leakage has occurred in Shinhan Financial Group for the past three years, attempts on leakage of customers' information for companies in the financial sector, including our company, seem likely to continue in the future. If any accidents arise in the future, the reputation of the company may become tainted. Consequent effects may ensue, such as expenses for subsequent measures due to leakage of customers' information like costs for card reissuance, compensating customers for loss, fines imposed by regulators, and facing penalties such as imposition of surcharge and suspension of business by the financial supervisory authority. Accordingly, Shinhan Financial Group is striving to protect customer information and promote stringent security management by improving the level of security based on a secure system for privacy protection.

Self FDS(Fraud Detection System) to ensure safe usage of card



Received Champion Award in VISA Security Summit

Due to the increasing usage of foreign cards, leakage of personal information frequently occurs via POS terminals or internet websites. At the same time, cases of illegal transactions in foreign countries, such as card forging and identity theft, are gradually increasing. In order to provide safe card service to its customers, Shinhan Card is providing customized Self FDS service for the first time in the industry. Using this service, cardholders can preset the conditions of their credit card usage such as countries, stay durations, transaction forms, and amounts, so that they can use their credit card with enhanced convenience and security.

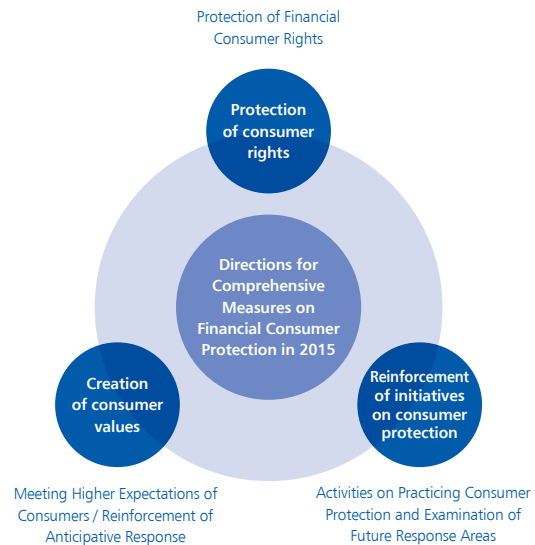
In 2015, Shinhan received the Champion Award at the 11th VISA Security Summit in acknowledgement of the excellence and innovativeness of the Self FDS service. Shinhan Card will make consistent upgrades on FDS in order to protect the assets of its customers and merchants.

Financial Consumer Protection

Shinhan Bank operates its consumer protection center in order to promote consumer rights and value creation for customers, using it as a 'control tower' for consumer protection. From the stage of planning policies, regulations, and product development related to consumer protection, to the stage of conducting follow-up measures, Shinhan Bank monitors and receives feedback from all stages and strives to improve any irrational policies and customs in an effort to protect financial consumers. The company also plays a leading role in protecting assets of customers by monitoring transactions that appear to be suspicious of electronic financial fraud such as voice phishing.

Moreover, Shinhan Bank selects and undertakes company-wide endeavors for protecting consumers, such as responding to strengthened policies on consumer protection by the government and improving policies and customs for protecting consumer rights. In an effort to carry out comprehensive measures for financial consumers, Shinhan Bank selected 187 projects in 3 core areas, conducted quarterly feedback in 2015, and completed implementation of all the projects by the end of 2015. Apart from such efforts, Shinhan Bank conducted a 'suggestion event of the consumer, by the consumer, for the consumer' and received opinions from consumers through the website, leading to enhancement of consumer rights by identifying tasks for improvement from the consumers' perspective.

Directions for Comprehensive Measures on Financial Consumer Protection in 2015



3 Major Directions for Consumer Protection	10 Major Points of Improvement	Detailed Tasks
Protection of consumer rights (Protect consumer rights / Prevent losses)(60)	① Incomplete sales(13)	Eliminate incomplete sales on loans · deposits and investments and strengthen monitoring
	② Real-name financial system / Binding regulations(3)	Strengthen identification process, strengthen education, comply with binding regulations
	③ Protection of customer information(19)	Examine management status on customer information, eliminate arbitrary access without consent
	④ Prevention of electronic financial fraud(25)	Prepare policies for preventing voice phishing, strengthen information security on non-face-to-face channels
Creation of consumer values (Maximize consumer values)(93)	⑤ Improving consumer policies and systems(33)	Improve policy concerning multiple complaints and unreasonable practices
	⑥ Reinforcement of education/HR services(35)	Strengthen support on consumer protection and increase all awareness of all employees regarding consumer protection
	⑦ Reinforcement of financial consumers' right to know(25)	Strengthen disclosure system(website disclosure management system, preliminary examination of advertisements), conduct financial education
Reinforcement of initiatives on consumer protection (Examine execution and future areas)(34)	⑧ Reduction of complaints regarding consumer protection(16)	Reduce complaints, create a complaint-handling system from the perspective of consumer protection
	⑨ Assessments on consumer protection status(10)	Examine assessment on consumer protection status (Consistently identify policy directions and related works)
	⑩ Assessment on fulfillment of comprehensive measures regarding policies for financial consumers	Examine fulfillment of comprehensive measures on policies for financial consumers(Consistently identify policy directions and related works)

In order to promote more systematic activities for protecting financial consumers, Shinhan Card established a consumer protection process characterized by preliminary assessment, VOC(Voice of Customers) collection, prevention activities, work improvements, follow-up measures, and feedback. Through this process, Shinhan Card actively reflects the demands of financial consumers in management activities, preventing consumer complaints and providing prompt follow-up aid. Shinhan Card also strives to improve company-wide awareness and capabilities for protecting financial consumers by operating consumer protection meetings, educating employees on consumer protection, etc.

Shinhan Investment Corp. is performing stringent monitoring on financial fraud through education of employees and system construction. Also, it is carrying out role-playing activities by branch with the goals of understanding product sales based on Standard Guidelines for Investment Recommendations and preventing complaints. In 2015, it conducted 35,486 Happy Calls by expanding products subject to examination on completed sales.

In 2015, Shinhan Life Insurance launched its 'Consumer Protection System(CPS)' in order to upgrade its processes on consumer protection and to improve user convenience. The company enacted 'Consumer Protection Day,' strengthening employees' awareness on consumer protection through on-site educational broadcasts, consumer protection reports, etc. Additionally, it is operating a Quality Index and giving awards to outstanding branches in an effort to promote flawless sales through complete sales activity.

System for Predicting Retention Rate of New Contracts

For the first time in the insurance industry, Shinhan Life Insurance developed a system for predicting retention of new contracts by analyzing characteristics of insurers. This system analyzes the characteristics of insurers, such as job, age, breakaway from previous contracts and time of signing insurance contracts, in order to analyze changes in retention rate, and utilizes systems like underwriting and Happy Call to carry out sales customized to each customer. This system is expected to have huge effects in eliminating inflow of unsound insurance contracts, improving retention rate, which is a major indicator for insurance companies, while reducing customer complaints.



Customer value	<ul style="list-style-type: none"> The company analyzes and examines contract suitability factors, such as overlapping guarantee and payment capacity, providing products fit for customers
Shinhan value	<ul style="list-style-type: none"> The company ensures objective assessment on the qualitative level of contracts and attaining prior understanding of matters that deserve special attention, ensuring quality contracts, improving profitability, and promoting corporate values
Social value	<ul style="list-style-type: none"> The company contributes to the healthy development of the insurance industry by promoting a sales culture characterized by quality contracts

Improvement of Customer Satisfaction

In an effort to expand an admirable CS culture in 2015, Shinhan Bank conducted its internal campaign during the year by selecting and carrying out quarterly thematic activities, strengthening the power of execution for on-site CS. Shinhan Bank is also utilizing the results from regular customer satisfaction surveys as the indicators for evaluating the management board and branches, and is carrying out concentrated improvement activities on weak factors. In addition, the company is operating on-site support CS RM, which administers practical CS-strengthening activities, such as education on CS at regional HQ and visits to branches with weak CS, contributing to the overall improvement of service quality in branches. Also, in 2015, Shinhan Bank developed its 'Comprehensive SCALE System,' an upgrade from the existing CS system, in order to promote systematic CS management in branches. This drastically improved the convenience of branch employees in using the system, increased the amount of data provided by results of CS evaluation, and strengthened statistical analysis capabilities, ultimately upgrading the capacity for improving service quality.



Shinhan Bank, conducting CS campaign

Shinhan Card operates its 'Yes-Reward Policy on Excellent Suggestions from Customers', which selects and awards customers' suggestions that yield outstanding effects on work improvement and have high preventive effects on potential risks. A total of 8 suggestions have been selected and awarded in 2015. The company also strives to induce work improvement and improve the level of company-wide consumer protection activities through 'Daily VOC Report Feedback,' a program for delivering live feedback on major VOC to department heads every day. In acknowledgement of such activities in favor of customer satisfaction, Shinhan Card recently obtained certification on Consumer Centered Management(CCM), administered by the Fair Trade Commission, in 2015.



Shinhan Card, Proclamation Ceremony to Acquire CCM Certification

Shinhan Investment Corp. strives to improve customer satisfaction by providing various customer-oriented convenience services, such as privileged services for long-term group customers and Shinhan Tops Club service. Shinhan Investment Corp. also ensures constant response on customers' inquiries through VOC, and received and processed a total of 3,219 cases of VOC in 2015.

In an effort to express its willingness to compose and improve all management activities centering on customers in 2015, Shinhan Life Insurance hosted a Proclamation Ceremony on Customer Centered Management(CCM), enacted a charter on consumer protection, and recently obtained certification on Customer Centered Management(CCM). In addition, the company actively practices customer-centered management by promoting policy improvement using VOC, conducting customer satisfaction surveys, etc.

Customer Satisfaction Survey Performance

		2013	2013	2015	Ranking
Shinhan Bank	KS-SQI (Korea Standards Association)	73.4	72.7	74.7	1 st
	KCSI (Korea Management Association Consulting)	74.4	75.9	76.9	1 st
	KSQI (Korea Management Association Consulting)	92.0	94.0	93.0	1 st
	GCSI (JMAC)	71.9	72.8	72.9	1 st
	NCSI (Korea Productivity Center)	75.0	75.0	76.0	1 st
Shinhan Card	KCSI (Korea Management Association Consulting)	75.1	74.0	74.5	1 st
Shinhan Life Insurance	GCSI (JMAC)	-	-	70.3	1 st

Besides such efforts, Shinhan Financial Group operates various customer panel policies in its affiliates in order to practice compassionate finance by improving customer values.

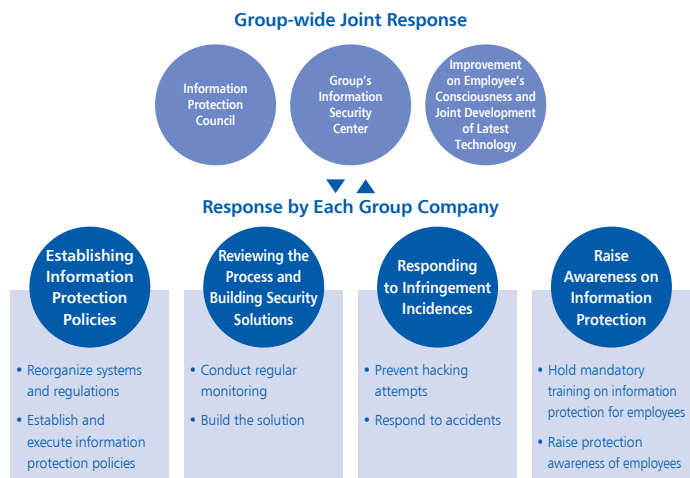
Shinhan Card has further divided panel groups according to characteristics of customers, such as a consumer protection advisory board, compassionate finance supporters panel, and compassionate finance online panel, and is operating customized channels accordingly, enabling a more strategic approach on understanding customer needs.

The customer panel group of Shinhan Life Insurance performs activities like mystery shopping, hands-on insurance service experience, new product monitoring, and also operates regular discussion meetings, through which it actively suggests areas of improvement for policies and services and contributes to the promotion of customer-centered work.

Personal Information Protection

In 2015, Shinhan Financial Group upgraded its compliance system on group information protection, and established a self-examination process for each affiliate. The company also improved its level of security by upgrading the group's security control function and integrated service on information protection, and established a system for detecting abnormalities in internal control, in order to prevent security accidents by internal employees.

A system of Information Protection Activities for Financial Consumers



Shinhan Bank is actively complying with legislation and policies on customer information protection by preparing a self-standard on compliance with information protection, and is improving the level of management of protecting customer information through preliminary training and the detection/control system. The company has also strengthened monitoring on external leakage of customer information by building a document export system, and is striving to improve general awareness on protecting customer information through customized education for all employees, on-site examination on branches and HQ departments, and reflection of assessment outcomes.

Shinhan Card expanded its security-monitoring group in order to improve the level of internal control, and strengthened the system of preventing security accidents by strengthening ICT security infrastructure and diagnosing risks on information leakage and security accidents. Shinhan Card also developed an approval system for information export and established a system for detecting abnormalities in information protection, in order to strengthen its capabilities for security risk prevention, creating security risk scenarios as well as the guidelines on security system structure. Thanks to such stringent information protection activities, Shinhan Card acquired certification on Information Security Management System(ISMS), obtaining objective acknowledgment of its efforts and providing anticipative responses on latest certification trends.



Shinhan Card, Certification on Information Security Management System(ISMS)

For systematic management of personal information, Shinhan Investment Corp. recently created its Information Protection Headquarters in 2015 in order to unify management of personal information and strengthen the system on internal control. Moreover, the company sought to improve employees' awareness on information security by posting various posters and providing periodic education, and strengthened monitoring of contractors consigned for the handling of personal information and third-party suppliers in order to prevent leakage of customer information beforehand.

Plans

In an effort to make anticipative responses on new technologies on information security and latest security risks in such rapidly changing internal and external environments, Shinhan Financial Group plans to upgrade its capabilities for protecting the group's information in a consistent manner. For this, Shinhan Financial Group will analyze latest security risk factors and strengthen the examination of the group compliance system in order to establish its status as a financial group where customers can make transactions without having any worries.

By hosting customer discussion meetings on a regular basis and discovering insights by collecting customer opinions from multilateral sources, Shinhan Bank will focus on strengthening communication with customers in order to promote customer-oriented CS. Also, from 2016, the company aims to start regular tracking assessment on non-face-to-face channels, and accompany assessment on competitiveness of existing non-face-to-face channels, contributing to reinforcement of service competitiveness of non-face-to-face channels.

Shinhan Card focuses on examining and improving company-wide work processes before customer complaints occur, and actively utilizes analysis of big data and atypical data in order to provide preliminary responses to the hidden needs of customers. In addition, Shinhan Card plans to establish a top-class information protection system by minimizing long-term legal risks, acquiring stability in processing personal information, and providing anticipative responses on security risks in order to improve internal and external reliability and ensure business continuity.

In order to improve effectiveness in operating a customer panel, Shinhan Investment Corp. plans to utilize investigation channels which induces in-depth customer needs by selecting specific, detailed subjects and participating in the planning and investigation activities of external investigation institutions. The company also aims to strengthen internal control and strives to prevent and respond to cyber-crimes in order to actualize the 2016 strategic goal of 'Omnidirectional Leading for Creating a Company-wide Information Protection Culture' and to become a financial company trusted by customers.

Shinhan Life Insurance plans to upgrade its consumer protection system by strengthening customer-centered business management. Internally, the company aims to create a complete sales culture and practice customer-centered management by strengthening Quality Index. In addition, Shinhan Life Insurance also plans to conduct education on consumer protection, vitalize information offerings, and improve policies through VOC in effort to create customer values.



Enhancing Credibility by Strengthening Ethical Management

The ethical standards of the global society is becoming stricter as seen from the enactment of the ethics charter and the code of ethics in the finance sector by domestic finance associations as well as the establishment of ISO 26000(Social Responsibility International Standard) and OECD Anti-Bribery Convention. Walking in step with the changes in the management environment in the era of information and global competition, the management scope and area for ethical management are expanding into areas such as customer information leakage and embezzlement by employees. Due to the widespread corruption in the financial industry, the efforts to recover the trust of stakeholders through ethical management practices that adhere to the laws are crucial.

Also, legal regulations on corporate ethics are growing more stringent inside and outside the country, as witnessed by reinforcement of the Foreign Corrupt Practice Act of the US, enforcement of Anti-Corruption and Bribery Prohibition Act of Korea(scheduled to be enforced starting on September 28th, 2016), and amendment to Capital Market and Financial Investment Business Act.

Accordingly, with the goal of becoming a high-class ethical corporation as demanded by its stakeholders, Shinhan Financial Group is consistently upgrading the group's level of practicing ethical management, such as upgrades to education on legal ethics compliance and to monitoring activities, so that all employees in the group can promptly respond to the reinforced legal regulations.

Reinforcement of Education on Activities Disturbing Market Order

Shinhan Financial Group encourages its employees to have thorough understanding on the amended Capital Market and Financial Investment Business Act, which aims to control activities disturbing market order, and is strengthening relevant education and monitoring activities in each company in order to prevent any violations.

Shinhan Bank is conducting examination on 'Reporting accounts and sales description for financial investment products' in order to prevent unfair trade activities such as usage of undisclosed important information and to prevent conflict of interest with investors. The company reclassified departments which have a high possibility of acquiring undisclosed information among the departments conducting relevant work in 2015, and expanded the scope of examination to employees of 15 HQ departments and RM(Retail manager) and sub-managers of all financial centers, 12 times a year. Shinhan Bank also conducted education on such information through a monthly Compliance Letter, and visited 5 major departments among the departments subject to examination on 'Reporting accounts and sales description for financial investment products' to provide on-site education.

Shinhan Investment Corp. conducted education on major contents regarding prohibition of activities disturbing market order to all employees through company broadcasts, conducted group education for 150 employees in relevant HQ departments, and posted relevant case examples 17 times on the bulletin board. This helped to inform employees about activities disturbing market order so that employees will have thorough understanding on such information.

Keeping pace with the reinforced regulation on activities disturbing market order, employees of Shinhan BNP Paribas Asset Management proclaimed their willingness not to engage in unfair transactions and received four relevant training sessions. Also, Shinhan BNP Paribas Asset Management has incorporated information regarding activities disturbing market order into internal company regulations, and is monitoring to prevent unfair trade activities in order to promote stringent legal compliance. In addition, the company is applying a more stringent standard for internal control by expanding the subject of reporting policy on employees' transactions of financial investment products to not only employees of relevant departments but also the spouse and underage children of the employees.

Ethical Management Framework

Shinhan Financial Group enacted its 'Shinhan Financial Group Code of Ethics' to internalize the concept of ethical management into the corporate culture, and is emphasizing compliance with basic principles in order to improve employees' ethical awareness. Shinhan Financial Group has also enacted and operated its 'Employee Code of Conduct' in an effort to improve normative behaviors by establishing ethical standards in performing tasks, and has enacted individual ethical norms according to characteristics and business practices of financial tasks by each group affiliate in order to ensure practical effectiveness.

Employee's Participation in Ethical Management

Shinhan Financial Group is striving to create a clean organizational culture trusted by customers by having all employees comply with its 'Shinhan Financial Group Code of Ethics' and 'Ethical Practice Oath' in order to ensure sincere fulfillment of employee code of conduct. Notably, in 2015, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., and Shinhan BNP Paribas Asset Management made an amendment to the oath by including such information in Ethical Compliance Oath for overseas employment, in compliance with Foreign Corrupt Practices Act of the US. Moreover, Shinhan Financial Group strictly blocks acts of illegitimate support within the group by conducting quarterly monitoring on internal transactions of group affiliates, and by prohibiting exchange of holiday gifts as bribery between employees of group affiliates.

Results of Employee's Participation in Ethical Management

Division	Practices	Achievements in 2015
Shinhan Bank	Ethical Practice Pledge	All employees practiced (first half & second half).
	Self-Checking of ethical standards and legal compliance	An average of 12,940 employees participated each month (10 times throughout one year).
	The Fair Trade Autonomous Compliance Program	A total of 79 employees participated (2 times, first half & second half).
	Monitoring Employees' Transactions of Financial Investment Products	RM examinations of employees of 15 departments and all financial centers (12 times total)
Shinhan Card	The Fair Trade Autonomous Compliance Program	Examinations conducted (once in the first half of the year)
	Self-diagnosis on Legal Compliance	2,810 individuals and 80 departments (headquarters/branches) practiced (once a year)
	The Campaign to Keep Personal Information Private	Renewal of information protection pledge for all employees and safe storage through BPR processing
	The Righteous Business Pledge	A total of 3,950 participants received education(520 times per year)
Shinhan Investment Corp.	Monitoring Employees' Transactions of Financial Investment Products	All employees practiced
	Security Oath and Legal Compliance Oath	All employees practiced(once a year)
Shinhan Life Insurance	Compliance education(group education)	For employees(22 times) For planners(39 times)
	Operate assessment indicators of fulfillment of internal control management	Reflect on performance reward system for executives who are superior to the director in order to prevent financial accidents and moral hazards
	Monitoring on self-examination	For 252 institutions, a total of 597 items under management(monthly)
	Monitoring Employees' Transactions of Financial Investment Products	Examination of all employees and preliminary report upon transaction (once a month)
Shinhan BNP Asset Management	Legal Compliance Pledge	Receipt pledge from all employees in the entrance stage
	Online education on ethical standards and legal compliance	100% participation by all employees in the online education on the Code of Observing Ethics

Administrative Organization on Shinhan Financial Group Ethical Management



In addition, Shinhan Financial Group is conducting education on ethical compliance according to work characteristics of each group affiliate in order to promote employees' awareness on ethical compliance. Shinhan Financial Group operates group-wide online education on ethical compliance to employees of all group affiliates. Starting in 2014, it has produced pop-up educational videos on workplace etiquette to be shared by all employees. Furthermore, Shinhan Financial Group is conducting self-education on ethical compliance according to task characteristics of each group affiliate in an effort to upgrade employees' awareness on ethical compliance.

Shinhan Card is reinforcing employees' awareness on ethical compliance by having each department conduct education on strengthening the capabilities of the legal compliance monitoring officer, conducting education on legal compliance for newly recruited and experienced employees, strengthening monitoring to promote the culture of upright business practice and to eliminate incomplete sales, and by having employees conduct self-diagnosis on legal compliance.

Shinhan Investment Corp. is distributing 'AML(Anti Money Laundering) Letter,' an educational material for preventing money laundering, to all branches three times a month in order to reinforce employees' compliance on ethical management.

Shinhan Life Insurance is accompanying education on ethical compliance while conducting educational curriculum by company task or position, and has performed a total of 22 forms of group education for employees, and 39 forms of group education for planners per year. Shinhan Life Insurance also strives to improve the awareness of the leading group on ethical compliance by inviting external lecturers to educate executives and department heads.

Shinhan BNP Paribas Asset Management is strengthening regulations on illegitimate sales activities by examining transaction histories of financial products and conducting online education for all employees.

Insider Reporting System(Whistle Blowing)

Shinhan Bank is operating Shinhan Keeper, a whistle blowing system, in order to prevent accidents and increase of losses by encouraging self-reporting on violations of employees on laws, regulations, and ethical charters. The company is operating a communication channel on the website so that not only employees but also suppliers and customers can participate, in addition to multiple channels such as email, fax, lettercards, and mobile. Shinhan Bank stipulates regulations on protecting the reporter's identity through operation guidelines on Shinhan Keeper, and has clearly stated the assurance of confidentiality for reporters through the website. Also, by having statutory auditors to receive and investigate the case and to notify the result, the confidentiality of the reporter is further ensured. Furthermore, in an effort to attract more attention to the insider reporting system, Shinhan Bank is conducting activities such as posting promotional cartoons on corporate bulletin boards, sending quarterly emails on Shinhan Keeper to all employees, and promoting the policy upon on-site audit assessment.

Along with its insider reporter system, Shinhan Card and Shinhan Investment Corp. is increasing access of employees by making quarterly announcements on the reporting system to all employees and by utilizing intranet banners. Through active protection of identity by ensuring anonymity, they are facilitating the expression such as complaints or dissatisfaction.

By providing Sinnungo, an online bulletin board for posting complaints anonymously, previously operated through the corporate intranet, on the website, Shinhan Life Insurance expanded the scope of users to external stakeholders, and is making efforts to activate the reporting system by promoting the facility of anonymous reporting and the policy itself when conducting education on compliance.



Poster of Shinhan Keeper System

Reinforcement of the Internal Control System

In accordance with the amendment to Best Practices for Internal Control and Compliance Officer of Banks on September 2015, Shinhan Bank transferred self-inspection and regular monitoring tasks, previously performed by the department of audit, to department of legal compliance support in order to reflect the position of the government. Also, it carried out 32 accident prevention-training sessions in 2015 to approximately 2,000 employees. Various forms of media have been introduced for accident prevention education by creating an online education course for employees who have difficulty in participating in accident prevention education and by producing cases of complaints and accidents in branches, in the form of cartoons to be shared with employees. In 2015, audits on HQ department/overseas branches and thematic audits have been conducted for a total of 49 times(140% higher than the original goal). Also, on-site audits on branches were increased, reducing the average length of non-examination by approximately 7 months, in order to reinforce examinations on on-site offices.

Establishing the Organizational Culture of Mutual Respect

Shinhan Financial Group has announced the 'Shinhan Financial Group Declaration of Human Rights' in an effort to protect individual rights of employees and to establish a sound organizational culture of mutual respect. Shinhan Financial Group strives to promote business etiquette in the workplace and in offices by enacting 'Rules for Business Etiquette in the Workplace'. Shinhan Financial Group is also producing a relevant animated film to be watched by the group employees, and is making active response to follow-up management by operating separate counseling channels.

Plans

In order to present a standard for a rational decision-making process and behavioral expectations in situations of ethical dispute, Shinhan Financial Group has been distributing educational videos regarding ethical compliance Q&A cases every month since April 2016. The company also plans to develop a diagnosis tool for self-diagnosing the level of progress for internal control of the group affiliate so that each group affiliate can improve its level of internal control(including ethical management).



Implementing Risk Management that Considers Social and Environmental Factors

The importance of systematic risk management is rising along with increased uncertainty on the external economic environment, characterized by the anxiety over the global economic recession and the drop in raw material costs in 2015. Moreover, along with continued market innovation, such as expansion of global business and introduction of Fintech, and strengthened risk management monitoring by the government, establishing a system for anticipative risk management became a core management condition for financial companies.

Accordingly, Shinhan Financial Group enacted 7 major risk management principles based on its risk management philosophy: 'In order to achieve sustainable growth, all employees should have a sense of ownership on risk and seek balance between risk and profit when carrying out all businesses.' Shinhan Financial Group is using this philosophy in order to internalize employees' awareness on risk when conducting businesses. To promote effective risk management by the group, Shinhan Financial Group is creating synergy by establishing a group-integrated risk management system as well as a network between group affiliates, and is reinforcing its risk management infrastructure and internal control. Notably, it is operating responsible loan policies and decision-making system on loans by considering environmental, social, and governance(ESG) risks. Furthermore, Shinhan Financial Group has strengthened monitoring on potential social factors and is carrying out a risk management plan to protect the rights of financial consumers.

Risk Expert Network Operation

Shinhan Financial Group operates the Risk Expert Network(REN), a group-learning organization where risk experts, including risk management officers in each group affiliate, gather together one or more times each month to conduct thematic learning, research, debate, etc. Through doing so, experts share various risk statuses and effectively seek solutions based on the synergy created among group affiliates and make anticipative response to various risks.

In 2015, it handled subjects related to group-wide risk strategic tasks in 6 units. Awards and individual rewards were given to the unit which produced outstanding results. Notably, employees other than those in risk-related departments were invited when necessary in order to shed light on the risks of Shinhan Financial Group in various perspectives.

REN Major Research Subjects in 2015

Overseas Advancement and Risk Management

Review on Risk Indicators and Discovery of Anticipative Indicators

Risk Management of Customers' Assets

Demographic Change and Drop in Real Estate Prices

Risk Issue Raising

Strategy for Allocating Assets of Alternative Investments

Risk Management System

Shinhan Financial Group establishes its policies and strategies through the Group Risk Management Committee under the Board of Directors of the holding company. The group CRO of Shinhan Financial Group assists the Group Risk Management Committee and consults with them on risk management policies and strategies through the Group Risk Management Council, which consists of the CROs of each affiliate. Each affiliate implements a company-wide risk strategy for the group through the Risk Management Committee, affairs committees related to the risks, and risk management task units. They also establish the details of the risk management policy and strategy.

Also, in order to manage risks at a stable level, Shinhan Financial Group operates a classified limit system. The risk limit that each group and its affiliates are allowed to take on is decided through the Group Risk Management Committee, and the detailed risk limits per desk, type, department and product are decided and managed through each group affiliate's Risk Management Committee and affairs committees related to the risks.



Shinhan Financial Group Risk Management Workshop

Risk Management Principles of Shinhan Financial Group

- All business activities should be performed within the pre-established risk preference with consideration being given to maintaining a balance between risk and profit.
- The holding company offers the risk management group exemplary criterion, supervises compliance, and bears the responsibility and authority for monitoring the group.
- Operates the decision-making system related to the risk management system, which enhances the participation of the executives.
- Organizes and operates the risk management organization independent from the business part of the organization.
- Operates the result management system in the process of business decision making to consider the risks precisely.
- Aims for anticipatory and practical risk management.
- Shares the circumspect foresight to prepare for the possibility of deteriorating situations even in normal times.

Risk Management

In consideration of the nature of the finance industry which has high market fluctuation, Shinhan Financial Group has been focusing on stable financial risk management. However, along with increased attention on non-financial risks by stakeholders and emphasis on CSR, Shinhan Financial Group has recognized that non-financial risks, including social and environmental risks, are important factors for sustainable development of the company and has been strengthening related management activities.

Financial Risks

Credit Risk

Risk that may occur due to debtor's bankruptcy, non-compliance of contract by the counterpart, etc.

Market Risk

Risk due to changes of market elements such as interest rate, stock prices, exchange rates, product prices, etc.

Interest Rate Risk

Risk that may affect financial situations such as changes of net asset values due to changes in interest rates

Liquidity Risk

Risk where a problem may occur in payment due to lack of asset liquidity

Non-financial Risks

Operational Risk

Risk due to inappropriate workforce, incorrect business procedure, system error or external incident

Strategic Risk

Risk due to disadvantageous business decisions, implementation of inappropriate decisions, lack of response measures to changes in business environment, etc.

Reputational Risk

Risk due to unfavorable views of customers and shareholders, etc. due to weak management, financial accidents, social conflicts, etc.

Legal Risk

Risk that may occur due to misunderstanding of various contract documents or law suits

Environmental Risk

Risk that may result in fines or business losses due to lack of response to environment-related laws and regulations

Consideration of ESG Risks

Along with the emergence of various non-financial risks that may threaten corporate sustainability, such as natural disasters, industrial safety, and supply chain, Shinhan Financial Group is strengthening management activities on non-financial risks including social and environmental risks. Shinhan Bank includes non-financial factors into corporate credit assessment model. For a non-financial factors, there are ethical management, product liability, reputation, complaints regarding environmental pollution, and job creations of the company giving loans. These factors are assessed in 6 grades i.e. A(Outstanding), B(Moderate), C(Average), D(Needs Improvement), E(Poor), F(Very Poor), and the assessment results are reflected in its corporate credit rating. In 2015, the credit rating system was upgraded to give monetary support to socially sound companies, and the assessment criteria was improved to give more positive grading to companies which show active cooperation between labor and management board, high employee satisfaction, and stable management efforts. Meanwhile, the scope of applying the credit rating system was expanded from existing banks to all group affiliates.

Considering the risk to its reputation, Shinhan Bank restricts giving loans to unhealthy businesses such as bars, loan sharks, and casinos. Moreover, prior to giving loans, Shinhan Bank reviews the recipients' articles of association and makes on-site visits in order to examine and assess the purpose and content of the business as well as how the funds are to be used. After giving the loans, the bank continues to monitor the usage of funds according to purpose of use. In addition, when executing large-scale PF, it provides financial support after reviewing the environmental and social effects of the business. When providing funds for domestic projects such as building roads, ports, and infrastructure, Shinhan Bank checks social and environmental assessments from government agencies such as the Ministry of Environment and Korea Forest Service, and utilizes the relevant permission as a prerequisite for investment by stipulating it on loan contracts. As for overseas projects, Shinhan Bank examines not only the permission from the related country but also consults with environment-related advisory institutions, in order to study the environmental and social impact of the project, before making the investment.

When selecting funds to be invested and investing in stock and bond-type funds as fund operation, Shinhan BNP Paribas Asset Management prohibits investments in companies related to the production, sales, distribution, and technology sharing of weapons of mass destruction as well as their parent companies.

Consistent Improvement of Risk Management Infrastructure and Internal Control System

Shinhan Financial Group is evaluated to be an exemplary case study in strengthening the risk management infrastructure and internal control. In 2015, The Bell Risk Manager Awards, Shinhan Bank received Grand Prize on 'Risk Insight', an integrated risk management system based on intellectual management, and Shinhan Financial Holding Company received the Outstanding Award on 'Group Risk Dashboard OS'. 'Group Risk Dashboard OS,' introduced in 2009 for the first time among domestic financial groups, is

a 3-dimensional monitoring system which detects increases in assets or risks of operation portfolios for group affiliates, or occurrence of abnormalities on external environmental issues.

Currently, 157 monitored areas are under operation, and improvement activities are conducted every year, as seen by Shinhan Bank, by adding technological finance monitoring areas onto the dashboard in 2015.

In order to recognize and evaluate risks internalized in work processes and the control level for reducing such risks and to prepare plans for response, Shinhan Bank is conducting Risk Control Self-Assessment(RCSA) to strengthen internal control.



Received 'The Bell Risk Manager Awards'

Plans

In 2016, Shinhan Financial Group plans to continue its improvement activities in order to detect and respond to risks in advance under the rapidly changing environment, and plans to add areas related to potential social risks, such as financial regulations and accidents, to be monitored starting from 2017. Furthermore, it will continue its efforts to establish new policies and a decision-making system on loans, keeping pace with social needs and timely trends.

In 2016, Shinhan Bank plans to practice compassionate finance and CSR, the group's core missions, by expanding the scope of recognition and evaluation on internal control for operation risk factors related to protection of rights of financial consumers, such as fraudulent accounts, electronic financial fraud, incomplete sales of funds/Bancassurance, and follow-up management of retirement pension.



Developing Human Resources and Creating a Great Workplace Culture

For corporate management activities, the capabilities of individual employees are core success factors that are directly linked to the results of the company. Along with the rapidly changing market and the progress of globalization beyond Korea, the financial industry especially faces increased needs for improvement of professionalism and global capabilities of employees.

Accordingly, Shinhan Financial Group is nurturing financial experts who can create customer values and social values in an effort to practice the group's mission, 'compassionate finance, your companion for the future'. Also, it presents a vision for employees to grow as experts in the fields that they want to pursue by supporting self-directed learning through various policies on educational support. Based on such educational philosophy, Shinhan Financial Group seeks to create a sustainable virtuous cycle of value creation by providing reasonable rewards and various welfare benefits to employees striving to improve their capabilities.

Project for Nurturing the Group's Human Resources

In 2015, TFT, the project for nurturing human resources, established four programs and processes for developing human resources. 'Shinhan Management School' is a program designed to nurture strategic leaders, targeting assistant directors who seek to develop their management knowledge and leadership capabilities. It was conducted from September 2015 to March 2016 through coordination with Graduate School of Business of Seoul National University on core business and specialized finance areas such as management strategies, marketing, human resources, accounting, M&A, and risk management as well as an Action Learning and overseas benchmarking program. 'Shinhan Global Business School,' a course for obtaining Master of Science in Global management through coordination with the Hong Kong University of Science and Technology

(HKUST), aims to develop global human resources in a systematic manner. It consists of curriculum, which combines general business administration and global projects. Conducted on Friday afternoons and on Saturdays for 12 months starting on January 2016, this course, targeting deputy general managers and section managers, provides an opportunity for learning on the HKUST campus. Furthermore, Shinhan Bank, Shinhan Card, and Shinhan Investment Corp. plan to operate Shinhan Global Channel-linked MBA which dispatches their employees to MBA courses of top colleges in their core business regions, such as China, Vietnam, Indonesia, Mexico, Russia, and Kazakhstan, assesses the education results in a comprehensive manner and dispatches the graduates as resident employees in the regions to utilize their capabilities.



Enhancing the Capacity of Employees

In order to acquire competitiveness in core capabilities of employees, Shinhan Bank strives to nurture project experts and their capabilities through Shinhan Finance Academy, Asset Management Expert Course, Corporate Finance Academy, etc. The bank continues to expand its professional workforce in technological finance by coordinating its technological finance course with Graduate School of Business of KAIST. Also, in order to promote a strong organizational culture unique to Shinhan, it newly created its Grade 4 Manager Training Course, which established the educational system by position, in order to promote understanding of the management directives of the CEO and to strengthen on-site execution initiative. In addition, Shinhan Bank operates Task Champion Course to develop employees as financial experts through self-directed learning based on voluntary participation. A total of 1,286 employees participated in 2015.

Shinhan Bank is also conducting annual performance assessment for all employees in order to promote fair and rational performance rewards. Assessment criteria consists of project outcome, which is the result of work performance, and capabilities, which is the knowledge, technology, and behavioral standards that employees need to acquire and develop in order to conduct their work. The assessment results are utilized in the forms of payment, promotion, career development, transfer, assignment, and education and training of employees



Shinhan Bank, Operating Task Champion

Number of employees participating in education of sustainable management in Shinhan Bank

Unit: persons



12,416

Shinhan Card is providing special lectures and humanities lectures to employees in order to improve their insights and strengthen their initiatives, and to share information on latest trends. It is also conducting a global academy and work-training program in Vietnam and Kazakhstan with the goal of nurturing global human resources. In addition, Shinhan Card is conducting company-wide activities for building a strong organizational culture in order to spread customer-centered thinking and behavior based on the Shinhan WAY. Notably, Shinhan Card created virtual on-site department units called 'Unit,' consisting of all employees according to department, gender, position, etc., to provide Great Rally Communication & Creativity training, and is utilizing them to carry out various communication activities during the year.

Shinhan Investment Corp. is operating various educational courses in order to improve customers' rate of return by acquiring elite capabilities from its employees. It is conducting programs such as S-Pro course for Retail PWM PB, a specialized course for nurturing a professional workforce by field, and S-Academy, a customized course centering on educational consumers, and is supporting overseas MBA training in order to nurture global human resources. The company is also providing an environment for self-directed learning to the employees through mandatory completion of education hours by position, monthly online education, tuition support policy, etc.

In 2015, Shinhan Life Insurance re-established its competency expectations and established a new educational system to help all employees grow as experts in the insurance industry. Through total reforms on company lecturer policy designed to improve employees' work capabilities and performance, Shinhan Life Insurance is accepting various educational needs and is seeking opportunities to share and expand the intellectual assets of the organization. The company also offered educational opportunities for acquiring humanistic qualities and business trends by operating Hero's Club - designed to strengthen managers' leadership and creative business thinking ability - and Hero's Choice contents - provided to all employees.

Enhancing Capabilities of Local Employees of Global Business Department

In an effort to establish a stable basis for its global projects, Shinhan Financial Group is operating various educational courses in order to improve the professionalism of local employees and to improve the capacities as Shinhan employees.

In order to localize its global workforce, Shinhan Bank is selecting 'Global Leader Group' from local employees in order to motivate communication between Korea and local countries, and is conducting global business education in order to improve business results. By changing the previous system of one-way training to a system of mutual communication, Shinhan Bank is increasing the efficiency of education of local employees and is providing them with vision and motivation, systematically increasing the retention rate of core workforce with high performance. Shinhan Bank also conducts work-related education, such as 'Global Loan Academy' and 'Global Foreign Exchange Academy,' as well as Global Shinhan Way training in order to spread its Best Practices and to share core values of Shinhan Bank.



Development of Female Workforce

In an effort to promote women's initiatives, Shinhan Bank is consistently increasing the ratio of the female workforce in its HQ departments and is striving to nurture a female workforce by increasing the quota for women for promotion and training selection. Shinhan Bank also guarantees a one year leave of absence in addition to the legally mandated one year for maternity leave, and is operating its 'Shinhan Mom-pro Program,' where women can work in flextime for a certain period of time in order to prevent career interruptions and to facilitate easy return to work after maternity leave. In addition, the company operates part-time retail service positions for women whose careers have been interrupted which allows working for 4 hours a day according to living patterns, supporting these women in their childcare responsibilities and housework and helping them to advance further in their career once again.

Shinhan Life Insurance offers career guidance counseling to women so that they can grow as leaders of the company and provides various educational programs for improvement of business capabilities. Notably, the company operates work promotion policy where women entering the company in an administrative position can advance to a professional position to enhance their professionalism and gain experience in various tasks. Also, starting in 2015, it has newly created and is operating 'heads of work support' policy so that female workforce at sales sites can contribute to establishing a communication culture and learning culture within the company. Voluntary learning activities and discussion meetings are being held every quarter, centering on local heads of work support.

Benefit Packages

In an effort to promote healthy and happy careers, Shinhan Bank is operating programs such as happiness index diagnosis, healing camp, and employee healing concerts. Shinhan Bank also provides assistance on counseling, and stress management for employees through a stress care program and professional counseling program

Shinhan Card supports pleasant leisure time for its employees by operating healing holiday policy and domestic/overseas vacation centers. The company strives to promote family bonding and improve daily satisfaction by carrying out weekend farm visitations and weekend thematic travels with family members and by operating 'Family Love Day' every Wednesday when employees are encouraged to leave work on time. In addition, Shinhan Card is carrying out preventive measures against diseases such as health diagnosis policy for healthy work life, health diagnosis info sessions, and health newsletters as well as EAP (Employee Assistance Program) counseling policy and cultural events for employees, engaging customers in order to alleviate the psychological difficulties of employees.

In an effort to provide an opportunity to become recharged, and time for self-development to its employees, Shinhan Investment Corp. supports the 'Refresh Vacation and Bonus' and is operating '3-Free Day' without after-work dinners, overtime, and meetings every Wednesday. Also, the company encourages the morale of the employees through its 'Spring Family Love Festival' where family members are invited to the company every year. The constant operations of 'Carryover Diagnosis Policy,' which provides detailed health examinations for employees and their spouses, and 'External Counseling Coaching Center' promotes the development of the body and spirit of employees.

Shinhan Life Insurance strives to improve and manage working conditions of employees in order to promote their morale and pride. It seeks to improve actual satisfaction of its members by strengthening operation risk management through analysis of reward history and by conducting employee-friendly, customized programs such as family programs and humanities lectures. Moreover, the company has diversified its healing programs based on emotional encouragement in order to alleviate stress of employees and improve work engagement.

Stress Management Program for Employees

Shinhan Financial Group operates various company-wide stress care programs in order to enhance the emotional health of its employees. This leads to the realization of a healthy and energetic organizational culture in order to create a happy workplace where all stakeholders inside and outside the company can be satisfied.

Shinhan Bank operates its 'Open Counseling Center', an exclusive counseling space in the bank, in order to accept on-site feedback of the employees and to listen to their

difficulties. Professional counselors in the bank make counseling visits to branches in order to generate improvement plans through group manager reports, CEO reports, and sharing of information among relevant departments. Also, 'Mental Health Examination' and 'Healing Program' are held regularly and individual feedbacks for counseling employees are conducted every quarter in order to promote consistent follow-up management on difficulties faced by employees.

Shinhan Bank



Visiting counseling branches
Shinhan Card
60 branches



Employees who used
counseling services
720 employees



Participants in the self-diagnosis
system for stress control
8,324 employees

Shinhan Life Insurance



Stress assessment
1,167 people



Individual counseling linked with
counseling institutions
16 cases



Operation of the Branch Manager
'Healing Program'
(Capital head office-affiliated branch managers)

Shinhan Card

EAP counsel system

Internal counseling policy
4 company counselors,
2 company counseling centers
Operation of EAP website

External counseling policy
6 external counseling institutions,
Counseling of employees,
spouses, and children



Emotional care by counseling
customer encounters
14 local centers, 2,861 people participated

Organization Activation through Communication Management

Shinhan Financial Group guarantees the rights for collective bargaining and agreement in order to ensure a mutually cooperative and communicative culture between labor and management. The membership ratio of labor unions and labor associations of Shinhan Financial Group as of 2015 is 94.6%, and the groups actively share information and feedback on problems and difficulties of employees.

Shinhan Bank operates 'Square 2.0', the online channel for communication and 'Shinhan Symphony', the smart working space where employees freely participate in open discussions and share their thoughts. Furthermore, the MC3(MC cubed) Commission, a group that selects young opinion leader groups that can proactively promote change in the organization and propose creative ideas through candid discussions between the CEO and employees, was established to discuss current issues and decide on the direction of future development.

Shinhan Card created an opportunity for communication and encouragement in a comfortable setting by operating its 'Communication Gimhap Program' among departments and its 'Communication Kiosk Program' within individual departments, and is contributing to harmony among employees by operating its 'Department Bucket List' where employees can plan and execute programs that they want to do together. In addition, it operates YB(Young Board), a group of young innovative leaders who will be leading change and sustainable growth, in order to have regular communication with the CEO.

Shinhan Investment Corp. is carrying out various activities in order to stimulate communication between the CEO and employees. It launched 'Candid Channel', an online platform where employees can directly communicate with the CEO, and is carrying out various activities where Young Leader, an organization for making changes, can communicate with the CEO in an effort to encourage communication with junior employees.

Shinhan Life Insurance strives to spread a 'True' sales culture and activate compassionate finance through Young Challenger and F-Pioneer, an organization for leading changes, through activities like on-site visits. Also, it contributes to spreading positive DNA through activation of communication by diversifying the operation of Surprise Day and by reinforcing the operation system for Shinhan Town meetings.

Major Awards Received



Shinhan Bank

- Grand Prize in Korea 100 Best Companies to Work for®, 8 consecutive years (GWP KOREA)
- Best Workplaces in Asia, 2 Consecutive Years(GPTW)

Shinhan Card

- Grand Prize in Korea 100 Best Companies to Work for®, 7 consecutive years (GWP KOREA)

Shinhan Life Insurance

- Grand Prize in Korea 100 Best Companies to Work for®, 3 consecutive years (GWP KOREA)

Plans

In 2016, Shinhan Bank plans to continue and develop a strong and creative Shinhan culture by integrating Young Frontier, an opinion leader group consisting of bank employees, and Gal Force, a group consisting of deputy managers, into 'Young Force', and by newly establishing 'S-Force', an opinion leader group consisting of managers. Shinhan Bank also plans to provide systematic support on self-directed learning for employees by selecting 6 major licenses and operating special classes after considering strategic directions and linkage with work. Meanwhile, in order to cultivate more talented female workers, Shinhan Bank will increase the ratio of female workers from 12% in 2015 to 15% in 2016, with the goal of reaching 20% by 2017.

Shinhan Card plans to strengthen business communication capabilities among employees through the all-employee training 'Great Jump V2' in 2016. Shinhan Card also plans to create and operate its Finnovate Expert Course in order to develop a professional workforce in core areas according to long-term strategies, such as big data, platform business, and latest trends, and plans to develop global human resources consistently by expanding its global academy courses.

Shinhan Investment Corp. plans to consistently operate advanced courses by area in order to attain professionalism in the market, and plans to conduct various educational activities and programs in order to establish a strong Shinhan culture based on creativity and challenge. The company will also make efforts to create a communicative organizational culture by strengthening the activities of Young Leader, a change-making organization, and by activating 'Candid Channel', a hotline with the CEO.

In 2016, Shinhan Life Insurance plans to establish strategic tasks by basic capabilities, work capabilities, and professional capabilities in order to establish a system for anticipative employee development and to establish a learning culture using voluntary capability-development contents. Also, by operating a group course on the 'Compassionate Finance' program, it will lead all employees to the stage of enhancing compassionate finance, taking initiative in establishing a differentiated, strong Shinhan culture.



Contributing to the Development of Local Communities through Social Contribution Activities

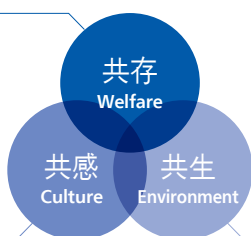
Shinhan Financial Group has recognized the importance of socially responsible management since its foundation and has been making consistent efforts in order to practice corporate social responsibility(CSR). Based on activities that utilize advantages of finance, it has selected 3 core areas of welfare(coexistence), culture(sympathy), and environment(symbiosis), and has been conducting systematic activities. In order to promote effective group-wide social contribution activities and to promote the culture for practicing social contribution, Shinhan Financial Group reflects the fulfillment of social contribution when assessing the business performance of CEOs for each group affiliate, and manages the status of social contribution programs and community service activities by group affiliates using KPI in order to continue such systematic activities.

In 2015, 68,393 employees practiced compassionate sharing through 259,519 hours of talent donation and community service activities. Also, a social contribution investment fund totaling KRW 81.1 billion was used in a year in order to perform social contribution diligently by supporting backward classes and strengthening global social contribution activities.

Social Contribution Basic Philosophy

Support for the socially disadvantaged and vulnerable classes
Create jobs

Restore and preserve traditional cultures
Develop intangible values and cultural talents



Expand support on the use of environment-friendly energy
Expand environment-friendly green welfare

Shinhan Financial Group Volunteer Works Festival



Since 2008, Shinhan Financial Group has been hosting the Volunteer Works Festival every April~May. Employees of all group affiliates participate in this event. Shinhan Financial Group has also been conducting major volunteer activities on the themes of welfare, culture, and environment, its major social contribution areas. In the 2015 Volunteer Works Festival, which was held under the slogan of 'Happiness Shared Together', has enhanced local volunteer programs, such as those supporting backward classes in local communities. Moreover, Shinhan Financial Group is conducting the Shinhan Compassionate Shelter project in order to improve quality of life for disadvantaged classes by improving social welfare facilities in local communities, and is practicing sincere social contribution by supporting the repair and maintenance for three facilities for children, homeless people, and disabled people and by carrying out employee volunteering activities.

Coexistence
Welfare

Creating a Compassionate Shelter for homeless people, 'One Company, One Village' Campaign, compassionate noodle sharing, Shini Hani felt doll craft, blood donations, etc.

Sympathy
Culture

Cultural asset protection activity, support for Seoul International Wheelchair Marathon, etc.

Symbiosis
Environment

Creating Seoul Forest Garden, nurturing Namsan Botanical Garden, etc.

Sharing with Local Community

Under the mission, 'Building a Better World through the Power of Finance', Shinhan Bank is actively carrying out social contribution activities centering on three strategic directions of mutually beneficial coexistence, cultural sharing, and environmental orientation. Shinhan Bank shares love through various employee donation programs such as 'Shinhan Family 10,000 won Sharing Donation', 'Child Development Account', 'A Click of Love' and 'Good Day, Good Donation' and consistently operates environment-related programs such as establishment of a solar power generation facility on a social welfare facility and youth environment volunteer camp. Also, through more systematic activities for preserving cultural assets, such as the launching of the 'Cultural Assets Preservation Group' in 2015, Shinhan Bank became the first private company to receive the Presidential Award in the 2015 National Merit Awards on Cultural Assets Protection.

Shinhan Bank, Outcome of Charity Programs Run by Employees

Unit: KRW 1 million

Shinhan Family 10,000 Won Sharing Donation campaign	1,248.6
Good Day, Good Donation	16.4
A Click of Love	205.9
Child Development Account(CDA)	822.2

Shinhan Card is practicing CSV(Creating Shared Value) which promotes synergy with society through CSR activities that emphasize its business characteristics. It supported 424 libraries(including 2 overseas libraries) through continuous operation of the 'Arumin Library' project, and strengthened its financial education program to provide youth financial education to 4,452 elementary and middle school students. Shinhan Card also contributes to increasing a sharing culture in connection with financial business through customer donation using Social Contribution website 'Arumin,' and issuance of 'Beautiful Card' for exclusive donation.

Shinhan Investment Corp. conducted programs like volunteer relay by branch during the first half of the year and happiness-sharing relay during the second half of the year, encouraging employees to have an average of 8 hours of volunteer activities. It continues to improve its social contribution activities based on active participation by employees by collecting social contribution funds through programs like 'Saving for Happiness' which donates a small portion from employee salaries.

Shinhan Life Insurance is carrying out various donation and support activities through quarterly thematic volunteer activities by selecting children and elderly people as core recipients of social contribution activities. It supports medical expenses for children in low-income families by accumulating 1% of monthly premiums of children's insurance and is carrying out talent donation activities in local child centers and nurseries. Notably, Shinhan Life Insurance has also been striving to prevent emotional isolation and the lonely death of elderly people living alone by signing an MOU with the Comprehensive Support Center for the Elderly Living Alone in 2011. The company continues to practice compassionate sharing through various social contribution activities such as Namsan Park Healing Walk Contest and Sharing Tteokguk and Songpyeon of Love.

In 2003, Jeju Bank launched 'Jeju Bank Volunteer Group', taking initiative in serving the local community and in creating a happy world. Notably, thanks to participation by all employees, a certain amount of monthly wages was created as a social contribution fund to be provided as annual scholarship to students from low-income backgrounds. Additional volunteer activities were conducted in various fields, such as cleanup activities of the sea and Santa Expedition in local children centers.

Volunteer Activities Engaged in by Stakeholders

In 2004, Shinhan Bank launched 'Shinhan Bank Volunteer Group', in an effort to incorporate compassionate sharing into an axis of its corporate culture by having all employees to participate in compassionate volunteering activities with neighbors. Also, starting in 2012, 'Customer-participated Volunteer Activity' has been conducted for customers who visit the banks and their children in order to offer an opportunity for customers to conduct voluntary community service activities and to take initiative in practicing compassionate finance through social contribution activities, caring for neighbors facing hardship.

Shinhan Card has expanded its efforts of social contribution from employees to members of the community, operating 'Arumin Customer Service Group', 'Arumin College Book Mentors', and 'Arumin College Overseas Volunteer Group'. Notably, 'Arumin Customer Service Group', which launched in 2007, conducts regular activities every month(Seoul), and is conducting community service activities for the elderly living alone, and families of disabled people. The activities are conducted twice a year in five major cities of Korea.

For the first time in the industry, Shinhan Life Insurance is operating its Big Dream Volunteer Group consisting of financial consultants, regularly visiting welfare centers to serve food to the elderly living alone and cleaning the environment. Also, 'Bridge of Love Volunteer Group', consisting of all employees, is conducting various sharing activities such as delivering briquettes to economically vulnerable neighbors and sharing Bread of Love.

Common Goods Products

Shinhan Life Insurance is supporting medical expenses for children from low-income backgrounds suffering from incurable diseases through a project for supporting 1% of monthly premiums of children's insurance. It has supported a total of KRW 980 million for the past five years since 2011 and has used the money in supporting medical expenses and linguistic and psychological treatment for children with leukemia, childhood cancer. As a core project related to compassionate insurance, it accumulates KRW 1,000 for every child's insurance, enabling support to prevent safety accidents for children. Moreover, starting in 2008, it has been donating 1% of premiums from Christian insurance every year to Christian welfare groups such as World Vision, utilizing the fund for scholarship to young students from low-income background and preparation of lunch boxes and special holiday meal kits for undernourished children.

Developing Global Social Contributions

Since 2005, Shinhan Financial Group has been conducting 'The Dream Team of Disabled Young People, Challenging the 6 Continents' with the Korea Society to provide diverse opportunities to disabled young people so that they could cultivate the capacity as leaders of the international society. The entirety of this program, conducted in the form of overseas training, is conducted by disabled youths, from selecting training theme, liaising with visiting institutions, to transportation and housing. A total of 685 people have participated by 2015, experiencing various issues such as cooperation of international society, culture, education, and poverty and seeking new changes. This year, participants have explored disability issues of Korea, New Zealand, Sweden, United Kingdom, and USA, and conducted research on the status of disability in Laos and international cooperation.



The Dream Team of Disabled Young People, The 2nd International Conference of Youth with Disabilities

Every year, the global networks(overseas firms and branches) of Shinhan Bank are conducting various forms of social contribution activities such as facilities volunteer, supporting disadvantaged classes, environment cleaning, and supporting local events. Shinhan Bank delivered emergency rescue funds collected from employees for the Nepal earthquake, conducted global volunteering activities in Mongolia with the National Pension Service, and conducted overseas medical volunteer activities in Myanmar and Uzbekistan. In addition, it provided support on informatization classes in a Filipino school for disabled people, improved educational facilities in rural villages of Myanmar, and provided operation expenses and facilities support for nursery facilities in Vietnam.

Shinhan Card launched an overseas volunteering group consisting of college students in 2011 and has been sending them to Vietnam and Indonesia to promote cultural exchange, build a hygienic environment and carry out educational volunteer activities. Starting in 2014, it established the 'Arumin Library' and conducted housing construction activities in connection with 'Arumin Library,' the group's representative social contribution program, in order to provide an opportunity for impoverished children to become independent by providing housing and the basis for learning, so that these activities will not be a mere act of generosity.

Shinhan Investment Corp., since 2012, has been supporting children in poverty through the one-to-one matching grant method by operating the 'SHIC Guardian' program, which connects individual employees with children in developing countries. Also, in 2015, Shinhan Investment Corp. delivered supplies like clothes and toys to backward children in and out of the country through the 'Crafting Happy Gift' program, a participatory community service activity.

Since 2012, Shinhan Life Insurance has been participating in a hat-knitting campaign for infants in poor countries and has sent a total of 2,397 woolen hats. Also, through 'Making T-shirts of Hope' campaign with the Korea Disaster Relief Association, it supported 416 T-shirts for children living in countries with poor climate conditions along with messages of hope. Also, through the 'Dokdo Pencil Box Craft' campaign on Dokdo Day(October 25th), 800 employees made pencil boxes and delivered them to backward children in the Philippines along with writing tools and letters.

Project for Supporting Career Training to Vietnamese Youth from Low-income Background



In 2013, Shinhan Vietnam Bank established the <Korea-Vietnam Youth Economy & Technology Education Center> for young, low-income Vietnamese people living in the outskirts of Ho Chi Minh City, and has been providing career education on accounting, computer OA, computer repair, Korean language, etc. This support activity is evaluated to be an exemplary supporting case study where the low-income class can create a basis for income creation through recruitment of recipients, education management, certificate of completion from Ministry of Education, and employment support. A total of 1,519 young people have received actual career education for the past three years. Shinhan Vietnam Bank is providing education on Korean language to career education centers and to the Middle Economic Technology School in District 12, which received official approval on Korean as secondary foreign language from Ho Chi Minh City's Ministry of Education, by supplying educational materials and employing teachers of Korean language.

Scholarship Support

In 2006, Shinhan Financial Group established the Shinhan Scholarship Foundation with the goal of discovering and assisting students who are unable to concentrate on studying due to difficulty in living, to help them grow as national talents. Based on the capital of KRW 100 billion funded by group affiliates, the foundation is selecting scholarship recipients every year to provide consistent support, and has provided a total of approximately KRW 19.5 billion to 4,185 students by the end of 2015. Shinhan Financial Group will continue its efforts to practice its social responsibility as a corporate citizen by continuing to discover future talents, improve educational environment, and support academic research activities.

Major History

2006	<ul style="list-style-type: none"> Registered foundation of Shinhan Scholarship Foundation (Total assets of KRW 50 billion) Selected first recipients of Shinhan scholarship
2009	<ul style="list-style-type: none"> Added additional funds of KRW 30 billion from Shinhan Financial Group group affiliates (Total assets of KRW 80 billion) Launched Shinhan Mentoring Scholarship
2011	<ul style="list-style-type: none"> Launched scholarship for the children of police officers who died in the line of duty
2012	<ul style="list-style-type: none"> Added additional fund of KRW 20 billion from Shinhan Financial Group group affiliates (Total asset of KRW 100 billion) Launched scholarship for the children of firefighters who died in the line of duty
2014	<ul style="list-style-type: none"> Launched scholarship for the children of coast guards who died in the line of duty

Major Business

General Scholarship | Every year, the Shinhan Scholarship Foundation selects scholarship recipients from middle school students and upcoming college freshmen to provide tuition, academic support, and textbook expenses. College recipients receive scholarships until the point of graduation and middle school recipients receive scholarships upon high school graduation. The recipients are also provided with various opportunities for developing character and experiences as students, such as through volunteering activities and scholarship camp.



2015 Shinhan Scholarship Camp

Mentoring Scholarship | College students selected as scholarship recipients of Shinhan Scholarship Foundation, and middle and high school students from low-income backgrounds are connected as mentors and mentees. Mentor students are provided with scholarships and mentee students are provided with educational opportunities and opportunities for interaction with college students.

Scholarship for the Children of Veterans Deceased in the Line of Duty | In order to commemorate deceased veterans who sacrificed their lives for the country and to help their children to focus on studying without difficulties through scholarship, Shinhan Scholarship Foundation has been selecting scholarship recipients and providing academic support funding every year for children of deceased veterans recommended from the National Police Agency, Fire & Disaster Headquarters, and Korea Coast Guard.

In order to develop local talents, Shinhan Bank is operating a scholarship project and an academic research support project through 'Shinhan Bank Gangwon Scholarship' and 'Shinhan Bank Chungbuk Scholarship'. The company also established the 'Shinhan Bank Hope Foundation' to support job creation of small businesses, presented a music award for the first time in the financial industry to contribute to the development of classic music by discovering and supporting promising cultural arts talents. Shinhan Bank is also making contributions to academic promotion and development of cultural arts by carrying out scholarship projects in low-income countries, and academic support projects for supporting finance researches.



Award Ceremony for Shinhan Music Awards

Sports Sponsorship

The intensity, inspirational stories, and spirit of fairness in sports go along with the core values of Shinhan Financial Group characterized by mutual respect and aspiration to be the best. Under the belief that Corporations must develop together with their customers', Shinhan Financial Group is creating an environment where sports can flourish in Korea, and is striving to provide opportunities where customers can become familiar with sports.

Shinhan Donghae Open

Shinhan Donghae Open, which hosts its 32nd contest this year, is a representative sports sponsorship of Shinhan Financial Group, created in 1981 under the goal of contributing to the development of Korean golf by nurturing internationally renowned players. Since the early contests, famous professional golfers from Japan, Taiwan, etc. have been participating in this internationally renowned contest. Shinhan Donghae Open has had an effect of improving the foundation of Korean golf and of making much contribution to the development of public athletics.

In addition, Shinhan Donghae Open is conducting social contribution projects every year. 'Hope Sharing Campaign', a representative social contribution activity of Shinhan Donghae Open, explains the true value of sharing to the audience of the contest and encourages participation. The audience purchase 'Hope Sharing Coupon' in the form of a scratch card to participate in social contribution, and Shinhan Financial Group creates this fund in a matching form and donates the entire amount. In 2015, Shinhan Financial Group delivered the funds to the Incheon Social Welfare Council and Korea Childhood Leukemia Foundation.



2015 Shinhan Donghae Open Final Round

Shinhan Rookie Sponsorship

In 2011, Shinhan Financial Group launched 'Shinhan Rookie Sponsorship Program' which discovers rising stars in Korean sports and provides long-term support. This program discovers and nurtures sports players who have the potential to grow as international players but are pursuing lesser-known sports or have poor training conditions. Recipients of this program include Yang Hak-Seon, the hope of Korean artistic gymnastics who won the gold medal at the 2012 London Olympics for the first time in Korean gymnastics history. Shinhan Financial Group is broadening the scope of recipients as witnessed by the new support given to Choi Jae-woo and Lee Kwang-Gi, the rising stars in lesser known winter sports, in preparation of the 2018 Pyeongchang Winter Olympics.

Shinhan Bank S-Birds Women's Basketball Team

Shinhan Bank S-Birds Women's Basketball Team has won the championship six consecutive times from its first seasonal victory in September 2005 to 2012, accomplishing a winning streak of six championships for the first time in Korean professional sports. In 2014, it moved its home court to Incheon, contributing to improved awareness of sports in Incheon and to the development of women's basketball in Korea. S-Birds Women's Basketball Team is devoted to creating a healthy sports culture through activities like gym cleaning after friendly matches with Songdo Middle School basketball team, off-season basketball clinics, and autograph sessions. Shinhan Bank also makes contributions to practicing compassionate finance by inviting economically vulnerable classes to basketball games and donating profits from autograph sessions.

Plans

By creating the 'Global CSR Council', Shinhan Bank plans to expand its CSR network and manage it consistently in order to discover and support CSR projects that suit situations in the local community. Also, the bank plans to strengthen projects for supporting cultural arts such as the classic music talent donation project, invitation of culturally backward classes for cultural events, and provision of cultural contents to local welfare groups. Lastly, Shinhan Bank establishes a volunteering platform for customers and expands its scope and time period in order to practice beautiful synergies.

Shinhan Card plans to continue its social contribution activities for socially disadvantaged people and financially vulnerable people using the advantages of the industry. It will diversify regions for overseas volunteering to countries like Myanmar, and strengthen its global social contribution activities by carrying out funding activity through Arumin website and other such activities.

Shinhan Investment Corp. will strive to establish its social contribution programs in order to promote sincere practice of social contribution activities. Also, keeping pace with its strategies for overseas advancement, the company is planning social contribution activities for children belonging to disadvantaged classes so that the company and the local community can live together.

Shinhan Life Insurance plans to conduct company-wide campaigns like Bridge of Love and Big Dream Volunteer Group Funding, disclose its status on major social contribution activities and funding, and host volunteering photograph exhibitions in order to promote voluntary donation and participation by employees and planners.

Based on the practice of compassionate finance by all employees and under the slogan 'For the Happiness of the Customers, For the Future of Jeju', Jeju Bank plans to conduct various social contribution activities that can make practical contributions to local community, fulfilling the social responsibilities of a corporation as a true local bank and with the gratitude for the warm affection that Jeju residents and its customers have sent for a long time.



Increasing Financial Inclusion for the Financially Underserved People

Due to the entry into an extended period of low-growth and low-consumption, a sharp increase in household debt, and the possibility of increase in key rate, civilian households and small businesses may suffer difficulty in acquiring liquidity. Under such environment, financially vulnerable people will face higher financial burden and threshold. Accordingly, under the mission, 'Building a Better World through the Power of Finance', Shinhan Financial Group is devoted to increase financial access for civilians and small businesses through multilateral efforts.

Focusing on an increase in stability of microfinance and reinforcement of voluntary support, Shinhan Bank provided differentiated products and services that fit the need of financially vulnerable consumers. At the same time, it operated services and policies for improving physical access and customer values. Shinhan Bank is also building creative plans for increasing financial access by creating jobs and developing support models that can raise the quality of life for the local community by assisting self-supportive growth of social companies.

Shinhan Future's Lab for Fintech Startups



In an effort to develop Fintech startups and founders as competitive companies, Shinhan Financial Group launched 'Shinhan Future's Lab', a comprehensive customized development program with a 'mutually beneficial model between technology and finance', in 2015. This program has provided comprehensive support for rising startups in various Fintech fields, such as AI, payment system, biometrics, and financial security, by providing mentoring from internal and external experts, supporting infrastructure such as offices, providing environment for financial tests, and supporting funding and investments. Also, by strengthening coordination with external institutions, it prepared a platform for supporting global advancement after discovering excellent companies through coordination with foreign investors. Through such efforts, we are creating new value, the 'financial service innovation via cooperation between fintech startups and advanced financial institutions with already established financial infrastructure.'

Products and Services for Financially Underserved People

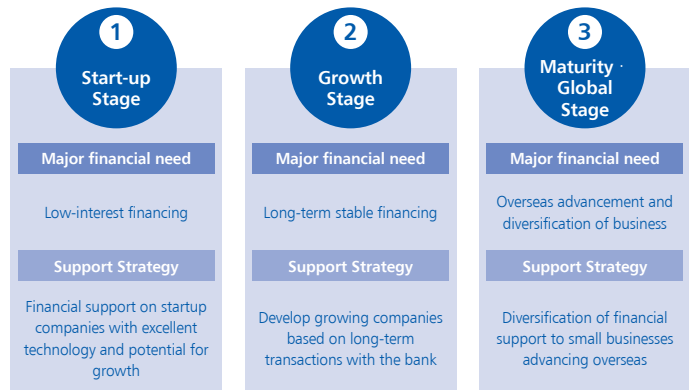
Shinhan Bank has continued to expand loan products for civilians such as New Hope Spore Loan, New Hope Dream, and Easy Loan Korea. In addition, in an effort to activate self-support for civilian customers, it increased counseling services on New Hope Savings Installment and civilian credit management, and operated the SHB Household Debt Healing Program. In order to comply with civil finance policies of the government and to alleviate financial difficulties of civilians, Shinhan Bank has introduced 8 products and policies regarding microfinance in 2015, such as Bridge Loan and Civilian Asset-building Savings. The bank is also supporting economic independence of financially vulnerable people in low-income, low-credit backgrounds by providing micro loans as startup and operation funds with no mortgage or no guarantee through Shinhan Smile Finance Foundation. In 2015, it supported a total of KRW 19.1 billion to 1,720 people, and an accumulated amount of KRW 102.6 billion to 7,366 people since 2009.

Shinhan Life Insurance has developed 'Shinhan Hope Love Insurance', a form of micro-insurance, and has been supporting it for nine years in order to assist the low-income class who has difficulty in receiving insurance benefits, playing a role as a social safety net. The number of accumulated insurance contracts as of 2015 was 2,788, and the accumulated amount of insurance contract signed to support the low-income class was KRW 2.28 billion.

Customized Support on Small Businesses by Stages of Growth

Shinhan Bank provides financial and non-financial services to small businesses by customized degrees of startup, growth, and maturity on a global stage. In the startup stage, Shinhan Bank discovers startup companies which possess technological capacity and potential for growth through business agreements with external institutions such as the Small and Medium Business Administration, Industry-Academic Cooperation Foundation, and KOTRA, and focuses on supporting finance using creative finance including technological finance, guaranteed agreement on Korea Credit Guarantee Fund and Korea Technology Finance Corporation, and external policy funds. In the growth stage, it provides stable, long-term capital supply through creative finance and support of long-term facilities fund in order to strengthen development and support on companies growing by long-term transactions. Also, it reflects the needs of small and large businesses to provide specialized IB solutions and make direct and indirect investments based on Tech Credit Bureau(TCB). Lastly, in the maturity · global stage, it focuses on financial needs related to overseas advancement and diversification of business for a great leap forward, and provides support on advancement to overseas markets and relational combined finance on investment and loans. Shinhan Bank also provides customized non-financial services which reflects the growing stages and needs of the company, such as consulting on education, tax, and management diagnosis, support on overseas advancement, project for matching corporation and human resources, M&A consulting service, and MIP(Management Innovation Program for the next CEO). Thanks to such efforts, Shinhan Bank has accomplished TCB loan performance by supporting 11,371 companies in the creative finance area with a valuated amount of KRW 5.5 trillion(remaining balance of KRW 10.8 trillion) in 2015. In the relational finance area which utilizes soft information such as technological capacity or business prospects, it supported KRW 149.4 billion to 317 companies, and provided KRW 10.3 billion to 9 companies merged with performance-sharing private equity convertible bonds.

Shinhan Bank, Support Strategies on Small Businesses by Stages of Growth



Shinhan Investment Corp. is providing customized services to customers through its business by financing small businesses using its financial products. It has decreased the burden on financing and encouraged businesses to focus on their essential sales activities by providing financial solutions that consider the situation and specialty of the client companies. In 2015, it financed client companies, mainly small businesses, by liquefying sales credit through trust products, which yielded the result of approximately KRW 100 billion through 15 cases.

Financial Economic Education Using Industrial Characteristics

Modern financial services are becoming a necessity in the lives of modern people. Among the rapid entry into global society and the aging trend, improving financial knowledge and capabilities is becoming more important than at any other time. Many countries are reinforcing their financial economic education in order to respond to the shift in the financial paradigm.

Results of 2015 Financial Economic Education

Number of people who participated	135, 983 people
Number of times education was provided	1,727 times

Shinhan Financial Group is providing practical education to various people such as children, young people, elderly people, and low-income people in order to share the experience and know-how of financial companies to those who need knowledge on financial economy. Shinhan's financial economic education involves education customized to age and class, providing information and knowledge that become practical help, and is a form of experiential education learned through eyes, ears, and the body and not just by understanding with the brain. Also, exemplary employee lecturers from the group affiliates, with rich practical experience and teaching ability, are engaged, and Shinhan Financial Group makes maximum use of its human and physical assets in order to contribute to society through finance.

Under the direction of 'Practicing Compassionate Finance through Creative Finance', Shinhan Bank established a system for differentiated financial education in 2015. Started in Gwanghwamun and Busan campuses, the 'Shinhan Children's Financial Experience Class', Shinhan Bank's representative program run by talent donation of its employees, showed experiential education on finance in various regions through its expansion to Gwangju and Daejeon in 2015. The bank is also conducting customized education that can contribute to creating healthy financial values for students, such as 'Youth Hands-on Career Experience', a free-semester program, 'Visiting Finance Education' which uses the mobile branch 'Bangbird', and financial education for young people with cognitive disabilities and North Korean defectors. In 2015, Shinhan Bank conducted 1,051 financial training sessions to 112,612 people.



Visiting Finance Education



Arumin Finance Expedition

Utilizing its business characteristics, Shinhan Card is conducting education on financial economy to children and middle school students in order to lead improvement of the Financial Quotient(FQ) of young people. It educated 4,108 middle school students in 22 schools through 'Arumin Finance Expedition', an educational curriculum specialized to rational consumption habits and donations. Shinhan Card is also operating a more effective 'Arumin Finance Classroom' to children from low-income households by adding an economy class to the existing finance class.

In 2015, Shinhan Investment Corp. has hosted the 'Compassionate Finance Camp' for 38 times. This program seeks to provide correct establishment of financial concepts for young people and to encourage their dreams on financial investment careers by providing experiential education programs such as field trips to Shinhan Investment Corp.'s head office and the Korea Exchange and mock investment contests. Notably, it is consistently developing programs customized to recipients, such as the Visiting Compassionate Finance Camp, in accordance with the execution of free-semester policy in middle schools in 2015.



Compassionate Finance Camp



Shinhan Happy Silver Financial Class

Since 2013, Shinhan Life Insurance has been conducting 'Happy Silver Financial Class' by visiting senior welfare facilities throughout the country and providing lectures to retired elderly people over 60 and their caregivers. The free lectures are provided on areas such as retirement management, asset management, and safe financial usage. 29,000 people have received lectures by 2015, and the class is settling as a customized education activity appropriate for the aging society with increased interest on retirement management.

Financial Benefits Provided to the Customers in the Emerging Market

Under the mission of 'establishing sustainable local Shinhan banks through differentiated localization', Shinhan Bank is carrying out global projects centering on Asia, which has high potential for growth and high cultural relationships. Based on local needs and not just on quantitative expansion of branches, it is striving to build portfolios that can ensure independent survival of banks by providing products and services specialized to target countries. Furthermore, products for socially disadvantaged people and small businesses in emerging countries have been introduced and sold, in accordance with relevant national environments, in an effort to expand financial accessibility.

In 2015, it provided 24 cases of 'Loan Linked with Seoul Guarantee Insurance' amounting to USD 79,000 to individual local customers in Vietnam who have difficulty in receiving support for financing. Shinhan Bank also provided a total of 10,467 cases of financial support amounting to USD 14,284,000 through 'Factory Laborer Loan', a micro loan for factory workers in Vietnam, contributing to ensure a stable working environment for local workers and the stable operation of major clients. Meanwhile, the Shinhan Khmer firm in Cambodia provided the 'Junior Installment Savings' product, a high-interest installment savings for children under 18, inspiring the awareness on saving and supporting socially disadvantaged classes.

Improving the Convenience of Financially Underserved People

For people with visual impairment who have difficulty in using online banking or smartphone banking, Shinhan Bank distributed Voice OTP that can replace braille security cards at no additional cost. The bank also carried out multilateral efforts to improve accessibility, such as making an external identification mark to improve ATM use for disabled people, installing at least one ATM for disabled people in every branch, and establishing access ramps in branches.

In order to ensure convenience on counseling service for customers with hearing disability and improve the satisfaction of general customers, Shinhan Card started providing 'Visual ARS' service in 2015, which provides a wide range of services that include but is not limited to menu guide and result search services on the smartphone screen. Also, for people with hearing disabilities, sign language counseling that used to be available only on sign language video phones(See-Talk telephone) was enhanced to be provided through mobile service and website, resulting in increased convenience in using counseling services related to card usage for people with disabilities.

Non-face-to-face Financial Service through Synergy among Group Affiliates

Sunny Bank | Sunny Bank, a mobile service that incorporated non-face-to-face identification for the first time in Korea, is a new mobile banking brand of Shinhan Bank, which dreams for 'Shining Tomorrow Made Together with Shinhan'. It is equipped with financial services with increased simplicity, such as 'Sunny Simple Overseas Remittance Service', 'Sunny Mobile Simple Loan' which uses an income-calculating technique based on big data, and 'Sunny Watch' used with Smart Watch.



Digital Kiosk | Digital Kiosk is a digitized self-banking channel that uses bio-identification for the first time in Korea. It provides 107 counter services, amounting to approximately 90% of transactions made in banking service counters, and utilizes Fintech technology to provide services that were previously possible only in sales branches, such as issuance of plastic cards.

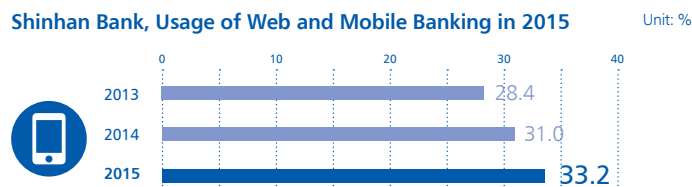


In 2013, Shinhan Investment Corp. established a separate website where customers can access various financial services that are used frequently, such as viewing balance/transaction history and trading financial products, regardless of disability, and acquired a national certification mark for web accessibility.

Shinhan Investment Corp. also provides visual ARS service in order to increase convenience in using ARS services. Furthermore, a website renewal is under progress with the goal of completing it by the latter half of 2016, so that all customers using the website, including the elderly and disabled people, will be able to use all services without any inconveniences.

After launching simple services on its website in 2014, Shinhan Life Insurance started providing new services such as withdrawal of mature and dormant insurance as well as an increase in the limit (less than KRW 5 million per month) in order to expand the range of banking services for disabled people, the elderly and the infirm who have difficulty in visiting banks. Also, it is making consistent improvements to increase convenience for customers and improve financial accessibility by allowing customers to use services, such as claiming small-sum insurance, applying for micro-insurance loan contracts, paying principal and interest on insurance loan contracts, and paying premiums, without having to visit the counter.

Shinhan Bank, Usage of Web and Mobile Banking in 2015



Main Awards Received



Shinhan Bank

- Ranked first for innovative assessment on banks, 3 consecutive times (second half of 2014/first and second half of 2015, Financial Supervisory Commission)
- Selected as the most outstanding institution on activities for supporting microfinance, 3 consecutive years (Financial Supervisory Service)
- Received Grand Prize for outstanding financial education program in 2015 (Financial Supervisory Service)

Plans

Shinhan Financial Group plans to enhance various products and services with increased financial accessibility so that socially underserved classes and the local community can live stable lives.

Shinhan Bank plans to continue its efforts for supporting comprehensive microfinance by providing customized products and services according to customer needs from civilians and social companies. In order to accomplish this, it will make consistent expansion of civilian financial products such as New Hope Spore Loans, provide assistance in self-support and rehabilitation for civilians by introducing anticipative debt restructuring service, and support asset creation by activating loan products exclusive to civilians. Shinhan Bank will also increase its support on Smile Finance with the goal of supporting KRW 20 billion to 1,800 people through the Shinhan Smile Finance Foundation. Moreover, it plans to consistently enhance customized support on domestic small businesses, and to expand localized products in emerging markets. Shinhan Bank also aims to increase the results of Junior Installment Savings for socially disadvantaged classes by over 100% compared to that of 2015.

Shinhan Card plans to improve the practical effects of financial economic education by enhancing the capabilities of its employee lecturers and by upgrading the curriculum consistently. Also, it will make sure that more young people will be able to receive financial education in 2016 by increasing the recipients of education from middle school students in the Greater Seoul area to those all around the country.

In 2016, Shinhan Life Insurance plans to provide a simpler and more prompt mobile-based service to its customers by newly providing simple withdrawal/deposit banking services through Smart channels and reforming Smart channels in September.



Pursuing Shared Development with Suppliers and Supporting their CSR Activities

Along with increased business influence of corporations, the demands for CSR activities by stakeholders are expanding not only to relevant companies but also to supply networks within the value chain. At the same time, the diversification and complexity in trade relationships is growing deeply due to expansion of corporate sizes, shifting the competitive paradigm from competition among companies to competition between value chains. As a result, risk management for suppliers and support on their competitiveness are rising as important issues for sustainable growth.

Shinhan Financial Group is trading with a total of 1,773 suppliers regarding electronic system construction and service, credit card production, DM printing and delivery, call center systems, etc., and is practicing compassionate finance through its four basic principles for shared development, guaranteeing with basic rules for shared development, guaranteeing fair pricing, removal of irrationality in trade relationships, and mutually beneficial CSR. Based on these four basic principles, the group affiliates are improving their trade policies with suppliers, and are strengthening mutually beneficial relationships through consistent communication efforts such as discussion meetings and satisfaction surveys.

Exemplary CSR practice from Suppliers 주식회사 브리지텍

In 2015, Shinhan Financial Group increased fulfillment and promotion of corporate responsibility for sustainable growth to its supply network through programs for diagnosing and supporting socially responsible management of its suppliers. Bridgetec, a supplier selected for its excellent CSR, is the only total solution call center company in Korea which has conducted multiple projects with Shinhan Financial Group such as call center construction for Shinhan Bank, concentration of branches, and upgrades on Smart customer centers.



Factors for Practicing Excellent Socially Responsible Management



Policy for Handling Difficulties of Employees

- Activate communication using One Page Idea policy
- Hold quarterly joint labor-management conference



Compliance with Labor Standards

- Establish culture for voluntary use of vacation through real-time check on individual annual vacation
- Introduce policy of Flexitime and support alternative paid vacation
- Carry out salary and labor contracts once a year



Health and Safety Management

- Conduct self-diagnosis on health by operating a health management office in the company
- Conduct safety management education and safety assessment on business sites



Environment Management

- Acquired ISO 14001(Environmental Management System) certificate for the first time



Corporate Ethics

- Provide education on ethics charter for all employees and sign ethics oath
- Improve service quality through customer satisfaction survey
- Conduct education on information protection and company-wide campaign for employees
- Provide academic donations to local colleges

Management for Shared Development with Suppliers

Shinhan Financial Group has enacted 'The Four Basic Principles of Shared Development with Suppliers' and is selecting and executing practical work based on these principles. Also, in an effort to share the principles and values of Shinhan Financial Group on socially responsible management, Shinhan Financial Group is disclosing code of conduct and self-diagnosis surveys for suppliers on the website, and is conducting activities on diagnosing and supporting the level of sustainable management for major suppliers.

The Four Basic Principles of Shared Development with Suppliers



Compliance with Shared Development Basic Principles

Shinhan Financial Group prohibits bidding restriction or discriminated assessment based on the size of suppliers, and has set clear criteria on selecting the contract method(private contract, private tender, general bidding). In order to provide fair opportunities for project participation by suppliers, it posts project announcements for bidding through the website of Shinhan Bank and stipulates in Article 1 of contracts, that Shinhan Financial Group and its suppliers are under a partnership relationship that seeks to grow together based on mutual respect and cooperation. Shinhan Financial Group is also operating policy of selecting outstanding suppliers by group affiliates by considering the results and duration of conducting trades.

Guarantee of Fair Pricing

Shinhan Financial Group strives to provide fair pricing for products and services from suppliers. It prohibits unconditional lowest bidder policy that does not guarantee fair pricing. Shinhan Financial Group also minimizes changes in working condition or construction scope after signing the contract and is paying for fair pricing if such changes occur.

If additional expenses inevitably occur from the contract with suppliers, Shinhan Bank alleviates the financial burden for suppliers by compensating them through an additional contract. The bank is also paying separate costs for unofficial or constant feedback through discussions with suppliers.

Shinhan Investment Corp. calculates and pays additional expenses if they occur, and processes work by paying construction payment within 15 days after the issuance of electronic tax bill upon the completion of construction.

Removing Irrationality in Business Relations

As a part of its effort to improve irrational business relations with suppliers and convenience in transactions, Shinhan Financial Group is conducting business satisfaction surveys with suppliers every year since 2013. The business satisfaction rate of suppliers in 2015 was 86%; a 3%p increase from that of 2014, and 84% of suppliers gave a positive response of growing together with Shinhan Financial Group. Also, based on the survey results, Shinhan Financial Group carried out activities for improving business relations with suppliers such as improving purchase procedures and expanding benefits for suppliers. Furthermore, Shinhan Financial Group is operating a VOC channel for employees of suppliers involved in business with Shinhan Financial Group, receiving suggestions for shared development and co-prosperity, requests for improving irrational business relationships, and reports on corruption such as bribes or money demands by affiliate employees.

In an effort to investigate inconveniences of suppliers and to collect ideas for improvement, Shinhan Bank holds annual discussion meetings on shared development with all suppliers and reflects feedback from the meetings in its management activities. A total of 160 people, such as CEOs of suppliers, participated in 2015 meetings, and education on expanding the awareness of socially responsible management was conducted in addition to the meeting. Furthermore, in an effort to reduce unnecessary costs with suppliers, Shinhan Bank is providing rational compensation for trial products when offering new projects and is minimizing the amount of documents using electronic contracts. The bank also provides benefits of secured loan on account receivable for outstanding suppliers, TCB loans for companies having excellent Fintech technology, and Elite Loan for employees of outstanding suppliers. Notably, Shinhan Bank assessed and selected 85 companies from ICT suppliers that are banking with Shinhan to process technological finance(TCB loan), practicing a program on shared development between the Bank and its suppliers.



Shinhan Bank, Discussion Meeting for Shared Development with Suppliers

Shinhan Investment Corp. is exempting various requirements for submitting securities for outstanding suppliers in an effort to improve process efficiency from the perspective of suppliers and is increasing the speed for examination and payment in order to increase convenience of conducting transactions. The company also targets low costs and high efficiency when conducting micro construction in local regions by discovering local suppliers out of the metropolitan areas, and is providing opportunities for suppliers to participate in projects out of its professional area, in order to improve satisfaction of supplier companies and employees.

In order to improve satisfaction of suppliers through regular communication, Shinhan Life Insurance has conducted a policy for selecting outstanding IT suppliers to conduct exchange events since 2014, and has been carrying out certificate award ceremonies and semi-annual discussion meetings, etc. When calculating expected price, the general affairs department does so by considering the annual inflation rate. Shinhan Life Insurance invites suppliers once or twice a year to communication events. The company also reviews extension of contracts and extends contract durations if the actual expense spent is below 75% of the contract expense, in order to practice compassionate finance and promote cooperative relationships.

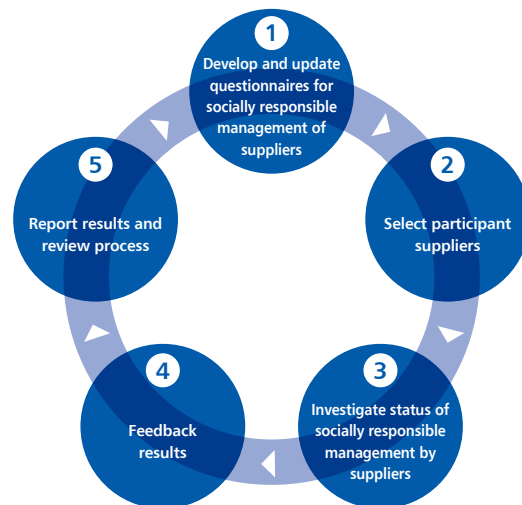


Shinhan Life Insurance, Award Ceremony for Certifying outstanding IT suppliers

Implementing CSR of Shared Development

Shinhan Financial Group enacted the 'Code of Conduct for Shinhan Financial Group Suppliers' so that its suppliers, which are partners of Shinhan Financial Group for shared development, can comply with the group's principles and values for socially responsible management. While conducting self-diagnosis surveys in order to confirm that suppliers are recognizing and complying with the code of conduct, Shinhan Financial Group checks the status of major suppliers on socially responsible management of four areas, such as respect for basic human rights, safety and health in business sites, environment, and corporate ethics, in order to support the practice of sustainable management through resulting feedback. In 2015, diagnosis on 32 major suppliers of Shinhan Bank in IT and general affairs areas have been conducted regarding their effects on society, environment, human rights, and labor, and 6 grades(S, A+, A, B+, B, C) were given based on the result of the diagnosis.

Shinhan Financial Group, Process on Managing Socially Responsible Management of Suppliers



Every year, Shinhan Bank conducts assessment on financial soundness for maintenance suppliers. In 2015, it assessed a total of 162 suppliers, establishing and operating a separate emergency plan for suppliers receiving a low grade. It conducts policy on contracts with integrity in order to comply with rules when bidding, signing, and fulfilling contracts on the supply of products and services, and is conducting activities like 'Talent Donation Voluntary Service' held by the general affairs department and 'Love-sharing Voluntary Service' with ICT suppliers in order to encourage suppliers to conduct social contribution activities for local communities.

Utilizing their industrial characteristics, Shinhan Bank and Shinhan Investment Corp. are holding financial seminars for employees of their suppliers. In 2015, Shinhan Bank provided information on financial investments, such as asset management, retirement preparation, and corporate retirement pension, to 141 employees of suppliers. Shinhan Investment Corp. conducted financial seminars for 30 IT suppliers selected as outstanding suppliers and operated cultural events such as 'Spring Festival' in order to promote ties with its suppliers.



Shinhan Bank, Financial Seminars with Employees of Suppliers



Shinhan Investment Corp., Spring Festival

Every year, Shinhan Card conducts events for establishing ties with outstanding suppliers. In 2015, it conducted Smart Finance Education with outstanding suppliers. When signing contracts, Shinhan Bank attaches Agreement on Integrity and Shinhan Financial Group code of conduct for suppliers in order to encourage compliance with rules and CSR activities. Moreover, in order to express gratitude to suppliers and to maintain consistent relationships of shared development, Shinhan Bank invited 60 companies to conduct external lectures and discussion meetings. Furthermore, 'All that Shopping Mall', an online shopping mall of Shinhan Financial Group, provides channels and services to sell and advertise products for outstanding small businesses, suppliers, and small organizations that have high quality products but have weak distribution and marketing channels. For small businesses with small operation workforces, Shinhan Card supports sales channels and experiences by facilitating bypassed entry to large companies such as Small & Medium Business Distribution Center.

Shinhan Life Insurance holds the 'Healing Festa', a performance festival, in order to reduce the stress of Dream Call Center operators and conducts healing lectures by inviting renowned lecturers, receiving positive response from the operators on various supportive activities. The company assigns exclusive counselors in order to alleviate psychological difficulties of operators and to encourage a sense of unity. 458 counseling sessions were given in 2015. Furthermore, Shinhan Life Insurance conducts surveys on all employees every year regarding place of work to carry out consistent improvement on working conditions, and newly introduced a mobile survey method in order to improve convenience in participation.

Plans

From now on, Shinhan Financial Group will continue to improve and reinforce its programs for shared development, in order to establish a support process and create new activities such as development of mutual technology and products, carrying out management of shared development by practicing compassionate finance with its suppliers.

Shinhan Bank plans to expand companies who are eligible for outstanding ICT suppliers by significantly alleviating the criteria for candidacy, and to continue activities such as risk monitoring on suppliers through assessment of financial soundness, discussion meetings with suppliers, and selection of best suppliers and outstanding employees. Notably, it will establish a separate purchasing system in the ICT area in order to increase business efficiency through prompt business processes and minimization of documents.

Shinhan Card plans to actively accept feedback from suppliers in order to guarantee fair pricing and plans to support their product advertisements in order to promote an increase in sales. It will also expand the channels for communication with suppliers in order to accept requests and complaints and to make immediate responses, and will continue the relationship of shared development with suppliers through discussion meetings with them and through selection of outstanding suppliers. Notably, Shinhan Card will continue to expand contract relationships with suppliers employing disabled people.

Shinhan Investment Corp. will make efforts to promote mutual communication and improvement of relationships with suppliers by consistently holding financial seminars and cultural events.

Shinhan Life Insurance plans to select outstanding IT suppliers and award certificates, and to make consistent expansion in supporting outstanding suppliers by assessing their satisfaction rate. The company will carry out various monthly activities in 2016 such as Family Month event and Hope Day, in addition to existing activities targeted to improve operators' satisfaction. Shinhan Life Insurance will also make efforts to improve satisfaction of operators by making consistent improvements on data processing and business processes designed to improve the working environment of operators.



Developing Environment-friendly Products and Services

Along with increased attention on global climate change, environmental risks such as global warming and depletion of resources, are becoming imminent issues, and such factors are gaining importance in the decision-making process of companies. Furthermore, as consumer awareness regarding environment protection is increasing, the fulfillment of environment-friendly management by companies is becoming directly associated with management outcome, and the demand for new products in response to environmental regulations is increasing. As such, the environment is becoming a new opportunity factor for companies.

Based on such international trends, Shinhan Financial Group is making consistent efforts in order to provide new and multiple products to customers by developing Environment-friendly goods and services and providing financial support for companies leading the Environment-friendly industry. In the future, Shinhan Financial Group will continue to expand its Environment-friendly financial products and services in order to maintain its status as a green leader in domestic financial sector.

Financial Support for the Renewable Energy Industry



Pyeongchang Wind Power Plant

Shinhan Financial Group provided financial support on renewable industries that do not use fossil fuel - such as solar power and wind power generation industries - through technological financing and PF(Project Financing). In 2015, Shinhan Financial Group provided financial support amounting to KRW 82.4 billion for Environment-friendly generation projects in Sangju Floating Solar Power Plant, Gangwon Solar Park, Chuncheon Solar Power Plant, and Gowon Wind Power Plant. The floating photovoltaic project produces electricity by installing solar power modules on water surfaces, producing a CO₂ reduction effect that is equivalent to planting 1.2 million pine trees every year.

Also, Shinhan Bank provided KRW 20 billion for a project, for constructing and operating Pyeongchang Wind Power Plant located in Pyeongchang, Gangwon-do. Pyeongchang Wind Power Plant, created as a 30MW wind power generation complex in Pyeongchang, Gangwon-do, produces electricity for 17,000 households every year, and also has the equivalent effect of planting approximately 4 million trees and reducing approximately 29,000 tons of CO₂.

Increasing the Development of Environment-friendly Products

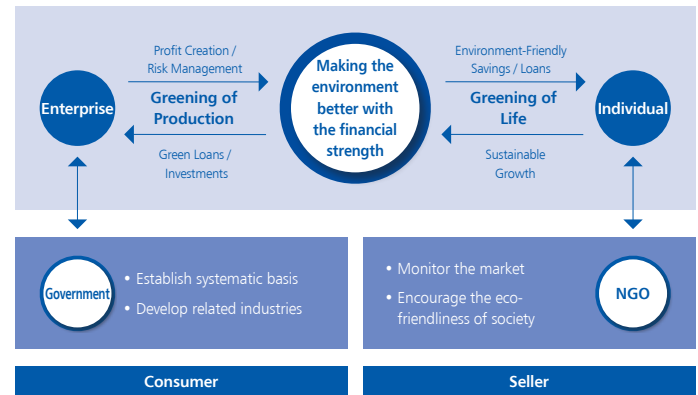
In order to satisfy the interests and demands for environmental management by internal and external stakeholders such as employees, customers, and the government, Shinhan Financial Group is introducing various financial products that encourage Environment-friendly life for customers, and support companies that lead Environment-friendly industries.

Shinhan Bank is making contributions to reduce inefficient energy use by providing preliminary support for LED replacement costs in apartments and public institutions and by developing 'Green Energy Factoring' for users, which enables payment of construction expenses by reduced electricity costs. The bank is also operating a loan product called 'Green Remodeling Interest Subsidy Loan' for customers planning to remodel their buildings with the purpose of improving energy efficiency. Under this project, the bank supports construction expenses and the government supports 2-4% of loan interest depending on the level of energy improvement. Furthermore, Shinhan Bank also provides 'Shinhan Green+ Installment Savings,' a deposit product which provides an additional interest rate up to 0.3% when fulfilling conditions for Green benefits by using public transportation and by saving electricity and gas expenses, thereby encouraging customers to practice energy reduction in their daily lives.

Shinhan Life Insurance and Shinhan BNP Paribas Asset Management are operating variable insurance products which make investments in companies with high sustainability through the SRI(Socially Responsible Investment) Fund, which invests in stocks related to society, environment, and energy reduction, as well as other relevant funds.

Through 'Small Car Oil Tax Refund Card', which returns a portion of oil tax to owners of compact cars, Shinhan Card is making contributions to reduce air pollution and improve energy efficiency by promoting the usage of small cars.

Shinhan Financial Group, Role of Green Finance



Resource Reduction Effect through Green Energy Factoring

Reduced Amount of Greenhouse Gases	5,694tCO ₂ eq
Reduced Energy Consumption	12,384MWh

Product Name	Product Explanation	Billings
Green Energy Factoring	The product supports the expenses used in replacing the LED light bulbs of underground parking lots to reduce energy costs, and the customers pay back the construction costs with the money saved from using less energy.	KRW 8,138 million (Total as of end of 2015)
Green+ Installment savings	The product provides preferential interest rates to green customers practicing energy conservation activities such as using public transportation, saving energy like electricity and gas and conserving resources by using non-face-to-face channels.	KRW 384,462 million (Total as of end of 2015)
Green Remodeling Interest Subsidy Loan	The product provides support for improving the energy efficiency of existing buildings and funding for construction, and ensures the government's support on 2-4% of the loan interest according to the level of improvements made	KRW 13,636 million (Total as of end of 2015)
New Green Corporate Loan	The product provides funding to green companies and new entrants in green industries in order to contribute to the vitalization of green industries.	KRW 201,563 million (Total as of end of 2015)
Shinhan BNPP Tops Beautiful SRI Securities Trust	The product invests mostly in equities where the underlying corporations fulfill their environmental, social, and economic responsibilities.	KRW 5,571 million (Assessment as of End of 2015)
Shinhan BNPP Private Equity SRI Securities Investment Trust No. 1	The product invests mostly in equities where the underlying corporations fulfill their environmental, social, and economic responsibilities.	KRW 8,541 million (Assessment as of end of 2015)
Tops SRI(combined, stock-type)	The product invests mostly in equities where the underlying corporations fulfill their environmental, social, and economic responsibilities.	KRW 23,347 million (Assessment as of end of 2015)
Shinhan BNPP Bonjour Clean World Securities Trust	The product invests mostly in equities that are related to the global environment, alternative energy, water resource processing, waste prevention, waste processing, etc. with funds from investment trusts and manages the equities.	KRW 226 million (Assessment as of end of 2015)
Shinhan BNPP Energy Index Plus Securities Trust	Fund that invests most of its assets from the collective investment scheme in bonds and energy-related derivatives that are traded in the market or in the OTC market to ensure long-term capital growth.	KRW 4,388 million (Assessment as of end of 2015)
Shinhan The Best Variable Universal Life Insurance	The product invests in companies that can implement environment-friendly CSR through SRI Funds.	KRW 461 million (New Deposits in 2015)
Reimbursement Card for Light Vehicle Fuel Taxes	Card for which the user receives a reimbursement for part of the fuel taxes paid. It has the effect of decreasing air pollution and increasing energy efficiency, due to the increased use of light vehicles.	Number of newly issued credit cards: 27,246 Number of newly issued debit cards: 35,800 (Number of new issuances in 2015)



External Cooperation for Developing Environment-friendly Products and Services

Shinhan Bank signed the 'Business Agreement for Activating Green Remodeling' with the Ministry of Land, Infrastructure, and Transport and launched 'Green Remodeling Interest Subsidy Loan' in 2014, contributing to the increase of Environment-friendly buildings by creating new values through such public-private partnership.

Introduction of Environment-friendly Business Services

In 2015, Shinhan Bank introduced Digital Kiosk and used it as a 'Digital Self-banking Counter', where most counter services, such as deposits, withdrawals, new account creation, and reporting can be processed in the advanced concept manless self-banking counter. Using this system, users can process banking services through simple identification without writing additional applications. This is expected to have a huge effect in reducing energy and usage of paper in the form of statements and certificates. Also, by expanding S-Force services where employees visit customers directly to process banking services, such as deposits, withdrawals, loans, and new electronic finance services, using tablet PCs, Shinhan Bank practices an Environment-friendly business service which considers customer satisfaction and environment at the same time.

Increasing Financial Support for Environment-friendly Companies

In response to the renewed interest on environmental pollution and depletion of fossil fuels, Shinhan Financial Group provided financial support for companies that conduct projects related to renewable energy.

Shinhan Bank and Shinhan Investment Corp. are supporting funds for constructing power plants for various renewable energies, such as wind power, bioenergy, solar power, and fuel cells, using various methods such as corporate loans, project financing, and investment shares through funds. Through such efforts, they are contributing to reducing national environmental effects by decreasing the usage of fossil fuels and increasing the number of facilities producing Environment-friendly energy.

Plans

As a company leading in green finance, Shinhan Bank recognizes the importance of financial industries in creating an Environment-friendly society. As a result, it plans to make consistent enhancements on Environment-friendly investments and to create an environment for promoting financial support for developing technologies on alternative energy.

Under the trends of low interest rates and low growth, Shinhan Life Insurance plans to enhance usage of funds that invest in ESG(Environment, Social, Governance), such as SRI Funds, from a long-term perspective, in order to strengthen the competitiveness of variable insurance and to improve long-term rates of return for customers.



Using Resources Efficiently and Reducing Environmental Impacts

Countries around the world are making multilateral efforts to prevent global warming, such as reduction of greenhouse gases and adaptation to climate change. South Korea is following such global trends by submitting a proposal to reduce greenhouse gas emissions by 37%(BAU, 850.6 million tons) at the 21st UN Climate Change Conference held in Paris in 2015. Accordingly, various methods to practice green growth in management activities of global companies are being discussed, and the level of disclosure of environmental information is increasing, along with strengthened legal regulations such as introduction of an emission trading system.

Shinhan Financial Group is aware of its responsibility in preserving nature, and is continuing Environment-friendly activities such as reduction of energy and waste, and making more active and effective responses to climate change, in order to protect nature and allow it to be safely inherited by our offspring. Shinhan Financial Group is also expanding its channels of communication and is strengthening internal policies regarding environment in order to respond to demands by stakeholders and to environmental policies designed to cope with constantly changing climate conditions.

Operation of Environment-friendly Green Buildings



Shinhan Bank is operating 'Shinhan Data Center' for green buildings, which incorporates an Environment-friendly, energy-saving system such as investments on solar power generation and devices with high-energy efficiency. As an acknowledgement to the effectiveness of its activities for reducing energy, such as an ice storage system which utilizes cold energy stored overnight for daytime refrigeration as well as BEMS(Building Energy management System), Shinhan Bank acquired Gold Grade in LEED, a US certification on Environment-friendly buildings and a Korean certification on green architecture (Top Grade). In 2015, the operation of the Environment-friendly data center had an effect of reducing a total of 2,048tCO₂eq of greenhouse gas emissions for one year, which is a reduction of approximately 8% of energy compared to the time before operating the Environment-friendly center.

Annual outcome of energy reduction



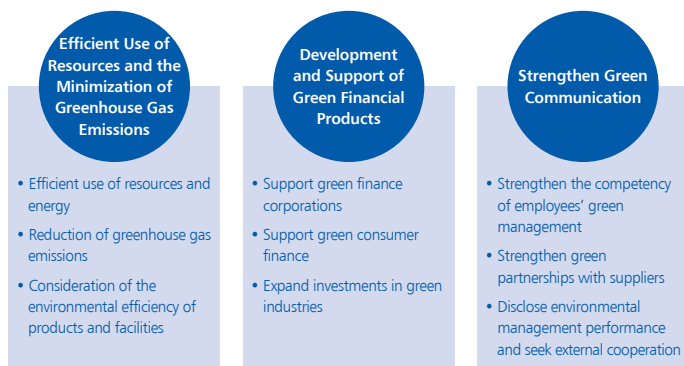
Total amount of electricity reduced

4,455,068kWh

Constructing an Environmental Management System

As a corporate citizen, Shinhan Financial Group is aware of its responsibility regarding environmental effects stemming from the group's management activities, and is making consistent reinforcement of efforts for minimizing greenhouse gas emissions, by recognizing that environmental issues are critical for sustainable development of the company. Notably, Shinhan Financial Group is carrying out company-wide environmental management of the group through 'CSR Committee', a subcommittee under the board of directors. Shinhan Financial Group also operates 'Integrated Green Management System' which measures and manages the amount of greenhouse gas emissions and energy usage in quantitative units for group affiliates, establishing systematic environmental policies by managing 12 environmental indicators. Furthermore, Shinhan Financial Group is making effective responses to demands by external stakeholders on disclosure of environmental information.

Shinhan Financial Group Environment Management Norm



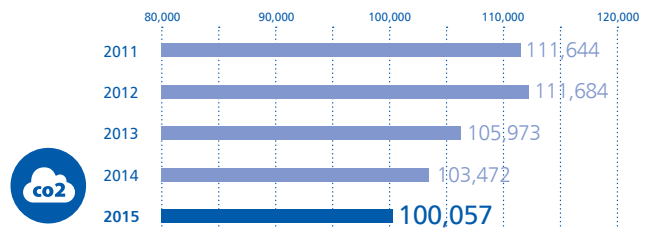
Shinhan Bank appoints the head of the management-planning group as the manager of energy management, and is regularly operating a working-level committee on energy management in order to make a company-wide effort for reducing energy usage. In a bid to reduce greenhouse gas emissions effectively, the bank acquired an international standard energy management system(ISO50001) for the first time in Korean banks and completed renewed certification in 2015. Furthermore, it regularly collects data on environmental outcome, such as energy usage, water usage, and distance of business trips, through a resource management system on the intranet and manages them through monthly delivery to the green management system.

Efforts for Reducing Energy

In accordance with the Framework Act on Low Carbon, Green Growth, Shinhan Bank was selected as the corporation to manage greenhouse gases/energy goals in 2012. It is establishing annual reduction goals for reducing 30% of energy compared to national greenhouse gas emissions(BAU) by 2020 and is reporting fulfillment plans and reduction performance to the government every year. In 2015, it was charged with the task of a reduction of 8.8% compared to expected emissions, and achieved 19% over the original target thanks to active reduction activities by all employees. Shinhan Bank achieved a reduction of 2,376 tCO₂eq in greenhouse gas emissions through activities for increasing energy efficiency of buildings, such as concentrated indoor temperature control during the summer and winter, replacement of LED lighting, and improvement of air conditioning and heating systems, and of 1,562 tCO₂eq through reduction of vehicle use by conducting video conferences instead of personal meeting. Apart from these, Shinhan Bank is making multidimensional efforts for low-carbon green growth by disseminating the agenda for energy reduction to branches, and conducting energy reduction activities using an energy reduction checklist according to each branch.

Shinhan Life Insurance is carrying out energy reduction campaign for its branches in summer and winter when there is high electrical demand, and is consistently making efforts for energy reduction such as indoor temperature control, electronic device power management, and installation of LED lights in the head office.

Amount of greenhouse gas emissions by the group

Unit: tCO₂eq

Shinhan Bank, greenhouse gas reduction goal (in relation to expected emission)

Unit: %



Shinhan Card, target recycling rate of shredded documents

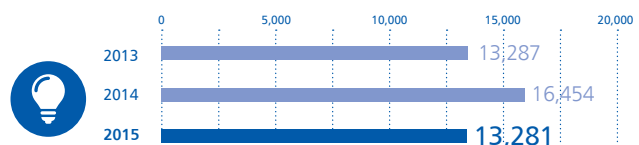
Unit: %



80

Shinhan Bank, number of LED light bulbs replaced

Unit: lamps



Waste Management

In order to ensure stringent waste management, Shinhan Bank is discharging the waste occurring from its offices through entrusted waste treatment companies that have officially received approval. Also, since the end of 2011, it has been operating the 'Sharing PC' program, a social contribution project designed to protect and preserve nature, by reusing resources from PCs for business use, which were previously sold or were lying unused. In 2015, Shinhan Bank regenerated a total of 5,046 PCs that were no longer being used (combined quantity of monitors, desktops, and laptops), and had an effect of supporting approximately KRW 38 million to social companies for PC regeneration.

Also, in 2014, it signed the 'Shinhan Green Love Social Enterprise Support Collaboration Agreement' with a resource recycling group, donating used furniture and computing devices for office use. Since 2015, Shinhan Bank has been promoting double-sided printing throughout the company, contributing to the reduction of the use of paper. Moreover, the bank is consistently reducing environmental effects by conducting waste sorting and emission management on 5 types of recycling waste in major buildings, including the head office.

Reinforcement of Green Management for Supply Network

Shinhan Financial Group has enacted the 'Group Environment Management Norm', in a bid to make priority purchases on green products with small environmental externalities which have environment mark, GR mark, and certification on high-energy efficiency. In 2015, it emphasized Environment-friendly management for compliance with environmental standards, prevention of environmental pollution, waste reduction, and efficient use of resources through discussion meetings designed to improve sustainability with suppliers of major affiliates such as Shinhan Bank, Shinhan Card, Shinhan Investment Corp., and Shinhan Life Insurance.

Shinhan Bank, Evaluation Criteria for Environment-Friendly Suppliers

Did the supplier acquire Environment-friendly and recycled products certification and social enterprise certification, and does it possess superior products/services?

Does it have certifications for energy consumption efficiency grading, superior standby power reduction, and high energy-efficiency equipment? Does it have products that have superior qualifications and energy efficiency?

Does it have a history of promoting energy management / green products / social enterprise?

With respect to the proposal, does it have certification of possessing superior technology?

Is it an excellent supplier that was designated by the bank for its IT superiority and has it received a certificate of gratitude from the bank?

Participation in UNEP Finance Initiative(UNEP-FI)

In 2008, Shinhan Bank joined UNEP Finance Initiative, making efforts to fulfill the environmental responsibilities of the financial company along with global financial institutions. On March 2015, the bank received a certificate of merit on sustainable finance from the Korea Sustainability Investing Forum in an acknowledgement of its efforts for conducting sustainable and socially responsible financial activities. Also, by participating in 'Joint Declaration by Financial Institutions for Supporting Energy Efficiency', it is consistently recognizing the active role of finance on activating investments regarding energy efficiency and is supporting relevant activities.

Reinforcement of Environment-friendly Awareness for Employees

Shinhan Bank is improving awareness of employees in practicing energy management by enacting guidelines and manuals on energy management. The bank is also conducting internal and external group education as well as online education for all employees every year in order to enhance capabilities on environmental management. Furthermore, it is promoting energy reduction activities of employees by monitoring energy reduction performance every month and awarding and announcing outstanding branches through its company bulletin board every quarter. Shinhan Bank installed an electronic energy scoreboard on major buildings such as the head office in order to monitor energy usage consistently, and is posting posters on energy reduction checkpoints in order to improve awareness on protecting the environment.



Shinhan Bank, online education on environmental management.

Transparent Disclosure on Environmental Information

Shinhan Financial Group holds the honor of becoming the first bank to be included in the 'Carbon Management Honors Club', administered by 2015 CDP(Carbon Disclosure Project) Korea, which selects the top five corporations that practice excellent carbon management, for two consecutive years. At the same time, it was included in 'The A list: The CDP Climate Change Performance Leadership Index 2015' in the CDP global report issued by CDP's British headquarters. The report includes 114 companies around the world, which were acknowledged to exhibit a high level of response and performance on climate change. Among the 11 Korean corporations in the report, Shinhan Financial Group was the only financial institution to be selected.

In addition to the CSR report, a report on sustainable management, Shinhan Bank is publishing the 'Shinhan Bank Environmental Report' for the first time in the banking industry. It is disclosing mandatory/voluntary issues through the environmental report in order to show active cooperation with the Environment Information Disclosure System by the government as well as strategies and systems for carrying out environmental management, including quantitative data such as resource and energy usage, greenhouse gas and environmental pollutant emissions, and data on green purchases. As an acknowledgment of these efforts, Shinhan Bank became the only company in the financial industry to receive the Minister of Environment Award in '2015 Awards on Environmental Information Disclosure', and was selected as an outstanding company among 1,200 companies subject to disclosure of environmental information.

Plans

Every year, Shinhan Bank establishes an annual goal for reduction of greenhouse gas emissions and reports such emissions, plans for reducing them, and outcome of the reduction to the government. It seeks to reduce 30% of greenhouse gas emissions compared to the national target(BAU) by 2020, and, in 2016, it plans to reduce 15.6% compared to the amount of expected emissions.

Shinhan Life Insurance plans to gradually strengthen its energy reduction campaigns that are currently held annually, in order to see a continuous reduction in the use of electricity and other resources. Through this effort, it hopes to cut off annual expenses and maintenance costs compared to the previous year.



Included in the 2015 CDP Carbon Management Honors Club for two consecutive years

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Governance

Principle and Policy of Governance Structure

In order to promote long-term development of the group, and to protect the profits of stakeholders such as shareholders and financial consumers, Shinhan Financial Group strives to acquire transparency, integrity, and stability and to possess a governance structure, which reflects the group's history of growth and organizational culture. As a result, Shinhan Financial Group was the only company out of 828 domestic listed companies to receive an integrated assessment grade of A+ at '2015 Award on Companies with Outstanding Governance Structure' conducted by the Korea Corporate Governance Service, receiving the Grand Prize as a company with outstanding governance structure. Korea Corporate Governance Service revealed that the reasons for the award was the group's high ratio of external directors, improvement in transparency of corporate governance structure by operating various expert committees, and detailed disclosure of information related to governance structure. The company's principles and policies on governance structure are as follows.

Transparency | Every year, the company discloses its annual report on governance structure on the company website and the website of the Korea Federation of Banks. The annual report on governance structure includes all internal regulations, such as the articles of association and regulations for the board of directors and its subcommittees, as well as all activities by the board of directors and the subcommittees. The company practices a concentrated voting policy for protecting the rights of minority shareholders and policy on exercising voting rights through writing, for protecting the voting rights of active shareholders. Also, it provides real-time videos of shareholders' meetings in order to provide impartial and timely information.

Integrity | The company operates its board of directors with autonomy and professionalism, and is sincerely adhering to external regulations such as commercial laws and the Financial Holding Companies Act as well as internal regulations such as articles of association, internal norm on governance structure, and regulations on the board of directors. The company also incorporates and performs all matters recommended by the model norm on financial company governance structure and the model norm on corporate governance structure.

Stability | In order to ensure stable governance structure through checks and balances between members, powers of making decisions and executing tasks have been delegated to the board of directors and the management board, respectively, and the management board is to report the status of executing tasks to the board of directors. Also, the ratio of external directors in the board of directors is 83%, which is much higher than the legal requirement of 50%, ensuring that the board of directors can check the powers of the management board. Also, more than 50% of members in all subcommittees consist of external directors, actively promoting activities of external directors in the board of directors. While regulating the board chairman to be appointed from external directors, most subcommittee chairmen, including the External Director Recommendation Committee, are appointed from external directors.

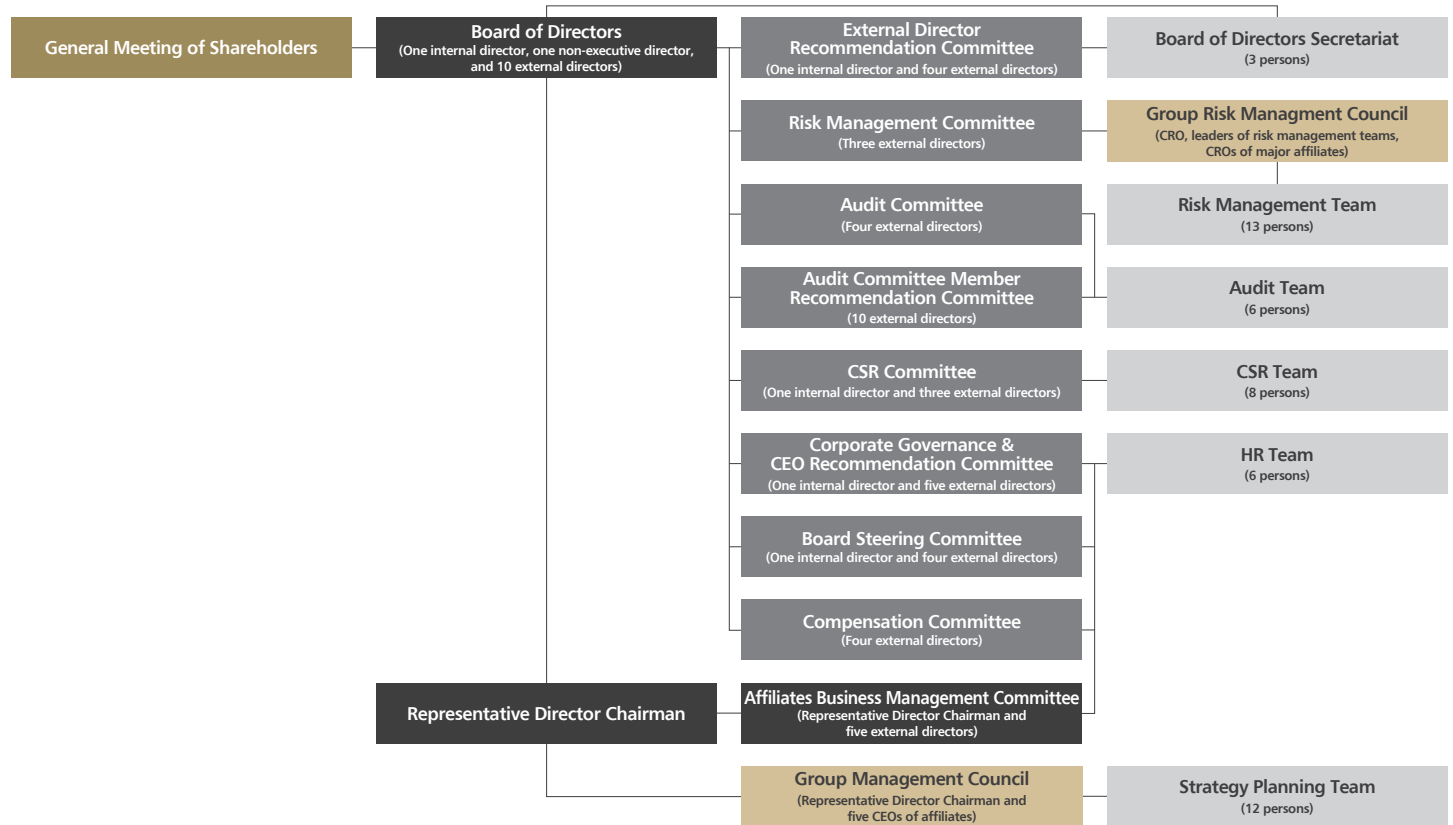
Diversity and Professionalism | The internal norm on governance structure stipulates the 'diversity principle' in composing the board of directors, which ensures that the board of directors will not have common backgrounds or represent a certain interest, promoting diversity and professionalism in the governance structure. Indeed, members of the board of directors evenly specialize in finance, economy, business, accounting, and law -the five fields presented as conditions for expertise by the model norm - so that the board of directors will not incline to certain backgrounds or occupations. Furthermore, the ratio of female candidates are consistently increasing while selecting the candidates for external directors, and the candidates come from a wide range of financial background, reflecting the efforts to comply with the principle of diversity in composing the board of directors.

Number of female candidates for external directors

Category	Number of female candidates for external directors	Increase from the previous period
As of February 2015	11 persons	
As of August 2015	14 persons	+3 persons
As of February 2016	39 persons	+25 persons

Governance Structure which Reflects the Growth History and Organizational Culture of the Group | The company originates from Shinhan Bank, which was founded in July 1982 with 'Korea's first pure private capital', with the patriotic love of 341 Korean minority shareholders in Japan (100% capital investment amounting to KRW 25.9 billion). Shinhan Financial Group, which started in 2001 as 'Korea's first financial holding company of private capital', prepared the foundation for a new leap forward through the strategic alliance with BNP Paribas, a global financial group. In order to reflect the group's history of growth and organizational culture on governance structure, external directors composing of Korean business experts in Japan who represent the spirit of foundation, and financial experts recommended by BNP Paribas, our strategic alliance company, are working as members in the board of directors.

Organization Chart of Governance Structure



Board of directors

Members

Category	Name	Gender	Age	Date of initial appointment	History
Internal director	Dong Woo Han	Male	1948	2011.03.23	Vice President of Shinhan Bank, President and Vice Chairman of Shinhan Life Insurance, Chairman & CEO of Shinhan Financial Holding Company(present)
Others Non-executive director	Yong Byoung Cho	Male	1957	2015.03.25	CEO of Shinhan BNP Paribas Asset Management, President & CEO of Shinhan Bank(present)
External director	Hoon Nam koong (the chair of the board)	Male	1947	2011.03.23	Chairman of Korea Deposit Insurance Corporation, Chairman of Korea Life Insurance Association
	Boo In Ko	Male	1941	2013.03.28	Vice Chairman of Korea Chamber of Commerce and Industry in Tokyo, CEO of Sansei(present)
	Tae Eun Kwon	Male	1941	2011.03.23	CEO of Nam Bu Ham, Nagoya Foreign Language University's professor
	Seok Won Kim	Male	1947	2011.03.23	Head of Korea-OECD Multilateral Tax Center, Chairman of Credit Information Companies Association
	Cheul Park	Male	1946	2015.03.25	Senior Deputy Governor of the Bank of Korea, CEO of Leading Investment and Securities Co. Ltd.
	Man Woo Lee	Male	1954	2014.03.26	KICPA/AICPA, Professor of Korea University Business School(present)
	Sang Kyung Lee	Male	1945	2012.03.29	Chief Judge of Constitutional Court of Korea, Representative Attorney of Law Firm Wonjon
	Jin Chung	Male	1937	2014.03.26	Chairman of the Korean Residents Union in Japan, Chairman of the Jin Corporation(present)
	Hirakawa Yuki	Male	1960	2015.03.25	CEO of Hirakawa Corporation, CEO of Primer Korea(present)
	Philippe Avril	Male	1960	2015.03.25	Branch Manager of BNP Paribas Tokyo Branch, Representative Director of BNP Paribas Securities Japan (present)

Activities | A total of 11 board meetings were held in 2015(4 quarterly regular board meetings, 7 special board meetings). The average attendance rate for board meetings was 87%, and the average attendance rate by external directors was 89%.

Governance Structure

External Directors and CEO

Procedure and criteria for appointing external directors | External directors are appointed from shareholders' meetings under the recommendation of the Recommendation Committee on External Director Candidates. The company tries to ensure that external directors with conditions for autonomy set by relevant legislation and with financial history and expertise from various fields will be included in candidates recommended by the External Director Recommendation Committee. Conditions for appointing external directors with professionalism and insight include △whether the candidate possesses sufficient practical experience or professional knowledge on areas needed for business, such as finance, economy, management, accounting, and legislation, △whether the candidate can conduct his or her tasks fairly to ensure profits for all shareholders and financial consumers without being tied by certain interests, and △whether the candidate possesses a sense of ethics and responsibility appropriate for conducting the business. Under a fair and transparent procedure, the External Director Recommendation Committee assesses whether the candidates satisfy conditions set by relevant legislation and norms, and recommends them as candidates for external directors. If necessary, it utilizes recommendations from outside the company, such as shareholders, stakeholders, and external consulting institutions, as much as possible.

Monitoring and Supervising Conflicts of Interest | Article 4 Clause 1 No. 6 of the internal norm grants 'monitoring activities regarding conflict of interest between the company and dominant shareholders, employees, etc.' under the authority of the board of directors. Article 10 Clause 1 No. 7 of the board of directors' regulation stipulates 'approval on transactions between directors and the company' as a matter to be decided by the board of directors. In the current board of directors, the chairman of Shinhan Bank resides as a non-executive director. Consequently, a transaction occurring between Shinhan Financial Group and Shinhan Bank implies that a transaction is occurring between a director of Shinhan Financial Group and Shinhan Bank. In order to monitor such activities regarding conflict of interest, the voting right of the chairman of Shinhan Bank, the non-executive director, is restricted for the relevant case, and the decision is made through a special decision-making process, which requires approval by over 2/3 of present directors.

Assessment and Compensation | The Compensation Committee and the board of directors decide the reward system for internal directors. A variable amount of compensation is determined by reflecting the group's annual performance as well as long-term outcome. The board of directors determines compensation for external directors, and the amount of compensation varies according to the degree of participation in the board of directors and subcommittees. The annual limit for directors' compensation is approved at the shareholders' meeting every year, and the board of directors makes decisions on the details within the limit. For internal directors, a Compensation Committee solely consisting of external directors makes additional assessment on the details of the system for compensating the group's management board, including internal directors. In 2015, the ratio of the annual total compensation for the CEO to the median annual total compensation for all employees is 18.

CSR Committee

In 2015, Shinhan Financial Holding Company newly launched the CSR Management Committee, a subcommittee under the board of directors, in a bid to fulfill its social responsibility as a corporate citizen by actively responding to demands of internal and external stakeholders, including customers, shareholders, and local community, and to actualize the group's mission 'Compassionate Finance, Your Companion for the Future' in a proactive and systematic manner. Although Shinhan Financial Group had discussed issues related to the group's CSR management through the 'Group Social Contribution Committee' consisting of the group chairman and twelve CEOs of group affiliates, it newly created the CSR Management Committee under the board of directors, the highest decision-making organization, in order to make decisions regarding the group's CSR management in a more objective and rational perspective(The 'Group Social Contribution Committee' has been renamed as 'Socially Responsible Management Council' and remains as a council for CSR management among CEOs of group affiliates). Socially Responsible Management Council evaluates and resolves resolutions on matters delegated by board of directors, establishes the direction of the company on socially responsible management, and makes decisions on the relevant issues. The CSR Management Committee, which consists of four people, three external directors and one internal director, discusses major CSR issues in economic, environmental, and social areas to set the direction of CSR management that the group needs to fulfill, amends existing regulations regarding the group's CSR management, assesses and decides enactment of new regulations, publishes the CSR report, and receives reports on fulfillment of CSR management.

Activities | The first CSR Management Committee in 2015 appointed Chairman Lee, Man-woo as its chairman, and received reports on the foundation of CSR Management Committee and on major performance and fulfillment of CSR management in 2014. The second CSR Management Committee in 2015 received reports on the outcome of the external assessment of the group's CSR management in 2015, status on the fulfillment of 9 strategies, and major plans for CSR management in 2016. Chairman Lee, Man-woo emphasized prohibitions on activities that disrupt market order as regulated by Financial Investment Services and Capital Markets Act, encouraging the strengthening of the internal control system, educating group employees to have thorough understanding on the legislation, and reflecting the status of prevention education in the next CSR report. Accordingly, our company made reports on monitoring transaction histories of employees on financial investment products and the status of employee education on activities that disrupt market order.

GRI Standard Disclosures

EC1. Direct economic value generated and distributed

FS6. Product portfolio		Unit: KRW 1 billion
Sales		30,674.5
	Household loans	96,017.6
Customers	Corporate loans	127,026.8
	Other loans	25,384.5
Employees	Salary	1,833.9
	Benefit Packages	644.3
Profit for shareholders and investors(dividends and interests)		5,067.7
Corporate tax		694.6
Local communities	Voluntary donations	31%
(investment in social contribution)	Investment in local community	52%
	Commercial initiative	17%
Payment to suppliers(Purchase, service)		573.6

* Scope of Report

• Payment to suppliers: Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan Capital, Jeju Bank

PR3. Policies, procedures, and legislation regarding the notice of product and service information

From the early stages of its business processes, including product development, marketing, and sales, Shinhan Bank actively reflects opinions from the general affairs department, on consumer protection by including the contents of prior discussions for consumer protection in the guidelines for consumer protection. Businesses subject to prior discussion for consumer protection go through preliminary examination at the drafting stage using a consumer protection checklist. If complaints are likely to occur, the general affairs department has the authority to suspend or improve product launching activities and marketing activities.

FS10. Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

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

When conducting corporate credit assessment, Shinhan Bank conducts qualitative assessment on CSR management under non-financial areas. When assessing transactions regarding IB, M&A, project finance, etc., Shinhan Investment Corp. conducts examinations using 'Compassionate Finance Checklist'.

Category	Unit	Amount
Subject to non-financial assessment regarding corporate loans	%	100
SRI Fund	KRW 100 million	2,070
SOC Loan	KRW 100 million	19,256
SOC Fund	KRW 100 million	18,917
Infrastructure Fund	KRW 100 million	1,320
Japanese Solar Power Fund Investment Balance	KRW 100 million	540
Green Finance Fund	KRW 100 million	1,042

* Scope of Report

• Ratio of subjects of non-financial assessment regarding corporate loan, SOC loan fund: Shinhan Bank, Shinhan Life Insurance, and Shinhan BNP Paribas Asset Management

• Infrastructure Fund: Shinhan Life Insurance and Shinhan BNP Paribas Asset Management

• Infra Fund: Shinhan BNP Paribas Asset Management

• Japanese Solar Power Fund: Shinhan Bank

• Green Finance Fund: Shinhan Life Insurance

EC9. Proportion of Spending on Local Suppliers at Significant Locations of Operation

Operating profit and corporate tax by country				Unit: KRW 1 billion
	Sales	Operating profit	Corporate tax	
Republic of Korea	29,819.8	2,727.9	633.9	
Japan	141.1	24.3	9.0	
China	200.2	22.2	5.6	
Vietnam	125.9	29.1	5.2	
USA	78.3	22.2	6.8	
Other foreign countries	237.1	147.5	34.1	
Total	30,674.5	2,973.1	694.6	

EC3. Coverage of the organizations defined benefit plan obligations

In order to ensure a stable life after retirement for retiring employees, Shinhan Financial Group runs a retirement pension policy for all employees who work for more than a year, as regulated by domestic laws. Both the defined benefit plans and the defined contribution plans are being operated. Liabilities from defined benefit plan are recognized by subtracting the fair value of external accumulated assets from the current value of defined benefit liabilities. The amount of contributions for the defined contribution plans is recognized as profit and loss for the current term, except when it is included in the original cost of an asset.

		Unit: KRW 1 billion
Current value of defined benefit liabilities		1567.9
Fair value of external accumulated assets		(1341.8)
Recognized liabilities from defined benefit plan		226.1

EC5. Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation

LA13. Ratio of basic salary and remuneration of women and men

Shinhan Financial Group does not impose any pay discrimination for new employees based on gender. It calculates wages based on years of work, and work performance in accordance with the related regulations. Also, the compensation regulation stipulates that 'the scope of wages for basic pay shall reflect the wage increase rate as decided by the Wage Collective Agreement each year.' The Wage Collective Agreement decides on the wage increase rate in consideration of economic growth rate and rate of inflation after reaching a labor- management agreement.

EC6. Proportion of senior management hired from the local community at significant locations of operation

Shinhan Bank is expanding local employment in local business sites. In 2015, the ratio of Shinhan Bank employing local residents was 93.3%, and Shinhan Bank plans to realize localization by making consistent expansion in the number of local managers in major business sites.

				Unit: persons
Category	2013	2014	2015	
Number of workers dispatched to a local business site	183	180	205	
Number of locally employed residents	1,608	1,778	2,874	
Number of total employees working in foreign countries	1,791	1,958	3,079	
Percentage of the number of locally employed residents	89.8	90.8	93.3	
Number of local managers in major countries (Japan, Vietnam, etc.)	315	352	640	

* Scope of Report: Shinhan Bank

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

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

unit: 1 billions

Category	2013	2014	2015
Amount of copy paper used	995.3	812.9	933.6

* The amount of copy paper used includes the usage of renewable paper.

EN3. Energy consumption within the organization**EN4. Energy consumption outside the organization****EN5. Energy intensity****EN8. Total water withdrawal by source****EN22. Total water discharge by quality and destination**

Category	Unit	2013	2014	2015
Amount used in KRW	Amount of electricity used	GJ	247,003	283,662
	City gas usage	GJ	38,097	44,324
	Amount of gasoline used	GJ	155,117	156,159
	Amount of diesel used	GJ	1,179	875
	Airline(domestic)	km	288,178	633,203
Business trip²⁾	Railroad	km	1,604,282	4,091,158
	Bus	km	586,555	610,748
Cash transport³⁾	Diesel	ℓ	146,599	141,847
Product and service purchase	Printing paper ⁴⁾	kg	4,769,990	4,237,952
	Credit card ⁵⁾	Cards	10,723,045	10,527,178
	Savings account ⁶⁾	Accounts	48,633,033	5,514,332
	Laptop	Laptops	146	73
Capital goods⁷⁾	PC desktop	Desktops	1,540	4,027
	Monitor	Monitors	963	2,599
	Printer	Printers	1,209	856
	LED light	Lights	7,126	16,454
	Credit card	Cards	53,615	52,636
Waste	Savings account	Accounts	855,121	103,846
	General waste(incinerated) ⁸⁾	kg	35,000	169,200
	General waste(buried)	kg	284,000	121,100
	Recycled waste(paper) ⁹⁾	kg	185,000	171,365
	Recycled waste(Styrofoam)	kg	10,000	0
	Recycled waste(glass)	kg	11,000	10,800
	Recycled waste(aluminum cans)	kg	300	486
	Recycled waste(plastic)	kg	4,000	5,696
	Waterworks ¹⁰⁾	m ³	210,541	186,562
	Underground water ¹¹⁾	m ³	67,943	63,321

* Scope of Report

- Business trips, printed paper: Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital

- Cash transport, account, capital goods, recycled wastes: Shinhan Bank

- Credit card: Shinhan Card

- General waste: Shinhan Bank, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, Jeju Bank

- Waterworks: Shinhan Financial Group, Shinhan Bank(head office, Gwanggyo Building, Gwanggyo 100th Anniversary Center), Shinhan Card(Yeoksam Building, Dongsan Building), Shinhan Investment Corp.(head office and 3 branches), Shinhan Life Insurance(training center), Shinhan BNP Paribas Asset Management(head office), Shinhan Capital(head office), Jeju Bank(head office and 18 branches)

- Underground water: Shinhan Bank(head office), Shinhan Investment Corp.(head office)

* Data for general wastes(buried) in 2014 modified by the change in collection method

EN6. Reduction of energy consumption**EN19. Reduction in greenhouse gas(GHG) emissions**Unit: tCO₂eq

Category	Activities	Expected amount of greenhouse gas reduction in 2015
Maximization of efficiency in utilizing energy	Reduced energy usage by replacing lights of bank head office, major buildings, and all branches with LED lighting	2,376
An Energy-reduction Lifestyle	Reduction performance relative to goal followed by operating energy management system(ISO50001) on large buildings	1,738
Operation of Environment-friendly data center	Reduced energy consumption through by installing solar power generation, LED lighting, BEMS(Building Energy Management System), and ice storage system in buildings	2,048

EN15. Direct greenhouse gas(GHG) emissions(SCOPE 1)**EN16. Energy indirect greenhouse gas(GHG) emissions(SCOPE 2)****EN17. Other indirect greenhouse gas(GHG) emissions(SCOPE 3)****EN18. Greenhouse gas(GHG) emissions intensity****EN30. Significant environmental effects of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce**

Category	Unit	2013	2014	2015
Greenhouse gas emissions intensity	Scope1 direct emission	tCO ₂ eq	17,957	17,612
	Scope2 indirect emission	tCO ₂ eq	88,016	85,860
	Airline(domestic)	tCO ₂ eq		94.98
Business trip	Railroad	tCO ₂ eq	108	122.73474
	Bus	tCO ₂ eq		16.92
	Diesel	tCO ₂ eq	388	371.50
Cash transport	General waste(incinerated)	tCO ₂ eq		20.8116
	General waste(buried)	tCO ₂ eq	36.32	3.91419
	Recycled waste(paper)	tCO ₂ eq	-	20.735165
Waste	Recycled waste(Styrofoam)	tCO ₂ eq	-	-
	Recycled waste(glass)	tCO ₂ eq	-	0.105408
	Recycled waste(aluminum cans)	tCO ₂ eq	-	0.0086508
	Recycled waste(plastic)	tCO ₂ eq	-	0.1059456
	Amount of waterworks used	tCO ₂ eq	70.10	61.938584
Amount of underground water used		tCO ₂ eq		21.0226

* Scope of Report

- Business trips: Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital

- Cash transport, recycled waste: Shinhan Bank

- General waste: Shinhan Bank, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, Jeju Bank

- Waterworks: Shinhan Financial Group, Shinhan Bank(head office, Gwanggyo Building, Gwanggyo 100th Anniversary Center), Shinhan Card(Yeoksam Building, Dongsan Building), Shinhan Investment Corp.(head office and 3 branches), Shinhan Life Insurance(training center), Shinhan BNP Paribas Asset Management(head office), Shinhan Capital(head office), Jeju Bank(head office and 18 branches)

- Underground water: Shinhan Bank(head office), Shinhan Investment Corp.(head office)

* Based on emission coefficient of the Korean carbon reduction label

EN23. Total weight of waste by type and disposal method

Category	Unit	2013	2014	2015
General wastes	ton	319	290.30	293.34
Commercial wastes	ton	0	0	0
Recycled wastes	Paper	ton	185	171.3
	Styrofoam	ton	10	0
	Glass	ton	11	10.8
	Aluminum can	ton	0.3	0.5
	Plastic	ton	4	5.7

* Scope of Report

- General waste, Recycled waste: Shinhan Financial Group(head office), Shinhan Bank(head office), Shinhan Card(head office), Shinhan Investment Corp.(head office), Shinhan Life Insurance(head office), Shinhan BNP Paribas Asset Management(head office), Shinhan Capital(head office), Jeju Bank(head office and branches)

- Recycled wastes: Shinhan Bank

* Data for general wastes in 2014 modified by change in collection method

EN31. Total environmental protection expenditures and investments

Category	Activities	Unit	Cost
Amount of Environment-friendly IT products purchased	Amount of eco-certified electronic devices purchased by Shinhan Bank	KRW 100 million	43.1
Amount of LED lighting purchased	Amount of LED lighting purchased by Shinhan Bank	KRW 100 million	14.8
Total		KRW 100 million	57.9

* Scope of Report: Shinhan Bank

EN29. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations**SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes****SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations****PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling****PR6. Sale of banned or disputed products****PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing, communications, including advertising, promotion, and sponsorship****PR8. Total number of substantiated complaints regarding breach of customers' privacy and loss of customer data****PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services**

Category	Reason and associated law	The company's fulfillment of the penalty or measure	Measure by the company for the prevention of a recurrence	Aspect
Shinhan Bank	Violation of banking acts regarding unreasonable handling of joint guarantee	Paid fines	Strengthened business training and monitoring	Product Compliance
Shinhan Card	Mediocre effort for registering information regarding default	Strengthened internal controls	Strengthened business training and monitoring	Compliance
Shinhan Investment Corp.	Violation of Foreign Exchange Transaction Act(Omission of preliminary report to the Bank of Korea)	Paid fines	Strengthened business training and monitoring	Compliance
	Negligent participation in activities for predicting demands	Strengthened internal controls, Payment of penalty	Strengthened business training and monitoring	Actions that inhibit competition

LA1. Total number and rate of new employee hires and employee turnover (by age, gender and region)**LA12. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity**

Unit: persons

Category	2013	2014	2015
Number of total employees	22,791	22,408	22,524
By employment type	Management board	20,841	20,640
	Regular*		20,761
	Contract workers	1,950	1,768
By age	Below 30	4,714	-
	Between 30 and 50	16,641	-
	Over 50	1,436	-
			2,159
Gender	Male	12,495	12,692
	Female	10,296	9,716
Number of veteran employees	-	-	1,062
Number of disabled employees	-	-	238
Number of new recruits	657	664	961
Number of turnover people	335	336	296

* From 2015, calculated by including unlimited contracts in regular

Category	2015
Interim manager*	Male 8,126
	Female 2,228
Manager	Male 1,522
	Female 725
Executive	Male 158
	Female 5

* Interim manager: Manager ~ General Manager

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

Unit: persons

Category	2015
Average working years*	Male 16 years and 4 months
	Female 11 years
Employees who have used parental leave	Male 9
	Female 931
Employees returning from parental leave	Male 9
	Female 619
Employees working more than one year after returning from parental leave	Male 2
	Female 405

* Scope of Report: Shinhan Bank

LA6. Types of injury, rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities

Category	2015
Number of ill or injured people	2
Days of absence(days)	90
Absenteeism(%)	0.002

LA16. Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms**HR3. Total number of incidents of discrimination and corrective actions taken****HR11. Significant actual and potential negative human rights impacts in the supply chain and actions taken****HR12. Number of grievances about human rights impacts field, addressed, and resolved through formal grievance mechanisms****SO11. Number of grievances about impacts on society field, addressed, and resolved through formal grievance mechanisms**

Shinhan Financial Group operates various channels for receiving and solving grievances of employees, such as the Open Counseling Center, channel for counseling on bad etiquette at work, and internal counselors. In 2015, 36 grievances regarding family disputes, disputes between departments, etc., have been received and resolved.

LA10. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

Shinhan Financial Group supports various programs for retirees in order to alleviate the anxieties of employees concerning retirement and to help them plan a comfortable post-retired life through preliminary preparation. Shinhan Bank supports education on change of job, startup, and life design for voluntary retirees through a professional consulting firm. Shinhan Card and Shinhan Investment Corp. support education costs on startups and change of job for employees who satisfy certain criteria. Shinhan Life Insurance constantly operates programs for supporting job change for retiring employees by having all employees participate in retirement pension(Type DB and DC), and carries out customized consulting education for voluntary retirees in order to provide 1-on-1 counseling and information needed for creating startups.

Declaration of Human Rights

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

In order to continually maintain and develop relationships of shared development with customers and society, Shinhan Financial Group is respecting the basic rights of all stakeholders, including the group's employees, customers and suppliers that do business with the group. We have enacted and operated the Shinhan Financial Group's Code of Ethics and the Code of Conduct for Suppliers that contain the philosophy of respecting human rights in them. Shinhan Financial Group is respecting the human rights of all stakeholders in the group as shown below, doing our best to make sure there are no human rights' violations.

Human rights of employees

- Shinhan Financial Group will not make any unfair discrimination based on school relations, regionalism, age, gender, race, religion, etc.
- Shinhan Financial Group will make fair evaluation and compensation according to performances and give fair opportunities for self-development based on one's capabilities and skills.
- Shinhan Financial Group will continually improve the safe and pleasant working conditions to enhance the health of employees.

Human rights of customers

- Shinhan Financial Group will not provide differentiated financial services based on age, race, religion, political preferences, etc.
- Shinhan Financial Group will not ask customers to provide excessive information and will take technological and physical measures to protect personal information.
- Shinhan Financial Group will respect the demand and expectation of customers so that we develop and provide high-quality products and services that satisfy customers.

Human rights of shareholders and investors

- Shinhan Financial Group maintains the accuracy and reliability of accounting materials to ensure the transparency of management.
- Shinhan Financial Group will provide the necessary information to shareholders and investors fairly and at appropriate times in accordance with the relevant laws, regulations and internal regulations.
- Shinhan Financial Group will respect the fair requests and suggestions of shareholders and investors to maintain mutually trusting relationships with them.

Human rights of suppliers

- Shinhan Financial Group will emphasize on the value that the group's suppliers have as partners for coexistence
- Shinhan Financial Group will not force the purchasing of the group's products or services when selecting the group's suppliers.
- Shinhan Financial Group will trade fairly at a mutually equal position instead of a supreme status.

Human rights of local communities





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

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

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

UN Global Compact

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

Principles	Activities
 <p>Human Rights</p> <p>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.</p>	<ul style="list-style-type: none"> • 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.
 <p>Labor Standards</p> <p>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.</p>	<ul style="list-style-type: none"> • 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.
 <p>Environment</p> <p>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.</p>	<ul style="list-style-type: none"> • Development of environment-friendly financial products and services, • Constructing an environmental management system, • Signing the Global Investor Statements on Climate Change, • Encouraging affiliates to conduct the Environment-friendly management, and participation in CDP, etc.
 <p>Anti-Corruption</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<ul style="list-style-type: none"> • The enactment and implementation of the Shinhan Financial Group's Code of Ethics, • Operation of the fair trade compliance program, • Ethical Practice Oath, etc.

Shinhan Financial Group Code of Ethics

As a global financial group, Shinhan Financial Group cherishes ethical reputation as the group's core asset. Consequently, all employees recognize the importance of ethical value as a criterion for sound decision-making process and behavioral standard, and strive to practice ethical values. The group ethical charter is a major rule of the values and policies of the group's ethical management, and all employees comply with the charter in order to uphold the group's ethical reputation.

Application of the Charter

- This charter is applied to the group's holding company, subsidiary companies, their subsidiary companies, and all employees.
- The subsidiary companies and their subsidiary companies can operate separate ethical standards, provided that they do not conflict with this charter as well as the values and policies of the group's ethical management.

Reporting and Subsequent Effects upon Violating the Charter

- Any employee identifying an act of violating the charter must immediately report to relevant departments, such as their direct superior, legal support department, or internal audit department.
- Any employee making decisions or conducting behavior against the charter may be subject to investigation according to relevant regulations, and may receive disadvantageous measures.

Inspection of the Charter and Request for Feedback

- The legal support department of the holding company may conduct regular inspections according to the charter, and the group's legal compliance manager shall check the inspections.
- If any judgment or interpretation regarding the application of the charter is unclear, employees may request feedback from the group's legal compliance manager.

Employee ethics

- 1 Compliance with rules and fair business execution
- 2 Prohibition of bribery and prevention of corruption
- 3 Prevention of conflict of interest
- 4 Protection of confidential information and information security
- 5 Protection of corporate assets and business opportunities
- 6 Mutual respect and prohibition of discrimination among group affiliates
- 7 Prohibition of participating in illegitimate political activities

Ethics of customers, shareholders, employees, and suppliers

- 1 Protection of customers' profit and assets
- 2 Protection of profit for shareholders and investors
- 3 Pursuit of happiness for employees
- 4 Shared development with suppliers

Social responsibility and contribution

- 1 Environmental protection
- 2 Respect for basic rights
- 3 Contribution to local communities

Code of Conduct for Suppliers

Shinhan Financial Group recognizes the importance of the principles and values of socially responsible management for the group's sustainable development, and strives to practice such principles and values. It also cherishes the values of suppliers who share such understanding and practices with Shinhan Financial Group as partners of shared development. Shinhan Financial Group respects the autonomy and independence of its suppliers, and recommends the suppliers to diligently fulfill and comply with 'Shinhan Financial Group Code of Conduct for Suppliers' so that they will be able to comply with the principles and values of the group's CSR management.

	<p>Suppliers shall protect and respect basic human rights of all workers(including contracted workers, temporary workers, and other types of workers) at their business sites, and shall strive to improve their working conditions accordingly.</p>	<ul style="list-style-type: none"> • Voluntary labor • Prohibition of exploitation of labor and protection of disadvantaged class in labor • Labor time • Wage and benefits • Protection of privacy and humanitarian treatment • Prohibition of discrimination • Measures for preventing infringement of human rights
	<p>Suppliers shall recognize that a safe and healthy working environment can maintain and improve the safety and health of workers, leading to improvement in the quality of goods and services of suppliers and enabling sustainable production.</p>	<ul style="list-style-type: none"> • Industrial safety • Management of industrial disasters and disease • Industrial sanitation and health
	<p>Suppliers shall recognize their responsibilities regarding the environment, protect public health and safety in all business areas, and minimize negative effects on local community and environment.</p>	<ul style="list-style-type: none"> • Compliance with environmental regulation • Waste reduction and efficient use of energy • Prevention of environmental pollution
	<p>Suppliers shall recognize the importance of corporate ethics for sustainable growth, and shall monitor and supervise employees to abide by the criteria for making ethical decisions and judgments, which include the following.</p>	<ul style="list-style-type: none"> • Fair and honest business activity • Prohibition of bribery and prevention of corruption • Personal Information Protection • Shared development with suppliers • Contribution to local communities

Proxy Balloting Guideline of Shinhan BNP Paribas Asset Management

In accordance with Article 87 of The Capital Market and Financial Investment Services Act and Articles 89, 90, and 91 of Enforcement Decree of the same law, Shinhan Paribas BNP Asset Management regulates the details for exercising voting rights, such as the criteria, methods, and procedures of exercising the company's voting rights. Among such issues, the guidelines on socially responsible management are as follows.

Relationship with laborers

- Vote for shareholders' suggestions which require the company to report the efforts of the management board in improving or maintaining the quality of work by measuring safety, quality, etc., of working sites.
- In general, vote against personnel restructuring conducted for short-term increase in stock price and not for long-term improvement in competitiveness.
- Vote against suggestions that make discriminations in employment based on age, physical condition, or gender without considering individual capabilities or qualifications.

Social Issues

Politics and Voluntary Donations

- Vote for shareholders' resolutions that prohibit the company from engaging in lobbying or political donations that goes against the interests of shareholders or other stakeholders.
- Vote against suggestions that prohibit the company from engaging in all forms of political donations. Since corporations are affected by legislation, decree, and rules, prohibiting political donations may put the company at a disadvantage among competition.
- Vote for suggestions that prohibit the company from engaging in confidential political donations. Also, vote for suggestions, which disclose the amount and recipient of political donations on parties, election candidates, and political campaigns.
- Vote against suggestions, which limit voluntary donations by the company.
- Vote for suggestions, which require the company to make policies and regulations for eliminating bribery and corruption.

Installation of Branches and Fair Customer Service

- Vote for shareholders' suggestions that require that consumers in all areas under the influence of the company's business shall receive equal benefit on products and services.
- Vote by issues on shareholders' suggestions that require the company to provide services to regions with regressive services.

Product Liabilities

- Vote for shareholders' suggestions that require the company to disclose potential risks of products and services produced by the company.

Environmental Issues

- Vote for shareholders' suggestions that require the company to disclose its environmental effects, especially the effects of corporate management and the products on the environment.
- Vote for shareholders' suggestions that demand decrease of corporate behavior producing negative environmental effect or threatening biological diversity in regions with high ecological sensitivity.
- Vote for shareholders' suggestions which demand disclosure of the company's efforts and policies for environmental protection, risk of public health caused by environmental pollution and corporate management, and amount of compensation that the company has to pay due to environmental damage.
- Vote for shareholders' suggestions, which require the company to disclose its efforts on recycling or to adopt official policies on recycling.
- Vote for shareholders' suggestions, which recommend the company to adopt environmental protection standards corresponding to industrial characteristics of the company.
- Vote for shareholders' suggestions which demand the company to disclose the amount of compensation paid for smoke emissions which causes a greenhouse effect and for effects on climate change, and to disclose the measures and researches conducted for reducing smoke.
- Suggestions on other environmental problems

International Relations and Issues on Human Rights

- Vote for shareholders' suggestions, which require the company to introduce, follow, and disclose the outcome of international standards on human rights.

GRI INDEX

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Specific Standard Disclosures

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Assurance Statement

Introduction

DNV GL Business Assurance Korea Ltd. of the group DNV GL(hereinafter “DNV GL”) is commissioned to carry out an independent, third-party assurance engagement for the CSR Report 2015(hereinafter “the Report”) of SHINHAN FINANCIAL GROUP. SHINHAN FINANCIAL GROUP is responsible for all contents of the report. The responsibility of DNV GL is limited to contract contents and the scope of work that have been agreed. The assurance engagement is based on the assumption that the data and information provided to DNV GL is complete, sufficient and authentic.

Scope of Assurance

The assurance engagement of DNV GL is limited to data in 2015. The assurance activities have been carried out for the following contents.

- Evaluation on the method of determining reported contents regarding sustainability and the principle of defining quality in accordance with GRI G4
- Process on determining important aspects for writing the report, process of managerial approach on major issues, and process of deriving, collecting, and managing qualitative and quantitative data
- Process of collecting and integrating specific data on performance

Verification Method

The Assurance Engagement was carried out at a medium level of assurance, in accordance with the DNV GL Verification Protocol for Sustainability Reporting (VeriSustain™ V.4.1) and AA1000AS 2008.

Assurance assessment was carried out in Shinhan Financial Group headquarters on April 2016. The assurance engagement was conducted in the following method based on sampling.

- Confirm phrases and claims in the report. Evaluate data management system, flow of information, and solidity of control utilized in writing the report
- Interview managers of major departments
- Review documents, conduct data sampling, test database and computer system used in writing the report
- Review results of materiality assessment
- Evaluate comprehensiveness, materiality inclusivity and responsiveness of AA1000 Accountability Principles Standard 2008.
(Type 1 assurance conducted. Type 2 assurance conducted for some performances)

Limitation

The outcome and performance of Shinhan Financial Holding Company subsidiaries, its related companies, suppliers, partner companies, and third-party members, excluding Shinhan Financial Holding Company and its subsidiaries specified in the report(7 companies of Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank), are excluded from the scope of this assurance. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Financial statements of Shinhan Financial Holding Company, data announced on DART system of the Financial Supervisory Service(<http://dart.fss.or.kr>), and data on the websites of Shinhan Financial Holding Company and its 7 subsidiaries subject to assurance are not included in the scope of assurance. Data assurance was conducted by checking the basis in a limited scope, including inquiry, analysis, and limited sampling method, on the data collected by Shinhan Financial Group. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. Also, environmental and social data were verified using the aggregated data. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

The assurance activities lead DNV GL to conclude that it has not found any parts in the report of Shinhan Financial Group that have been inappropriately described in accordance with the principles of determining reported contents by GRI G4. In terms of reliability of performance data, there was no evidence to conclude that the data that have been sampled and verified were collected and processed inappropriately, and that the assumptions made were inappropriate. Additional opinions on the principles below are as follows.

Inclusivity | Shinhan Financial Group recognizes customers, business partners, local communities, NGOs, shareholders and investors, employees, and government agencies as internal and external stakeholder groups, and utilizes various channels to promote participation by stakeholder in the unit of the entire company or individual department. Major method of participation by stakeholders, their main opinions, and the efforts for response by Shinhan Financial Group are explained in the report.

Materiality | Shinhan Financial Group conducted materiality assessment when writing its 2015 report. Various issues have been derived by analyzing the topics presented by various global initiatives and standards, sustainability reports of rival companies, and media reports on Shinhan Financial Group in 2015. Afterwards, evaluation for prioritizing the selected issues was conducted to select significant issues. The assessment team conducted a materiality assessment to confirm that the major selected issues are reflected in the report.

Responsiveness | For major sustainability issues within the reporting period, the report of Shinhan Financial Group provides its stakeholder with information on the organization's activity outcomes and decisions within scope of reporting. The reported contents were determined by participation of stakeholders and materiality assessment, and they explain activities of Shinhan Financial Group for creating values in accordance with its strategies for social responsibilities.

Findings in relation to specific sustainability performance information

The report provides information on the trends of change in sustainability performance of Shinhan Financial Group in 2015. The data provided in the report were collected by the headquarters of Shinhan Financial Group from its subsidiaries, and were processed in order to suit the purpose of the report. DNV GL has evaluated the reliability of data and information about water usage, waste, business travel distance, occupational accidents(Type 2 Assurance). DNV GL has interviewed the personnel responsible for the data and information in order to figure out the collection and process of data and information, and reviewed relevant documents and records based on which the statements in the Report are addressed. The depth of data assurance is limited to data input by each subsidiary. Shinhan Financial Group has developed and applied a system of collecting and processing specific information and data announced through reports. The personnel responsible for the data are able to demonstrate the tracing of the origin and interpretation of the data in a reliable manner as per internal processes. Therefore, the specific data and information are found to be identifiable and traceable. Therefore, as a result of analyzing and evaluating the generation process of specific information and data of Shinhan Financial Group, the assessment team checked that the above information and data that have been announced are results of stable and repetitive activities. It recommends a deeper level of assurance activity on the data inputted by each subsidiary in order to promote accuracy and reliability from the original data.

Statement of Competence and Independence

DNV GL Business Assurance, a part of the group DNV GL, is an international institution which provides various sustainability services, including certification, assurance, evaluation, and training activities, and supports businesses to create sustainable business performances. Experts of DNV GL on environmental and social verification and assessment are working in approximately 100 countries around the world, and the verification of this Shinhan Financial Group report was conducted independently by an assessment team with professionalism and competence. Apart from this statement, DNV GL did not carry out any works related to writing the report or preparing the data to be used.

April 28, 2016

Seoul, Republic of Korea



Ahmyuk
In-Kyun Ahn

Country Representative
DNV GL Business Assurance Korea Ltd.

CONTACT

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

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ABOUT THIS REPORT

Publication Information | In 2005, Shinhan Bank was the first Korean bank to publish the CSR report, and since 2009, Shinhan Financial Group has published its report at the group level for the first time in the financial sector. The current 2015 report contains activities, outcome, and plans regarding the group's 9 core strategies on socially responsible management.

Reporting Principles | This report complies with G4 Sustainability Reporting Guidelines of GRI(Global Reporting Initiatives), and fulfills the conditions in accordance with the 'Comprehensive' grade. The financial information included in this report follows the Korean International Financial Reporting Standards(K-IFRS), which uses the unit of the Korean Won(KRW, ₩).

Reporting Period and Boundary | The reporting period of this report is from January 1st, 2015 to December 31st, 2015. Some qualitative activities and outcome from 2016 have also been included. For identifying trends, data for the previous three years have been reported. The scope of report includes 8 group affiliates of Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank, which amount to 98.22% of all group affiliates in terms of sales volume. In order to minimize confusion by readers, extra explanations are given for issues requiring caution on the scope of reporting.

Reliability of the Report | To ensure the enhancement of the reliability of the report, the report went through a verification process based on the three principles(Inclusivity, Materiality, Responsiveness) of AA1000AS(2008) by DNV GL, the global verification institute. The verification level is Type 1, and Type 2 verification was conducted for certain information on performance. The results can be checked on pages 80-81.

Shinhan Financial Group
CSR Report 2015



The report uses Environment-friendly paper with FSC(Forest Stewardship Council) certification, which is given only for products using pulp produced in forests under Environment-friendly development and management. Also, this publication was printed with plant-based non-vocs ink using alcohol-free environment-friendly printing technique.

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