

DRAWING A SUSTAINABLE FUTURE

Corporate Social Responsibility Report 2009



Shinhan Financial Group is committed to maximizing its corporate value and seeks to create mutual beneficiaries among customers and other stakeholders in social and environmental issues.



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About this report



GRI Guideline Application Level

The SFG's Corporate Social Responsibility Report 2009 was produced in compliance with the G3 guidelines of the GRI and meets all requirements of the GRI Application Level 'A+' quantitatively and qualitatively. The third party verification service provider also confirmed that this report is adequate for the A+ level.

— Features & Coverage

The SFG's Corporate Social Responsibility Report 2009 is the first report to be published by the Shinhan Financial Group (SFG) to reflect the performances of the group as a whole. This report details the performances of SFG Inc. and its subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan Capital, Jeju Bank, and Shinhan BNP Paribas AMC. The name "SFG" refers to all eight subsidiaries including the holding company, while SFG Inc. refers only to the holding company. SFG will publish this corporate social responsibility report annually.

The SFG has overseas branches, however, its major business activities are operated in the domestic market. Therefore, this report is provided within the scope of sustainability performances of the holding company and head offices and branches of major 7 subsidiaries. Meanwhile, economic performance data was made out on the basis of consolidated financial statements including the Group's 30 subsidiaries. Some data disclosed on environmental performance has been narrowed; an explanation is provided when this is the case.

— Reporting Principles

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



Customer

- Customer Service Improvement
- Customer Trust
- Customer Satisfaction Improvement
- Customer Information Security

Local Community

- Direction of Social Contribution Activities
- Organization
- Communication with Communities
- Supports for Local Communities
- Supports for Financially Marginalized Group
- Supports for SMEs
- Community-centered Investment

Employee

- Equality and Human Rights
- HR Development & Compensation
- Good Place to Work Campaign
- Employee Communications
- Health & Safety
- Retiree Management
- Labor-Management Cooperation

Business Partner

- Our Business Partners
- Communication with Business Partner
- Supporting Business Partners' CSR Management

Appendix

Preparation and Assurance of Reliability

All information included in this report was collected and written by SFG, Inc., in order to describe and disclose each subsidiary's CSR activities fairly and accurately. The reliability of the content was verified through the third party assurance by Korea Management Association Registrations and Assessments (KMAR), which was attached in the appendix.

Period and Standard of Report

This Report covers the calendar year from January to December 2009. Some material issues requiring more extended timelines are provided along with performance data prior to 2009 and from the first quarter of 2010. Quantitative performance data reflects trends over a three-year period from January 1, 2007, to December 31, 2009. If data is unavailable, an explanation for that absence is included. The currency unit used in the report is Korean Won (KRW).

Detailed Information

For more detailed data on some of the information specified in this report, please refer to the SFG website at www.shinhangroup.co.kr.

Additional Information

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Shinhan Bank Shinhan Bank

Card Shinhan Card

Investment Shinhan Investment Corp.

Life Insurance Shinhan Life Insurance

Capital Shinhan Capital

Jeju Bank Jeju Bank

BNPP Shinhan BNP Paribas Asset Management

- ※ The icons above are used in this report to represent the CSR activities of each subsidiary.
- ※ The content without the icons represents performances of the group as whole.

MESSAGE FROM THE CHAIRMAN



Hoping to see a “blossom of hope” in every corner of society

Today, the society we live in is the soil where we grow and the arena where we play. Thus, our survival and development depend on maintaining the health and strength of society, as well as on fulfilling the requirements of corporate citizenship.

SFG grows along with its communities and fulfills its pledge of social responsibility as a good corporate citizen with the management objective of becoming “a bank for the nation” and “a bank of community,” two visions it has held since its earliest days.

In 2005, Shinhan Bank published the Korean financial sector's first Corporate Social Responsibility Report, as well as a White paper on Social Contributions to demonstrate the strength of its vision and leadership in social contribution.

Additionally, by participating as community volunteers, our employees have learned first-hand the meaning of the principle that “what goes around comes around.”

With this first sustainability report among Korea's financial groups, which covers all subsidiaries' CSR activities, we demonstrate our confidence in the role of each subsidiary's CSR activities within the whole group. Through that synergy, the entire Group can develop to the next level.

SFG continues to ensure a prosperous future for society with the unwavering encouragement and interest of our customers and the nation. With a diverse range of CSR activities, I hope to see “buds of hope” all around our society.



Chairman of Shinhan Financial Group Inc. **Eung Chan Ra**

LEADING THE WAY FOR THE FUTURE





Firmly committed to healthy corporate culture and scientific management, we understand that market-leading performance is fundamental to our success, as is the synergy between subsidiaries. We continue to create new corporate value through consistent change and innovation.

As the financial climate continues to change, SFG leaps forward into a more sustainable future through balanced growth between the banking and non-banking sectors. Following the "Shinhan Way," a set of values shared throughout the Group, we will continue to lead the market by creating new financial values in the era of convergence between financial and non-financial sectors such as telecommunication and distribution, as well as green growth.





Introduction to Shinhan Financial Group

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

● Profile of Shinhan Financial Group

(As of December 2009)

Classification	Shinhan Financial Group Inc.	Shinhan Bank	Shinhan Card	Shinhan Investment Corp.	Shinhan Life Insurance	Shinhan Capital	Jeju Bank	Shinhan BNP Paribas Asset Management
Establishment	Sep. 2001	Feb. 1897	Dec. 1985	Apr. 1973	Mar. 1990	Apr. 1991	Mar. 1969	Aug. 1996
Headquarters	Jung-gu, Seoul	Jung-gu, Seoul	Jung-gu, Seoul	Yeongdeungpo-gu, Seoul	Jung-gu, Seoul	Ansan-si, Gyeonggi-do	Jeju-si, Jeju-do	Yeongdeungpo-gu, Seoul
CEO	Sang-Hoon Shin	Baek-soon Lee	Jae-Woo Lee	Hyu-Won Lee	Jin-Won Suh	Do-Heui Han	Chang-Kee Hur	Bhang-Gil Choi
No. of Employees	140	12,346	3,409	1,986	1,024	117	419	187
No. of branches	1	954	48	115	160	6	39	1
Capital stock (KRW in billions)	2,852.5	7,928.1	626.8	1,297.0	200.0	180.0	110.6	75.4

* Headquarters are considered a branch.

Subsidiaries

Shinhan Financial Group Inc.

On September 1, 2001, Shinhan Financial Group Inc. was established to direct companies operating financial services and to fund its subsidiaries by acquiring and transferring issued shares from shareholders of Shinhan Bank, Shinhan Securities, Shinhan Capital, and Shinhan BNP Paribas Asset Management. The company is committed to maintaining and strengthening the Group's reputation as a leading player in the Korean financial market.

Shinhan Bank

Shinhan Bank and Chohung Bank, an institution with a 100-year history, merged on April 1, 2006 to form the integrated Shinhan Bank. For the most efficient, comprehensive services, the Bank classifies its customer group into six categories and provides them with specialized and differentiated services: private banking (PB), retail banking, SOHO, corporate banking, investment banking (IB), and institutional investing. The Bank also continues to offer various financial services for savings deposits, installment savings, fund management, loans, insurance, and trust management that are designed for the needs of each customer group.

Shinhan Card

Shinhan Card, formed through the merger of LG Card and Shinhan Card on October 1, 2007, aims for a position as the top credit card company in Asia, and for a place among the top 10 credit card companies in the world. In August 2008, the company completed its integrated computer system. As of December 2009, the number of cardholders reached 14.23 million, the largest share in the Korean market. As Korea's leading card company, Shinhan Card appeals to customers with an unrivaled array of prestige products and services, including not only the card, but also cash advances, installment purchase plans, debt rescheduling, and lease financing.

Shinhan Investment Corp.

Originally called Good Morning Shinhan Securities, Shinhan Investment Corp. took its new name to proactively meet the financial market environment changes caused by the Financial Investment Service and Capital Market Act. The company remains committed to diversifying its business areas and providing increasingly customized financial investment services, beyond the brokerage service provided by most securities firms. The company provides a full range of financial services: funds⁰¹, trusts, CMAs⁰², and bancassurance to individual customers; futures/options, funds/MMFs⁰³ to institution customers; and asset management of bonds and equities.

Shinhan Life Insurance

Shinhan Life Insurance has established an extraordinary line of professional sales channels, including financial consultant (FC), agency-marketing (AM)⁰⁴, telemarketing (TM), cyber marketing (CM), and bancassurance, all helping to guarantee a more abundant life for customers. The company provides protection-type, investment-type, savings-type, and annuity insurance to individual customers, as well as retirement pension, and retirement and group insurance to corporate customers. Shinhan Life Insurance offers a full line of products to meet the specific needs of customers and contributes to advancing the domestic insurance industry through its development of outstanding services.

Shinhan Capital

Shinhan Capital has achieved stable growth in the leasing of common facilities, including ships, printing machines, automobiles and medical devices. Based on that stable growth, Shinhan Capital has diversified into a wide range of areas, including installment financing for automobiles, machinery and facilities, financing for real estate projects, corporate restructuring, venture investment and factoring. The company's major businesses include facilities leasing, installment financing, new technology business financing, and corporate restructuring.

Jeju Bank

Playing a pivotal role in Jeju's local economic development, Jeju Bank maintains a sincere, close relationship with the island's citizens. Since joining the SFG in May 2002, the Bank has created additional value by combining the Group's advanced scientific customer relations system with its existing expertise in region-friendly banking services. As a leading local bank in Jeju, it provides an array of services including savings deposits, installment savings, fund and trust management, loans, insurance, and trust.

Shinhan BNP Paribas Asset Management

Shinhan BNP Paribas Asset Management was established in January 2009 through the merger of former SH Asset Management, an affiliate of Shinhan Bank, and former Shinhan BNP Paribas Investment Trust Management, a joint venture of SFG Inc. and BNP Paribas Investment Partners. The company utilizes its years of experiences and expertise to lead the domestic asset management industry. 

⁰¹ A dividend-paying financial product raised by unspecified individuals

⁰² Cash management account (CMA) refunds profits which are generated through the investment of a customer's deposit in notes or bonds.

⁰³ As an ultra short-term financial product, MMF is a mutual fund that invests in highly liquid short-term financial instruments.

⁰⁴ A marketing channel to contract and manage insurance products through agencies



The Shinhan WAY

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

Management Principles

The Group's management principles serve as the basis for its management decisions. There are four management principles:

- We place top priority on creating value for customers.**

Customer value creation is the foremost consideration in our decision-making process and is never compromised or set aside for other values.
- We practice business ethically and fulfill our social responsibilities faithfully.**

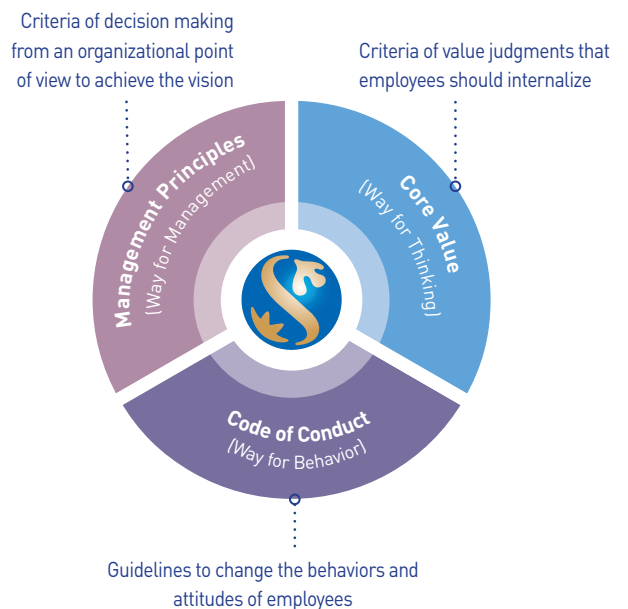
Based on the ethics of trust and honesty, we compete fairly and earn social respect as a corporate citizen by taking into account the interests of the stakeholder.
- We value and nurture talented people.**

We develop people of talent as true “Shinhan People” by conducting evaluations based on fairness instead of equity.
- We generate Group synergy.**

Our view extends beyond the small teams in which we often work; our actions reflect the perspectives of the entire Group's perspective, and we share the results of our actions.

Core Values

Forming the second component of the Shinhan WAY, our core values provide the basic criteria that all members of our organization share and pursue in their judgments and behaviors. Shinhan employees are passionate about reaching the top because they see themselves as owners of Shinhan. As we focus on the customer, we translate this passion into creative change and teamwork based on mutual respect.



Customer | We always think and act from the perspective of our customers. We gain the trust of our customers by being honest with them, so that we grow hand-in-hand with them, while at the same time faithfully fulfilling our broader social responsibility.

Respect | We maximize cohesion within the organization and promote common development through mutual respect among all the Group's subsidiaries, departments and individuals.

Change | We attain differentiated competitiveness through creative approaches that further set us apart from our competitors and increase opportunities for sustainable growth.

Excellence | We set goals that challenge us to become the best in what we do, and we act quickly and resolutely to attain those goals through expertise, passion, and innovation.

Ownership | Each employee takes responsibility for his or her work as a part of the Group. We believe our organization's growth closely correlates with personal growth.

Code of Conduct

The code of conducts, the third component of the Shinhan WAY, serves to inculcate all members of our organization with the five core values.

Customer

- **Trust:** To earn the trust of our customers, we demonstrate our sincerity by listening to what our customers have to say, and we think and act according to the customer's perspective.
- **Differentiated services:** We offer products and services that exceed customer expectations both in context and timing.
- **Partnership:** We do everything we can to help our customers succeed; we know that their success is our success.
- **Contribute to society:** We recognize our responsibility as a corporate citizen, proactively participating in a variety of social contribution activities.

Respect

- **Greater emphasis on communication:** We encourage candid communication within the organization.
- **Fairness:** We treat all members of the organization fairly without prejudice or bias.
- **Teamwork:** We work together to achieve a common set of goals by fulfilling all of our roles and responsibilities.
- **Pursuit of the common good:** We promote the common good of the organization and cooperate with each other with respect and consideration.

Change

- **Creative thinking:** We constantly aim for better ways to conduct business by moving beyond conventional thinking and overcoming obstacles.
- **Innovation:** We are committed to fundamental change in order to improve and reinvent ourselves.
- **Competitive advantage:** We aim to differentiate ourselves in the market to gain a competitive advantage.
- **Constant improvement:** We avoid complacency, continuously strive to challenge ourselves and improve our organization.

Excellence

- **Challenging goals:** We set goals to challenge ourselves, and create unique, specific ways to achieve them.
- **Strong execution:** Motivated by a drive to win, we achieve our goals through strong execution.
- **Self-development:** Through education and ceaseless efforts, we strive to become the best in our fields.
- **Overcoming crisis:** We do not surrender to the fear of failure when faced with difficulty; we put ourselves up to the task again and again.

Ownership

- **Pride:** We take great pride in being members of Shinhan, as well as in our work.
- **Self-initiative:** We constantly aim to take the initiative, and spreading our enthusiasm to fellow employees.
- **Fun:** We create a working environment full of fun and energy.
- **Responsibility:** We have clearly understood our roles, and we fulfill them with a sense of mission and responsibility. 🌐

Vision and Strategy

SFG is committed to transforming itself into a world-class financial group representing Korea, with balanced growth between banking and non-banking businesses, continuous value creation through new growth engines and innovative business models, as well as global-standard capabilities and systems.

To leapfrog into one of global top 50 and Asia's top 10 financial players by 2012, the Group preferentially focuses on securing stable profit sources through balanced growth between banking and non-banking businesses.

To achieve this short-term goal, we have promoted the following four strategies in priority: building competitive advantage in each business line, maximizing synergy between subsidiaries, enhancing leadership in the capital market and gaining momentum for global businesses.

However, the global financial crisis since 2008 has made an impact on global economy and financial markets, which has also changed market environments as well as provided stricter regulations. To meet these market changes, the Group realigned its mid-/long-term business strategies which had been set up toward 2012.

The 'New Normal' era is a new economic paradigm that is filled with stricter regulation, emphasizes financial soundness, and encourages deleveraging. The new paradigm also deemphasizes the need for economic growth in advanced economies, while encouraging higher growth in emerging economies including Asia. It emphasizes the roles of financial institutions in fulfilling their social responsibilities.

In response to the paradigm shifts of the 'New Normal' era, and as the Group's pursues its vision of becoming a world-class financial group, SFG aims to become Korea's top financial brand by 2015. SFG has revised its mid-/long-term strategies to place greater focus on leadership in the domestic market, a preparatory stage to becoming a world-class financial group. To achieve this vision, SFG is putting the highest priority on creation of value for the customer and sound growth, leading to sustainable growth, stable profitability, and the industry's highest service capabilities. These goals will be promoted with our commitment to building strong corporate culture and enhancing the Group's synergy effects.

In addition, the Shinhan Way will be redefined throughout the Group to pave the way for sustainable growth, while we will strive to create new and innovative synergy effects that will set us apart from our competitors.



Phase 1 Foundation (-2002)

- Converted into a holding company
- Reorganized and expanded business portfolio
- Acquired Jeju Bank - Acquired Good Morning Securities - Founded Shinhan BNP Paribas ITMC

Phase 2 Take-off (2003-2009)

- Expanded the size of the Bank
- Strengthened non-banking businesses
- Acquired LG Card
- Completed incorporation of Shinhan Life as a subsidiary
- Launched Shinhan BNP Paribas Asset Management

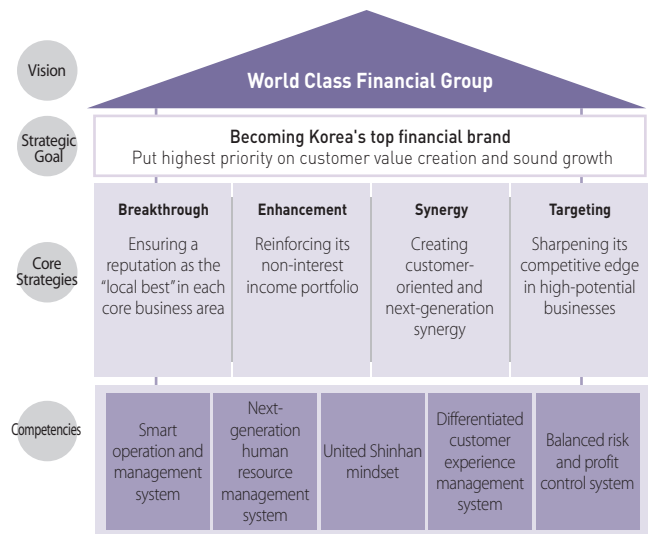
Phase 3 Leadership formation (2010-2015)

'Winning in the new normal'

- Securing a reputation as the best local financial group in the global "New Normal" era

Achieving the Mid- and Long-term Vision

'World Class Financial Group'




Management Plans and Strategies

Thanks to effective countermeasures, including timely fiscal and monetary policies, Korea has recovered from the global economic crisis faster than other nations. In 2010, while that recovery is gaining momentum, accumulated household debt and lagging recovery in employment continue to place pressure on domestic consumption, slowing the pace of the real recovery. In response to this economic climate, SFG has set its management goal for 2010, expressed in its annual motto: "Trust 2010: Sustainable Future, Reliable Shinhan." This motto reflects the shift of the Group's focus toward maximizing long-term corporate value. The Group is executing four strategic tasks to achieve its goal.

Lay a foundation for sustainable management | Today, responsible corporate citizenship extends beyond the financial sector. Ethical and environment-friendly management is just as important as delivering a strong financial performance. Accordingly, SFG is contributing heavily to solving today's pressing environmental and social issues.

Pursue customer-oriented business | The economic crisis has weakened relations between banks and customers. To strengthen the trust it has held with its customers, the Group is creating new consumer value through a more customer-oriented approach.

Differentiate growth in strategic markets | As the Korean financial industry matures, its potential for growth will face limits. To offset these limitations, the Group will select target markets and implement differentiated strategies to prepare for the coming era of convergence and globalization. The Group will also provide each of its business areas with full support to enable them to focus on their target markets and utilize their best core competencies.

Create market-leading synergy | The Group has always outperformed its peers in the creation of synergy by leveraging its diversified business line-up. As we enter an era of even greater competition and innovation, the Group will continue to develop the quality of its synergy creation to maintain its edge over competitors. 


Brand Value in the SFG

Since its inception as Korea's first private financial holding company, SFG has made significant progress toward becoming Korea's flagship financial group, delivering comprehensive financial solutions to clients through a convenient one-portal network. Its efforts have been widely recognized through awards and endorsements.

In recognition of the brand promotion strategies it has employed since 2007, Shinhan Bank received the "2010 First Brand Award" from the Korean Customers' Forum for the sixth consecutive year. It also received an award as the Best Retail Bank in Korea from The Asian Banker, as well as designation by the Korean research agency Brand Stock as the Highest Brand for 2009 and as a Customer's Choice Brand. It was ranked as the best PB service for the second year in a row in the Korean Standard Premium Brand Index (KS-PBI) survey, organized by the Korean Standards Association (KSA).

Shinhan Card was also selected as the best credit card service in the KSA's 2010 KS-PBI survey. It has received three honors from Brand Stock: designation as one of Korea's Top 100 Brands for 2009, a Brand Star award for 2010, and recognition as the Highest Brand for 2009. It obtained a Korea Master Brand Award, given jointly by Hankyung.com (<http://Hankyung.com/>), Donga.com (<http://Donga.com/>), and iMBC, and earned recognition as a "Brand of the Year" for 2009 and the "2010 First Brand Award" from the Korean Customers' Forum. It also ranked first in the credit card category of the Global Brand Competency Index (GBCI) survey, organized by Japan Management Association Consulting (JMAC).

In addition, Shinhan Life Insurance received the Korea Prestige Brand Award in the life insurance category from Korea Sustainability Management Evaluation (KSME) for the third year in a row. It was recognized for offering the best life insurance service in the 2009 Highest Brands awards from Brand Stock and received the "2010 First Brand Award" from the Korean Customers' Forum.

For the long term, Shinhan Financial Group will continue to implement a consistent brand strategy to develop into a brand of global renown, while also continuing to promote its value locally as Korea's premier financial brand. 

Corporate Governance

Board of Directors

Shinhan Financial Group Inc.'s board of directors consists of two executive directors including the CEO, two other non-standing directors and 8 outside directors, totaling 12 board members. The BOD currently operates six committees: the Board Steering Committee, the Audit Committee, the Outside Director Recommendation Committee, the Risk Management Committee, the Compensation Committee, and the Audit Committee Member Recommendation Committee. Through these committees, the BOD ensures that its activities remain efficient and professional.

All outside directors are appointed at the general shareholders' meeting from a candidate list recommended by the Outside Director Recommendation Committee, which consists of one executive director and four outside directors. The Committee provides this list following deliberation on the qualifications of candidates in observance of the Financial Holding Companies Act and Enforcement Decree of the Financial Holding Companies Act.

In addition, the BOD chairman is selected among outside directors every year. In the event that the BOD chairman cannot be selected among outside directors, the Group elects a leading outside director to represent the other outside directors.

For resolutions of the BOD to become binding, a majority of directors must be present at the vote, and a majority of those present must vote in favor of the resolution. Any director who has special interest in passage of the resolution is prohibited from voting. In 2009, the BOD held eight meetings to discuss key management issues, including: procedures to amend the articles of incorporation; procedures for enactment, amendment, and abolishment of rules, including BOD regulations; establishment and approval of Group business plans, including those of each subsidiary; procedures for appointment and dismissal of CEO, executives, and compliance officers.

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

● Organization of the BOD

(As of March 2010)

BOD (Two inside directors, two other non-standing directors and 8 outside directors)	Board Steering Committee	One inside director, three outside directors and one other non-standing director
	Risk Management Committee	Two outside directors and one other non-standing director
	Compensation Committee	Two outside directors and one other non-standing director
	Audit Committee	Three outside directors
	Outside Director Recommendation Committee	One inside director and four outside directors
	Audit Committee Member Recommendation Committee	All outside directors

● BOD Members

Classification	Name	Responsibility and position	Note
Inside director	Eung-Chan Ra	Chairman & CEO	Reappointed
	Sang-Hoon Shin	President & CEO	Reappointed
Other non-standing director	Baek-soon Lee	President & CEO of Shinhan Bank	Newly appointed
	Shee-Yul Ryou	Advisor of Sejong Law Firm (current), Chairman of Korea Federation of Banks (former)	Reappointed
	Byung-Il Kim	President of Korea Studies Advisement Center (current), Minister of Planning & Budget (former)	Newly appointed
	Yo-Koo Kim	CEO of Sanyo Hanbai Co., Ltd. (current)	Reappointed
	Hui-Mook Kim	Director of Invecs	Newly appointed
	Ke-Sup Yun	Professor, College of Business Administration, Seoul National University (current)	Reappointed
	Sung-Bin Chun	Chairman of the Board, Professor, College of Business Administration, Sogang University (current)	Reappointed
Outside director	Haeng-nam Chung	Chairman of ABIC Group (current)	Reappointed
	Yoji Hrakawa	President & CEO of Sun East Place Corporation (current)	Newly appointed
	Philippe Aguiñier	Head of BNP Paribas Asia Retail Banking (current)	Newly appointed

● BOD Meetings

Year	No. of Meetings	No. of Items	Major Agenda
2007	7	Resolved 30 items Reported 23 items	- Convocation of general shareholders' meeting
2008	8	Resolved 25 items Reported 28 items	- Approval of financial statements - Selection of CEO - Capital increase
2009	8	Resolved 34 items Reported 23 items	- Approval of business plans - Integration of asset management company of the Group

Committees under the BOD

Board Steering Committee | This committee deliberates on and determines the structure of corporate governance, the appointment and dismissal of top executives, excluding board members, methods of evaluating the BOD, its committees and outside directors, and resolves other BOD operational matters.

Risk Management Committee | This committee formulates basic risk management guidelines in line with management strategies. It also determines appropriate risk tolerance limits for the SFG Inc. and its subsidiaries.

Compensation Committee | This committee is responsible for approving evaluation and compensation programs for the top management, as well as setting compensation levels.

Audit Committee | More than two thirds of the audit committee are outside directors. In compliance with the Financial Holding Companies Act, this committee includes at least one accounting or financial expert. The committee audits the performance of the directors by overseeing the Group's accounting and deliberating on other matters.

Outside Director Recommendation Committee | This committee is in charge of recommending outside director candidates, as well as all other matters regarding such recommendations.

Audit Committee Member Recommendation Committee | Fully composed of outside directors, this committee makes all relevant decisions on recommending candidates for the audit committee.

Evaluation and compensation for executives

The evaluation and compensation system for directors or officers of SFG promotes the Group's long-term sustainable growth and aims to maximize shareholder value. Accordingly, the Group evaluates its directors or officers by using quantitative and qualitative criteria.

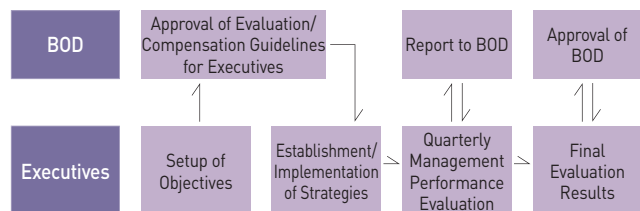
In quantitative evaluation, the Group uses two major indexes. One index measures shareholder value, while the other measures the long-term substantial growth and financial soundness. This quantitative evaluation helps the Group to minimize social and economic side effects when the Group focuses on short-term profitability and quantitative growth.

By including elements of "The Shinhan WAY" corporate ethos in its recent qualitative evaluations, SFG has more clearly reflected its motto: "We always think and act from the perspective of our customers, gaining their trust through our honesty, to grow hand-in-hand with them, while at the same time faithfully fulfilling our responsibility toward all members of society." The Group has also begun to reflect corporate citizenship in its individual performance evaluation criteria.

The criteria for the evaluation of directors and officers are determined through the deliberation and decision of the BOD Compensation Committee of each subsidiary. The results of the year-end evaluations of management performance and qualitative growth are also deliberated by the BOD Compensation Committee of each subsidiary. The Group pays remuneration to its executives based on these results, thereby ensuring the transparency of its performance-based reward system.

In compliance with the 2010 Guidelines on Performance Compensation Systems for Financial Holding Companies, the Group has begun taking risk factors into consideration in managing its compensation system. To carry its compensation programs beyond the level of a short-term performance-based incentive system and to meet global standards, the Group is now designing a rational performance-based reward system, including timely disclosure of details on performance compensation.

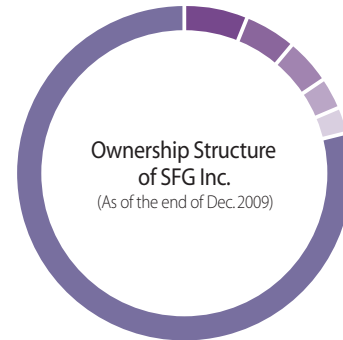
● Process for Executive Performance Evaluation to Maintain an Efficient Management System



Ownership Structure and the General Shareholders' Meeting

SFG Inc. makes all final decisions during the general shareholders' meeting, which is convened within three months of the end of each fiscal year. During the meeting, financial statements are approved, and directors are appointed. Extraordinary shareholders' meetings are held when necessary. At the general shareholders' meeting, each share carries the right to one vote. Shareholders may exercise their voting rights by being present at the meeting or by proxy through another shareholder with a reference document. In addition, SFG provides shareholders who meet certain requirements in shareholder regulations to present proposals through the BOD. The BOD submits proposals from shareholders for inclusion in the agenda of the meeting. All shareholders then deliberate and vote on each proposal during the shareholders' meeting.

As of the end of December 2009, major shareholders of SFG Inc. included BNP Paribas Group with 6.35%, Shinhan Financial Group Inc. Employee Stock Ownership Association with 4.82%, Korea National Pension Fund with 4.45%, Citibank, N.A. (ADR Department) with 3.08%, and the Saudi Arabian Monetary Agency with 2.67%. Minority shareholders have 78.63% ownership. 🌐



■ BNP Paribas Group	6.35%
■ SFG Inc. Employee Stock Ownership Association	4.82%
■ Korea National Pension Fund	4.45%
■ Citibank, N.A. (ADR Department)	3.08%
■ Saudi Arabian Monetary Agency	2.67%
■ Minority Shareholders	78.63%



Audit System

In compliance with the Financial Holding Companies Act, SFG Inc. is overseen by the Audit Committee, which operates under the BOD. The Audit Committee consists of three outside directors, including one financial expert, to ensure the independence of auditing. It assesses the performance of directors, supervises the Group's accounting, and deliberates on other related issues with authority to approve or disapprove. The committee also has authority to ask the directors to report on the management of sales, and to review business performance and financial status.

In addition, an internal audit team supports the Audit Committee, conducting two major audits per year, as well as pre- and post-audits for the entire company and audits for subsidiaries. The internal audit team is responsible for auditing the holding company and its subsidiaries in pursuance of an annual audit plan approved by the Audit Committee, as well as for implementing a timely reporting system for its own activities.

In 2009, pre-audits totaled 247, while there were 10 post-audits and audits of the subsidiaries. 🌐



● Internal Audit Activities

Pre-audit	The review of the legality of pre-audit items, in compliance with audit guidelines, including agenda and documents submitted for discussion at the General Shareholders' Meeting, agenda for BOD and committee meetings, as well as enactment, amendment, or abolishment of rules
Post-audit	The review of the legality of corporate procedures relating to general or specific duties during a certain period of time
Audit of Subsidiaries	The request for corrective action of the top management of subsidiaries due to the discovery of a violation, unfair practice, or failure to compete required improvements, as a result of audits on the operation and financial status of subsidiaries, followed by additional inspections

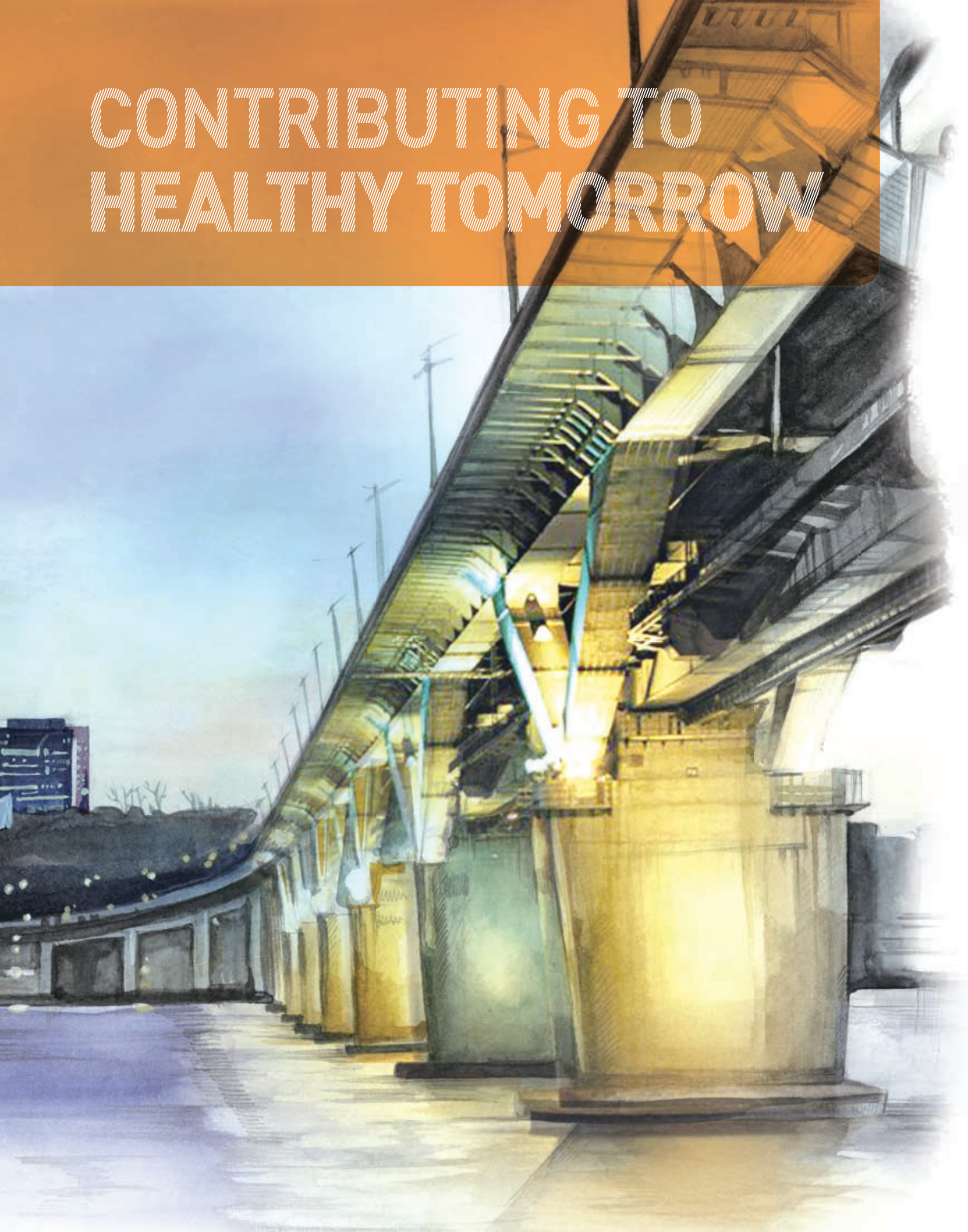


To make the world a better place, the Group fulfills its obligations as corporate citizens through effective CSR management. We grow along with our stakeholders through strong relationships and communication.

This is an era that requires corporations to seek excellence and sustainable growth in aspects other than the financial, including ethical and environmental awareness, in addition to conventional financial stability. SFG remains committed to its basic role as a financial entity, as well as to creating harmony between public interest and profitable management. As a participant in society, SFG is creating value-added services for “Green Growth” enterprises and expanding our role in social contribution.



CONTRIBUTING TO HEALTHY TOMORROW





Corporate Social Responsibility Management

Since its earliest days, SFG has deeply recognized the significance of CSR management and has made every effort to practice it in daily operations. In the wake of the global financial crisis, society has become more concerned about the responsibilities of financial institutions. SFG actively pursues its pledge to meet those responsibilities

● Current Status and Performance

	Economy	Environment	Customer
Vision & Strategies	- Stable foundation and sustainable growth	- Greenhouse gas reduction - Environmental monitoring - Promotion of green management practices	- Top priority on customer-value creation through a one-enterprise based total-solution system
Strategic Tasks	- Strengthening fundamentals of the Group's business portfolio - Building differentiated growth models for current business areas - Securing new pipelines for growth	- Reducing greenhouse gas emissions through energy conservation - Introducing a group-wide management system to control greenhouse gas emissions - Achieving carbon neutrality through a long-term carbon offsetting process - Developing tax-exempt green deposit/loan products - Offering preferential treatment in credit reviews for eco-friendly businesses	- Providing products and services meeting customers' lifestyles and changes in financial markets - Striving for customer satisfaction
Major Performances	- Improved performance of non-banking businesses - Expanded into overseas markets - Reduced operation times through process innovation - Entered new markets	- Launched special divisions for green financing - Opened carbon-neutral businesses - Expanded support for green businesses - Launched the "Shinhan MyCar Loan" to offer prime rates to owners	- Launched the "Hi-point Nano Card," the "S-More Card," and a point-reward bank account - Ranked number one in bank and credit card services according to the KS-SQI survey
Future Tasks	- Completing management system for sustainable growth - Investing in socially responsible funds and products	- Promoting low-carbon business environments and eco-friendly procurement - Pursuing green financing	- Requiring higher accountability of products and services - Pursuing higher customer satisfaction
Responsible Teams	- SFG Inc's Strategic Planning Team determines and implements the Group's management strategies. - SFG Inc's Finance Team establishes and manages the Group's financial plans. - SFG Inc's Synergy Promotion Team implements network for synergy creation. - SFG Inc's Risk Management Team establishes, implements, and monitors the Group's integrated risk management policies.	- SFG Inc's Strategic Planning Team - SFG Inc's Green Financing Council establishes the direction of the Group's green financing strategies. - Shinhan Bank's Green Banking Team determines and implements the green management system for Shinhan Bank.	- SFG Inc's Synergy Promotion Team operates the Tops Club, a special service for the Group's premium customers, and maintains the Group's integrated customer data. - SFG Inc's Audit Team handles major issues arising from customer complaints.

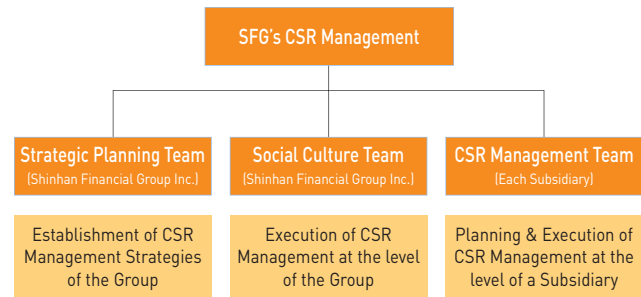
CSR Vision

With the vision of “Shinhan Financial Group that invests in Korea’s future” in social responsibility management, the Group is committed not only to seeking opportunities for economic growth, but also to fulfilling its obligations as a corporate citizen in the economy, society, and environment. SFG is implementing a system for effective group-wide CSR management.



CSR Structure

Pursuing its systematic approach to CSR, the holding company's Strategic Planning Team determines strategies and tasks in the areas of economy, society, environment, and common competency. A Social Culture Team is responsible for the implementation of strategies and tasks at the level of the entire holding company, along with a CSR management team at each subsidiary.



Local Community	Employee	Business Partners
<ul style="list-style-type: none"> - Promotion of Group-wide CSR management - Expansion of region-specific programs through domestic and overseas networks - Enhancement of CSR activities to grow along with local communities 	<ul style="list-style-type: none"> - Nurture the talents of employees who place highest priority on customer satisfaction, demonstrate a strong, innovative sense of ownership, and strive for excellence while respecting others. 	<ul style="list-style-type: none"> - Shared growth through mutually beneficial cooperation
<ul style="list-style-type: none"> - Customizing community activities according to local needs - Activating Group-wide support for local development - Providing more opportunities for employees to volunteer in local community activities 	<ul style="list-style-type: none"> - Supporting self-actualization through education and personal growth - Securing fair evaluation and compensation - Continuing the "Great Work Place" campaign - Activating communication with employees - Maintaining a balance between work and personal life - Improving labor-management relations based on trust and cooperation 	<ul style="list-style-type: none"> - Maintaining transparency and fairness in transactions - Expanding communication channels
<ul style="list-style-type: none"> - Founded the Shinhan Smile Financial Foundation - Expanded supports for the Shinhan Scholarship Foundation - Held the Shinhan Financial Group Volunteer Service Grand Festival 	<ul style="list-style-type: none"> - Fostered global talent by launching a financial education center in Hong Kong and supporting overseas MBA programs - Implemented the Employee Assistance Program at Shinhan Card - Received the grand prize in financial services for Shinhan Bank as "Korea's Great Work Place" for the sixth consecutive year 	<ul style="list-style-type: none"> - Held regular meetings - Managed the quality of the products and services of business partners - Encouraged customer participation in ethical and eco-friendly management
<ul style="list-style-type: none"> - Contributing to society matching with the size of the group - Continuing social contribution activities - Responding to social changes - Expanding communication with local communities 	<ul style="list-style-type: none"> - Nurturing global talent 	<ul style="list-style-type: none"> - Expanding CSR management into business partners
<ul style="list-style-type: none"> - SFG Inc's Strategic Planning Team establishes the Groups' CSR strategies. - SFG Inc's Social Culture Team implements the Group's CSR activities. - CSR division of each subsidiary determines and implements internal CSR strategies. - Shinhan Volunteer Service Group 	<ul style="list-style-type: none"> - SFG Inc's Business Management Team supports HR management in subsidiaries. - SFG Inc's General Affairs Team is responsible for the HR management of the entire holding company. - SFG Inc's Social Culture Team supports management of corporate culture in subsidiaries. 	<ul style="list-style-type: none"> - SFG Inc's IT Planning Team contributes to mutually beneficial relationships with business partners by ensuring the uniformity of all office automation systems, including telecommunications and equipment.

UN Global Compact

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



Classification	Principle	BEST Guideline	GRI G3 Guideline	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and	CO2, EM7, EM8 EM9, EM10, EM30 EM31, PN2, PN3	HR1 HR2 HR3 HR4 HR5 HR6 HR7 HR8 HR9	75
	2. make sure that they are not complicit in human rights abuses	EM31, PN2, PN3	HR1 HR2 HR8	75
Labor Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	EM8, EM12, EM13	HR5 LA4 LA5	82
	4. uphold the elimination of all forms of forced and compulsory labor;	EM10	HR7	75, 79
	5. uphold the effective abolition of child labor; and	EM9	HR6	75
	6. eliminate discrimination in respect of employment and occupation.	EM2, EM3, EM5 EM7, EM17, EM27	HR4 LA2 LA10 LA 13 LA14	75
Environment	7. Businesses should support a precautionary approach to environmental challenges;	GR11	4.11	45~46, 49~51
	8. undertake initiatives to promote greater environmental responsibility; and	EV1, EV2, EV3 EV4, EV11, EV16 EV17, EV23, EV24 EV26, EV27	EN2 EN5 EN6 EN7 EN10 EN13 EN14 EN18 EN21 EN22 EN26 EN27 EN30	45~51
	9. encourage the development and diffusion of environmentally friendly technologies	EV4, EV5, EV11 EV18, EV23, EV24	EN2 EN5 EN6 EN7 EN10 EN18 EN26 EN27	47~48
Anti-corruption	10. Businesses should work against all forms of corruption, including extortion and bribery	CO5, EM25, EM26	SO2 SO3 SO4	25~26

Stakeholder Engagement

Stakeholder Classification

The stakeholders of SFG consist of customers, both individual and corporate, employees, business partners, and regional communities. The Group defines stakeholders as groups or individuals who influence the Group's business activities either directly or indirectly, or for which the Group holds responsibility. The Group actively collects stakeholders' opinions via regular communication, and it defines its objectives and strategies for CSR management based on those opinions.

Stakeholder Dialogue

SFG maintains smooth relationship with its stakeholders through a variety of communication channels, and eliminates discrepancies between stakeholder expectations and company performance by collecting feedback on their demands and interests. The Group will continue to diversify its communication channels in order to offer stakeholders a freer and more active platform for stating their views.

● Stakeholder Communication Channels


Classification	Communication Channels
Customers	Survey, Presentation, VOC, Homepage
Employees	Survey, Labor-Management Meeting, Magazine, Consultation Center, Intranet
Business Partners	Survey, Regular Meeting, Consultative Group
Local Communities	Survey, Open Exhibition, Voluntary Works



Stakeholder Survey

To prepare its first CSR report, SFG collected a comprehensive set of opinions from stakeholders both inside and outside the Group. Targeting major stakeholders, the stakeholder survey gauged sustainability management in consideration of its customers, society, environment, employees, and future goals. SFG surveyed 3,686 stakeholders, including 734 individual customers, 320 corporate customers, 2,418 employees, 160 business partners, and 54 regional community members. SFG conducted the survey via email, interview, and telephone from December 2009 to January 2010.

In the results of the stakeholder survey, the highest score was posted for awareness among employees and business partners of "supplier-oriented management." By contrast, the lowest score was registered for recognition by all inside and outside stakeholders of "environmentally-aware management." This low score was primarily attributed to insufficient communication among stakeholders, and it does not reflect the Group's consistent interest in or effort toward addressing environmental issues.

In response to these results, SFG is improving its communication with stakeholders on the awareness of environmental issues through a variety of channels. It is also increasing its promotion of eco-friendly products, thus contributing to improvements in society and life. Results of the stakeholder survey on other issues are included in each section of this sustainability report. 

● Execution of Survey

Period	Dec. 10, 2009 ~ Jan 08, 2010
Survey by	Institute for Industrial Policy Studies
Method	Telephone, On-/off-line Survey
Stakeholders	734 Individual Customers, 320 Corporate Customers, 2,418 Employees, 160 Business Partners and 54 Local Communities

● Results of Survey

	Individual customers	Corporate customers	Employees	Local communities	Business partners	Average
Customer-oriented management	78.49	80.67	85.52	81.69	84.47	82.17
Socially-aware management	71.85	72.22	84.03	78.43	76.81	76.67
Environmentally-aware management	65.96	67.92	81.66	68.02	71.81	71.07
Future-oriented management	78.09	79.14	85.59	81.11	84.42	81.67
Supplier-oriented management	-	-	83.08	-	85.93	84.51
Employee-centered management	-	-	78.61	-	-	78.61

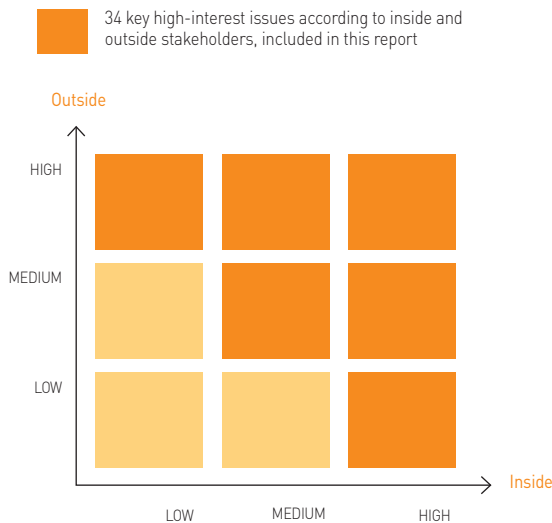
(Out of 100 points)

Materiality Test

To determine major issues in its sustainability management, the Group conducted a four-step test utilizing the IPS Materiality Test Model™. SFG identified two types of issues: those that outside stakeholders were likely to consider important, and those that inside stakeholders were likely to consider important. The test procedure included four steps: (1) review of internal policies, (2) stakeholder engagement, (3) peer review, and (4) media research. The test identified 54 issues, then isolated 34 key issues with high internal or external interest. These 34 key issues are analyzed in the CSR report. 🌐

● Materiality Test Process

Test 1 Internal Policy
Policies and Criteria
Test 2 Stakeholder Engagement
Survey (inside and outside stakeholders) Interview with 5 Professionals
Test 3 Peer Review
Benchmarking of leading companies in sustainability management
Test 4 Media Search
Review and search of media reports (Jan. 01, 2008 ~ Jun. 30, 2009)



Key Issues by Category

Category	Key Issues	
CSR Management	- Stakeholder engagement	- Compliance with regulations
	- Risk management	- CEO leadership
	- Check & management of CSR performances	- Higher trust
	- Reinforcement of CSR execution system	- Reinforcement of CSR leadership in the industry
	- Improvement of corporate governance	- Supports for financially marginalized group
	- Development of social and eco-friendly products and services	
Economy	- Operating performances	- Reinforcement of marketing activities
	- Brand value	- Development of overseas markets
	- Creation of new growth engines	
	- Innovation of internal process	
Environment	- Establishment of climate change response system	
	- Greenhouse gas management	
	- Enhancement of energy efficiency and resource saving	
Customer	- Enhancement of customer satisfaction	
	- Customer communication	
	- Development and improvement of product and service	
Employee	- Cultivation and training of talented people	- Safety and health of employees
	- Sound labor-management relations	- Employee communication
	- Personnel affairs and compensation system	- Job security and creation
Local Community	- Education of local communities	
	- Communication with local communities	
	- Supports for local communities	
Business Partners	- Enhancement of Wim-Win cooperation	
	- Communication with business partners	

* Issues with the highest priority are in orange color in the table above

Ethical Management

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

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

The Code of Ethics

To uphold the integrity, accuracy and reliability of accounting and financial information, SFG has enacted a "code of ethics for financial staff." Furthermore, each subsidiary has adopted its own codes and guidelines for ethics, conduct and business practice, especially against bribery, corruption and information leakage. These codes encompass ethical values that are required to financial experts and responsible corporate citizens. They serve as a beacon for our employees to follow in our day-to-day business activities.

Compliance with Regulations

To adhere to laws and regulations⁰⁵, SFG operates an array of programs, including Internal Transaction Guidelines and a Compliance Program (CP). To promote ethical practices, the Group also monitors daily operations for violations and holds education programs to inform all employees of the laws and regulations. In August 2009, Shinhan Bank implemented a portal service for legal advice and ethical guidelines on its intranet. With that service, the bank has enhanced its risk management by improving its processes for legal advice and providing reviews of employment contracts. In addition, by signing an MOU with the Financial Services Commission, thereby complying with the Financial Investment Services and Capital Markets Act, SFG implemented a system to prevent conflicts of interest.

Prohibition of Political Contribution and Support

SFG prohibits contributions to and support of political parties, politicians or related institutions, particularly illegal political donations for political campaigns. In 2009, there were no known incidents of political contribution or support at the Group level.

Ethical Management Education

The Group ensures the ethical and legal practices of all its business activities through the education of its employees. Once a year, all employees attend mandated training sessions. These include strategic management meetings, position-oriented training sessions, and cyber training courses. SFG also holds training programs on ethical management during on-the-job training.

Shinhan Bank provides a Compliance Education Week ("ABC Week") on the third week of every month. During "ABC Week," trainers present a "Compliance Letter," which introduces case studies of financial scandals and presents examples of best practice. All employees are required to take cyber-training courses on ethical management and compliance, and position-oriented training sessions are especially provided to newly recruited and promoted employees. The Group's compliance team visits remote areas such as regional branches to provide on-site education programs. Additionally, all employees are encouraged to carry the Group's ethics & compliance guidebook and code of ethics handbooks.

Shinhan Card holds an online financial ethics education program once a year to encourage all its employees to place priority on compliance in their daily operations and to prevent financial scandals. In 2009, 3,196 employees completed the education program and the compliance self-check program was implemented twice.

Shinhan Investment Corp. has a full range of education programs every year for compliance, telecommunication safety, and accident prevention. Total 3,978 employees participated in these programs in 2009. During the same period, 499 employees of Shinhan Life Insurance attended ethics education programs. The company also prevents financial scandals and sales malpractice by including compliance and ethics into coursework for the off-duty training of financial planners. Jeju Bank and Shinhan Capital hold regular education programs for 14 and 2 hours, respectively, every year to foster ethical management culture throughout both companies.

⁰⁵ These laws and regulations include the Banking Act, Loan Specialty Business Act, Insurance Business Act, Financial Industry Restructuring Act, Depositor Protection Act, Capital Market and Financial Investment Business Act and their relevant regulations.

Ethical Management Programs

Pledge of Ethical Practice | SFG encourages all employees to sign the pledge of ethical practice. Every year, each subsidiary selects major compliance requirements from ethical management guidelines for inclusion in the pledge. The pledge motivates employees to monitor their own ethical behaviors and raises their awareness of personal responsibility for ethical management and compliance. In 2009, 12,818 employees of Shinhan Bank signed the pledge of ethical practice. Shinhan Card also ensures the ethical management of employees through a document called "A Promise from the Shinhan Card People." Shinhan Investment Corp. requires new recruits to sign pledges of ethical practice and additional pledges on demand.

Fair Trade Compliance Program **Shinhan Bank** **Card** | The Compliance Program (CP) was introduced to encourage our employees to comply voluntarily with regulations on fair trade. The program includes input on the mechanisms of fair-trade practice, production of handbooks, enactment of behavioral guidelines, and operation of educational and monitoring systems. In 2009, Shinhan Bank conducted two after-work training sessions for departments with high fair-trade risks. To prevent unfair support between subsidiaries, it also held four group-wide monitoring sessions on internal trading during each quarter of 2009. Shinhan Card implemented cyber training programs for all employees and on-site monitoring on key business departments.


Compliance Self-check program **Shinhan Bank** **Card** **Life Insurance** | The Group provides a "Compliance self-check program" on its intranet system to allow employees to review their knowledge of ethical codes and regulations. Shinhan Bank conducts a compliance self-check program on the second week of every month. During 2009, 109,086 bank employees participated in this self-check program a total of nine times. Shinhan Card also holds an employee self-check program twice a year, during which employees review the codes of ethics related to their particular roles or jobs. Additionally, Shinhan Life Insurance has conducted self-check programs on their intranet at main offices and local branches.

Transparent and Fair Trade **Shinhan Bank** **Card** | To ensure fairness and integrity, the Group has set employee guidelines for the trading processes of its construction, outsourcing services, and procurement operations, from bidding to contract and execution. Shinhan Bank asks for and writes "integrity pacts" with its business partners when it receives documents during bids and keeps related performance records in a book of contract integrity. The bank's compliance officer is responsible for confirming compliance with these "integrity pacts." If the compliance officer discovers unfair practices during the processes of bidding, contracting, and execution, the officer determines appropriate penalties.

Shinhan Card and its business partners sign procurement contracts that agree to the terms of the "Clean Shinhan Card" campaign. Thus, the Group creates win-win fair-trade relationships with its business partners.

Internal Control and Management

Enhancement of Internal Control and Compliance | To further promote transparency and fairness within the management, the Group has enacted the Guidelines for Internal Transactions, a document that helps each subsidiary monitor its own activities, as well as to detect and report irregularities in financial transactions, including capital, assets and human resources. To prevent conflicts of interest with business partners, SFG maintains the Policy for Reports on Financial Transactions to guide employees in charge of making these reports. Shinhan Bank launched an Internal Control Council in September 2009 to strengthen its internal control and compliance system. The Group's compliance authorities also ascertain issues relevant to internal control and reinforce that control through on-going communications with each relevant division. To improve compliance on corporate intranet, SFG has upgraded the email approval process for its business operations and the integrated device logging across the network. In 2009, SFG also monitored compliance in its overseas operations, including seven local subsidiaries and 16 overseas branches. SFG held a compliance education program for 18 employees dispatched to overseas branches, and consulted with subsidiaries in Japan and China as they monitored compliance with regulations. In addition, SFG expanded its auditing system by recruiting 75 full-time auditors and dispatching them to 652 branches.

Whistle-Blower Protection **Shinhan Bank** **Investments** **Life Insurance** | As part of efforts to prevent financial errors or violations, whistle-blower protection has been in effect since the business ethics practice guidelines enacted in 2006. The Group's compliance office ensures whistle-blower protection, providing assistance through an exclusive website, e-mail, phone, post mail, fax and counseling. Any employee can access the system under guaranteed anonymity. Since June 2009, Shinhan Bank has called its whistle-blower protection program "Voices for a Clean Bank," a name selected through a companywide contest. Under the "Voices for a Clean Bank" initiative, the bank has made reporting channels and processes easier and safer, and it has boosted awareness of the importance of the system through public relations activities. Shinhan Investment Corp. has set up guidelines for its own whistle-blower protection program. Shinhan Life Insurance has also provided prompt response to reports of unethical, unfair and illegal behavior since introducing its own guidelines for internal complaints in 2007. 

Risk Management

SFG has a variety of methods to manage risks in relation to customer credit, market, liquidity, interest rate and business operation that may threaten sustainable growth and performance. These risks are scientifically and systematically recognized, measured, analyzed, controlled and reported in keeping with the Group's risk management philosophy and principles.

Organization of Risk Management Systems

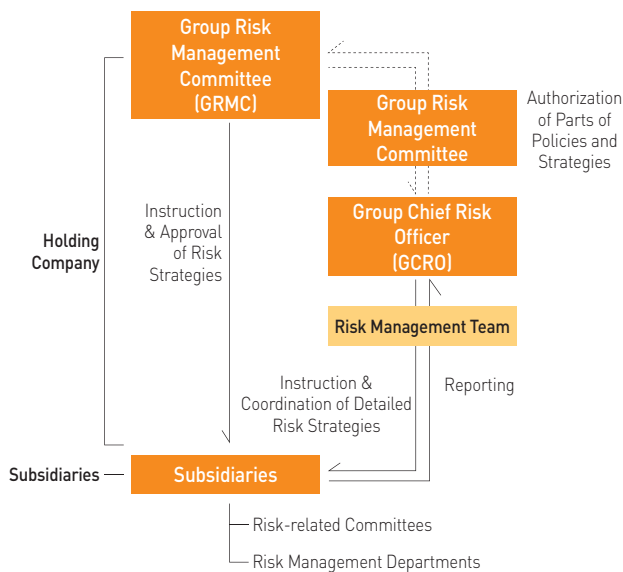
Basic policy and strategy directions for SFG Inc.'s risk management are formed by the Group Risk Management Committee under the BOD. The Group Chief Risk Officer (Group CRO) assists the Committee and discusses policies and strategies for the Group and its subsidiaries through the Group Risk Management Council, comprised of the executive officers in charge of risk management for each subsidiary. The subsidiaries in turn each formulate their own detailed risk policies and strategies in line with those of the Group through their risk-related committees. SFG Inc.'s Group Risk Management Team assists the Group CRO in managing and controlling general risks.

To keep risks at acceptable levels, SFG has adopted a hierarchical system of criteria for determining risk tolerance. The Group Risk Management Committee determines appropriate risk tolerance limits for the entire Group as well as subsidiaries. Subsidiaries also set detailed standards for risk tolerance according to the types of risk, internal division, desk and product.

Group Risk Management Committee | The Group Risk Management Committee is responsible for overall risk management, from establishment of risk management systems for the holding company and its subsidiaries to setup and approval of basic risk management policies and tolerance limits for the Group. The committee is comprised of two outside directors and one other non-standing director from the holding company. Resolutions of the Committee are reported to the BOD.

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

● Risk Management Organization



Management Strategies by Type of Risk

Credit Risk Management | The Group defines potential losses resulting from a counterparty's refusal to honor a contractual credit obligation as credit risk, which is regarded as the most important risk area in its business operation. Credit ratings are granted for every loan exposure only after conducting a credit evaluation, whether on individual or corporate customers. It also manages these credit ratings, and hence credit risk, through a timely monitoring system.

Market Risk Management | The Group defines market risk as the threat of potential loss on a trading position caused by market fluctuations in interest rates, stock prices, foreign exchange rates or commodity prices. SFG in particular focuses on market risks from changes in the values of equities and derivatives, as well as from trading positions in foreign exchanges. Accordingly, the Group determines risk tolerance limits for portfolio management and individual dealers.

Liquidity Risk Management | The Group defines liquidity risk as the possibility of incurring losses due to a temporary shortage in funds; such shortages may result from a maturity mismatch or an unexpected capital outlay. Liquidity risk soars when assets are sold below a normal price and funding rates rise. To better manage liquidity risk, the Group and its subsidiaries comply with the liquidity-related supervision ratios required by relevant authorities. Moreover, to prepare for unexpected liquidity problems arising from rapid changes in the market environment or in monetary policy, each subsidiary has set up a wide-ranging contingency plan.

Interest Rate Risk Management | The Group defines interest rate risk as possible losses from fluctuations in interest rates that may reduce its net asset value or net interest income (NII). The Group's interest rate risk management objectives are to manage interest-earning assets and liabilities overall to maximize NII within acceptable risk limits, and also to minimize potential losses on net interest margins (NIM) that may result from adverse interest rate fluctuations.



Operational Risk Management | Operational risks are defined as exposure to losses arising from inappropriate or faulty work processes, internal workforce or systems, or certain external factors. The objectives of the Group's operational risk management are to manage residual risks by keeping cost-benefit rates within acceptable levels. Operational risk is managed at the local level, with primary responsibility for operational risk management assigned to each branch and division of headquarters. Divisions in charge of personnel management, computerization, and legal counseling are asked to support operational risk management in more professional ways. In addition, each subsidiary has its own special unit to manage overall operational risks, as well as inspection teams responsible for examining the appropriateness of the management system. SFG separates operational risk measurements for each subsidiary in accordance with each subsidiary's internal management structure and supervisory regulations.

Preparation for Basel II | Shinhan Bank and Jeju Bank have applied the Basel II Accord to their operations since 2008, complying with the introduction of these accords to Korea's domestic banking sector. Shinhan is preparing to apply the accords throughout the Group, including non-banking subsidiaries; the specific date of implementation will be determined by the Financial Supervisory Services. Shinhan Bank is fulfilling the requirements Basel II for overall business operations and processes by revising loan processes to boost transparency. The Bank is also revising its credit evaluation system by taking into account borrower bankruptcy rates and the characteristics of loan exposure, as well as profit/loss evaluation with allowance for expected losses, and expanded use of RAPM⁰⁶. The Group continues to make advances in its risk management and to instill awareness of risk management into its corporate culture. 🌐

⁰⁶ The Risk-Adjusted Performance Measurement (RAPM) model is used for evaluating the performance of each division in dealing with risk while executing its business processes. Thus, the performance of each division is rewarded according to the type and number of risks it faces, leading to efficient allocation of resources throughout the Group.

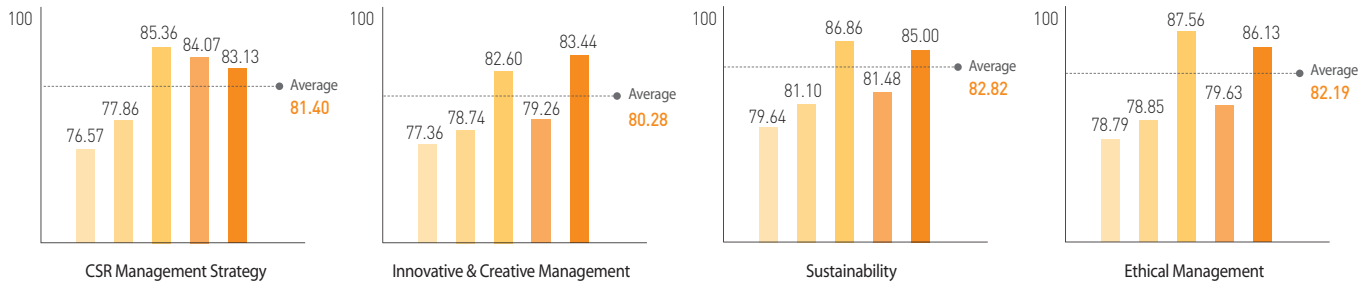


In the section of the inside/outside stakeholder survey regarding the recognition of future-oriented management, employees posted the highest score for awareness, while individual and corporate customers posted relatively lower scores. As a specific category, the level of awareness of “innovation and creative management” earned the lowest score. This result was attributed mainly to a lack of information among stakeholders on the Group’s future plans and direction. In response, executive management is implementing more thorough methods for sharing information with stakeholders on activities and performance related to sustainability, ethical management, innovation, and creative management. 🌐

● **Future-oriented Management**

■ Individual Customer ■ Corporate Customer ■ Employee ■ Local Community ■ Business Partners

(Out of 100 points)



2009 Highlights

We are committed to playing a role as a corporate citizen by fulfilling social responsibilities.



DJSI's the Most 'Sustainable Performer' in Korea

SFG was designated the most 'sustainable performer' among Korean banks by the Dow Jones Sustainability Index of Korea (DJSI07 Korea) in 2009. Moreover, the Group became the first Korean financial institution to be included on the DJSI Asia-Pacific Index in 2009. Going beyond today's achievements, SFG is aiming to be included the DJSI World Index, and stand shoulder to shoulder with global players.



Shinhan Smile Microcredit Bank Founded

To help financially marginalized people achieve greater social and financial independence, the Group founded the Shinhan Smile Microcredit Bank in December 2009. For next five years, each subsidiaries of the Group will contribute KRW10 billion every year, totaling KRW50 million, to underprivileged groups for supporting their business startups and operation without collaterals and guarantees. As of June 2010, total of KRW932 million of such loans were made to 122 persons. In 2010, two offices were added at Busan and Anyang.

07 DJSI is recognized as a global standard for evaluating the CSR management practice of all companies in the world. It includes comprehensive performances in economic, environmental and social aspects beyond just financial results.



Supporting Shinhan Scholarship Foundation

Since the foundation in 2006 with an initial capital of KRW50 billion contributed by seven subsidiaries, the Shinhan Scholarship Foundation has supported underprivileged students struggling with living expenses. The foundation's major programs include scholarship, academic & educational research supports, and educational institutions supports. In 2009, additional KRW30 billion was contributed for such programs.



"Job-S.O.S 4U" Project

To resolve youth unemployment and labor shortage in SMEs, the most urgent economic issues, Shinhan Bank conducted the "Job-S.O.S 4U" project. This project includes two programs: including a program for supporting SMEs' employment; and the other project is for nurturing financial experts for socially responsible businesses. For the project, KRW37 billion of funds were raised by employees' voluntary return of payroll.



Eco-friendly Welfare Programs

SFG contributes welfare programs to install LED lighting and solar photovoltaic power generation system at facilities for the low-income group. The installation of eco-friendly facilities helps lower income people with cost-saving opportunities, as well as reducing the emission volume of CO₂. With a unique feature by combining welfare and eco-friendly effects, these programs are meaningful for us. Looking ahead, we will expand this welfare programs into another level.



Shinhan Financial Group will continue to earn respect as a leading financial group and to secure sustainable growth by fulfilling its economic, environmental and social responsibilities for all stakeholders.

SFG engages in future-oriented CSR activities to create customer value, to grow along with local communities, to protect the environment, and to create mutually beneficial relationships with its business partners. Now, subsidiaries play a crucial role in CSR activities, each utilizing a unique capability and contributing to the corporate culture of the whole Group.



DELIVERING STAKEHOLDER VALUE





Economy

SFG takes advantage of the synergy created within its multi-dimensional lineup of businesses, including banking, credit card, investment, and life insurance services. It has also strengthened its resistance to shifts in the financial climate by restructuring business operations and sharpening its competitive edge. Thus, we will continue to march toward our objective of becoming a major player in global markets.

Major Businesses

Economic Value Creation and Distribution

In 2009, SFG created KRW5.53 trillion of economic value from major business operation, products and services. The created value was distributed among stakeholders including shareholders, employees, business partners, the government, and local communities.

[KRW in billions]

Stakeholder	Shareholder	Employee	Business Partner	Government	Local Community	Other
Distribution	Dividend	Salary, Welfare Cost	Investment in Facility, Commission	Income Tax, Other Taxes	Social Contribution, Donation, etc.	Depreciation, Retained Earnings, etc.
Total Value	427.9	2,144.8	351.5	809.4	169.4	1,630.3

Performance Indicator

Due to the global financial crisis triggered by the U.S. sub-prime mortgage turmoil, most financial institutions faced challenges in 2009 from the volatility in financial markets and international cooperation for stricter regulation for the financial industry. Despite such unfavorable market conditions, SFG succeeded in recapitalization ahead of other financial institutions in Korea, restoring the trust from the markets and laying a firm base for sustainable growth through preemptive risk management and sound financial condition with "back to basic" principles in business operation.

In 2009, SFG realized consolidated net income of KRW 1,305.3 billion, down 35% from 2008. This decrease was mainly due to 48.3% drop in Shinhan Bank's net income to the KRW 748.7 billion for 2009. This fall was primarily caused by a sharp decrease in the net income margin (NIM) and asset growth, leading to a 10% drop in interest income from 2008. In addition, a deterioration in asset quality influenced a 49% year-on-year growth in provisioning expenses compared to 2008.

Non-bank subsidiaries recorded a combined net income of KRW 1,139.8 billion, down 14.6% from the previous year. Their contributions to the Group's net income grew from 48% in 2008 to 60% in 2009 due to the sound performances of various non-bank subsidiaries, especially those of the credit card and life insurance sector offset the bank's sagging net income. By subsidiary, Shinhan Card posted KRW 856.9 billion in net income, while Shinhan Life Insurance realized record-breaking KRW 174.0 billion, up 25% year-on-year, on its bottom line, greatly contributing to non-bank subsidiaries' profitability.

SFG will make every effort to maintain a stable financial structure by streamlining its business portfolio and outstanding customer-oriented financial services.

Profitability

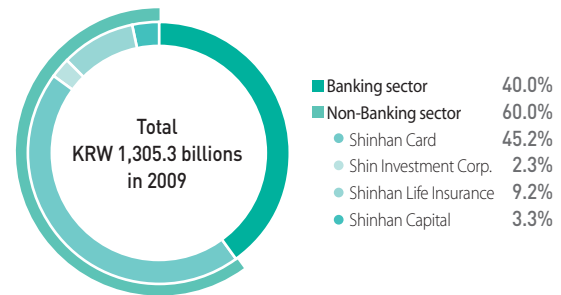
[KRW in billions, %]

Classification	2007	2008	2009
Net income of the Group	2,396.4	2,018.6	1,305.3
Total assets of the Group	214,853.4	246,494.8	261,442.8
Return on assets (ROA)	1.12	0.82	0.5
Total shareholders' equity	17,029.8	17,912.2	19,366.3
Return on equity (ROE)	14.07	11.27	6.74

* Total assets and shareholders' equity was calculated on the basis of the average results for the fiscal year.

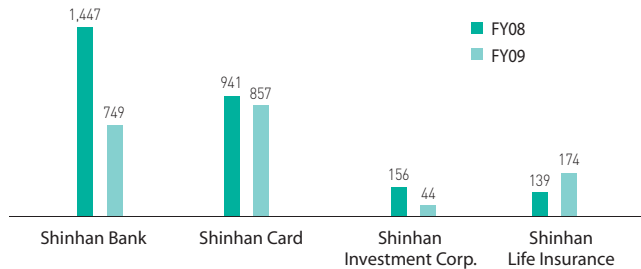
* Total shareholders' equity did not include the minority interest in equity.

Breakdown of Net Income of the Group



Net Income by Subsidiary

[KRW in billions]



Asset Quality

[%]

Classification	2007	2008	2009
Substandard & below ratio of the Group	0.98	1.15	1.35
Subsidiaries			
Shinhan Bank	0.73	1.00	1.00
Shinhan Card	3.74	2.94	3.10
Shinhan Investment Corp.	2.40	4.82	19.45
Shinhan Life Insurance	0.36	0.45	0.49
Shinhan Capital	1.17	1.17	2.18
Jeju Bank	0.76	0.36	0.91

● Capital Adequacy

(%)

Classification	Index	2007	2008	2009
Shinhan Investment Financial group Inc.	Consolidated equity ratio	9.85	10.19	12.60
Shinhan Bank	BIS capital adequacy ratio	12.09	13.44	15.14
Shinhan Card	Adjusted capital ratio	25.31	20.32	26.73
Shinhan Investment Corp.	Net capital ratio	568.44	575.44	608.78
Shinhan Life Insurance	Solvency margin ratio	226.05	209.47	262.67
Shinhan Capital	Adjusted capital ratio	14.53	11.80	13.44
Jeju Bank	BIS capital adequacy ratio	11.32	12.98	14.04
Shinhan BNP Paribas	Net capital ratio	317.74	484.80	675.40

* According to the first clause of article 25 of the Financial Holding Company Monitoring Regulation, consolidated equity ration offsets the ratio of equity to required assets for the calculation of the Group's capital adequacy indices since 2007.

* Capital adequacy ratios of Shinhan Investment Corp., Shinhan Life Insurance and Shinhan BNP Paribas Asset Management which settle the accounts in March are as of the end of every December.

Credit Ratings

Credit ratings of the Group's major subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance and Shinhan Capital, are evaluated by domestic and global credit rating agencies. All five subsidiaries' credit ratings have remained stable according to their sound financial conditions and sales network. 🌐

● Credit Ratings

Subsidiary	Classification	Moody's		S&P		Fitch		Korea Investors Service
		Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Shinhan Bank	2007	A1	P-1	A-	A-2	A-	F-2	AAA
	2008	A1	P-1	A-	A-2	A	F-1	AAA
	2009	A2	P-1	A-	A-2	A	F-1	AAA
Shinhan Card	2007			BBB+	A-2	BBB+	F-2	AA
	2008		-	BBB+	A-2	BBB+	F-2	AA
	2009			BBB+	A-2	A-	F-2	AA
Shinhan Investment Corp.	2007							AA-
	2008		-					A1
	2009							A1, AA
Shinhan Life Insurance	2007							AAA
	2008		-					AAA
	2009							AAA
Shinhan Capital	2007							AA-
	2008		-					AA-
	2009							AA-

Global Expansion

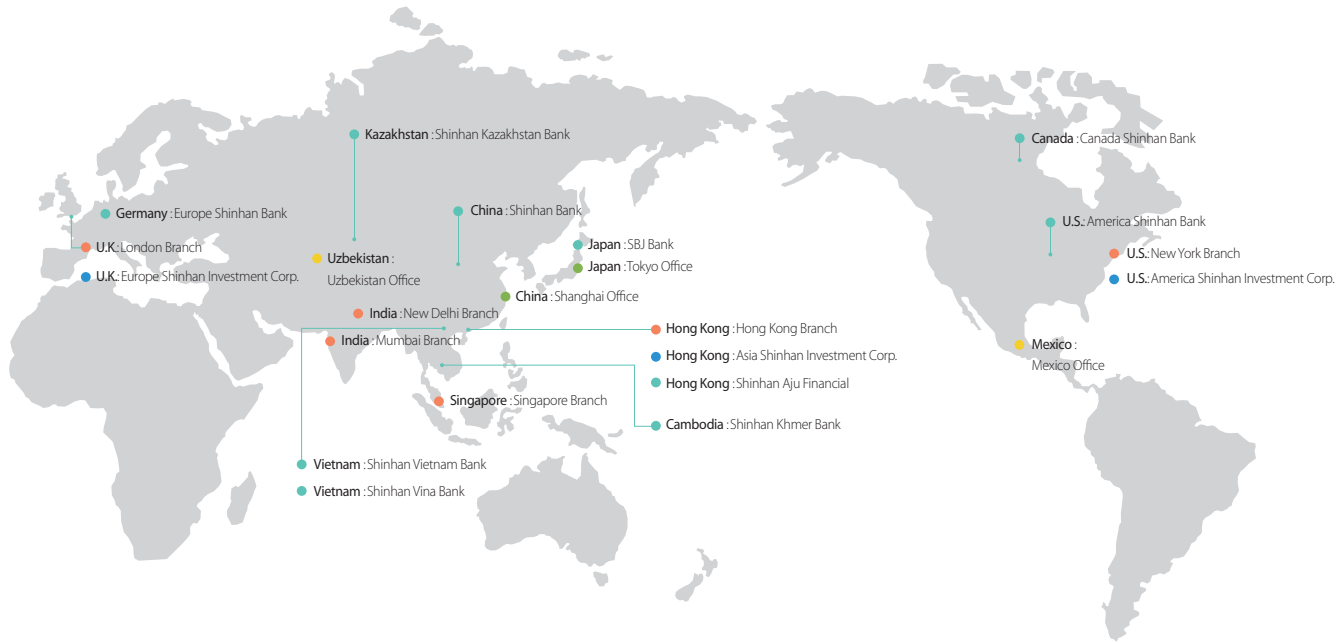
With its vision to become a world-class financial group, SFG aggressively expands into global markets.

At the end of 2009, Shinhan Bank has an overseas network with 51 outlets in 14 countries, including 6 branches, 10 subsidiaries, 33 sub-branches of subsidiaries and 2 representative offices. In March 2009, the Bank launched Shinhan Bank Canada, a local subsidiary in Canada. Converted three branches in Tokyo, Osaka, and Fukuoka into sub-branches of newly established Shinhan Bank Japan in September 2009, and opened additional two such sub-branches in Ueno and Yokohama, the Bank has five sub-branches of its local subsidiary in Japan as of the end of 2009. During 2009, the Bank established three additional local subsidiaries including Shinhan Vietnam Bank opened in November 2009. Shinhan Bank America, a local subsidiary in the U.S., expanded its network into 14 sub-branches by opening Little Neck Branch in New York and Dallas Branch in Texas in 2009. Meanwhile, Shinhan Bank (China) Ltd. opened a sub-branch in Hong Qiao, Shanghai in October, becoming the tenth sub-branch. The Bank also has two representative offices by opening a representative office in Uzbekistan in 2009. Shinhan Investment Corp. has three local subsidiaries in the U.S., U.K., and Hong Kong, and two overseas offices in Japan and China. SFG will grow into a world-class financial group by fulfilling its pledge as a corporate citizen and one of Korea's leading financial groups. 🌐



● Global Network of Shinhan Bank and Shinhan Investment

● Branch of Shinhan Bank ● Local Subsidiary of Shinhan Bank ● Representative Office of Shinhan Bank ● Local Subsidiary of Shinhan Investment Corp. ● Representative Office of Shinhan Investment Corp.



● Global Network

(persons)

Classification	Name (Country)	Dispatched	Local	Total
Shinhan Bank	Singapore (Singapore)	4	10	14
	Mumbai (India)	3	28	31
	New Delhi (India)	2	16	18
	Hong Kong (Hong Kong)	7	8	15
	London (U.K.)	6	8	14
	New York (U.S.)	8	13	21
	SBJ Bank (Japan)	33	87	120
	Shinhan Vietnam Bank (Vietnam)	7	42	49
	Shinhan Vina Bank (Vietnam)	6	202	208
	Shinhan Bank (China)	35	251	286
	America Shinhan Bank (U.S.)	16	190	206
	Europe Shinhan Bank (Germany)	4	11	15
	Canada Shinhan Bank (Canada)	3	24	27
	Shinhan Khmer Bank (Cambodia)	4	15	19
Shinhan Investment Corp.	Shinhan Kazakhstan Bank (Kazakhstan)	3	31	34
	Shinhan Aju Financial (Hong Kong)	7	13	20
	Mexico (Mexico)	1	-	1
	Uzbekistan (Uzbekistan)	1	-	1
Local Subsidiary	America Shinhan Investment Corp. (U.S.)	1	4	5
	Europe Shinhan Investment Corp. (U.K.)	2	4	6
	Asia Shinhan Investment Corp. (Hong Kong)	2	4	6
	Tokyo (Japan)	1	-	1
Representative Office	Shanghai (China)	3	1	4
	Total	159	962	1,121

Innovative and Creative Management

Centralizing Back-office Processes Shinhan Bank

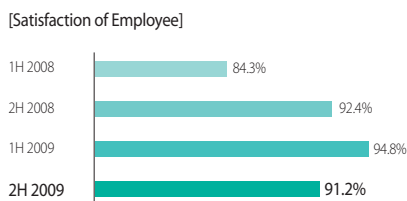
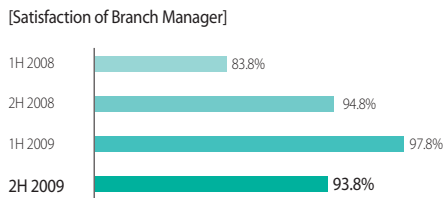
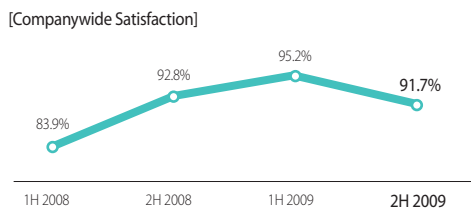
Business process reengineering (BPR) is a management innovation tool that combines business process redesigning and information technology to achieve significant business performances, thereby optimizing marketing competence at bank branches through the centralization of back-office operations.

In the first stage of the BPR project in 2006, SFG focused on process integration following the merger of two banks. During the second stage in 2007, the Group primarily designed and developed centralization of all

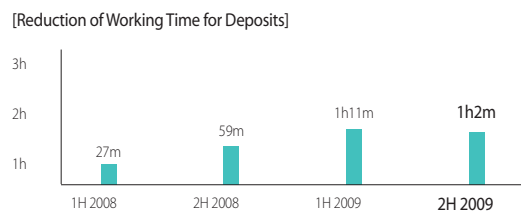
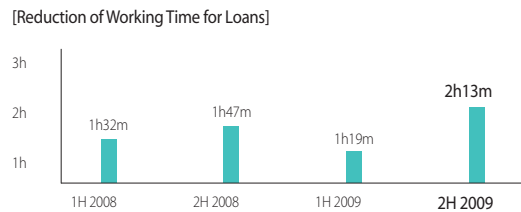
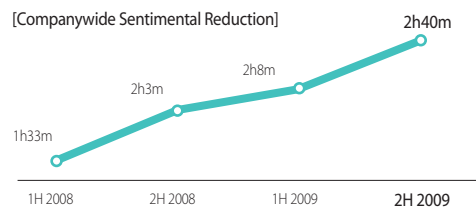
business processes at the branch level. After a three-month preliminary run at 134 branches since the BPR Center was opened in September 2007, the center began to cover all branches in April 2008. In October 2009, the Group completed an additional BPR "Level-Up" project, which centralized process of credit review, new corporate loan exposure, and maturity period extension of household real estate mortgage loans, for all nation-wide branches.

In 2010, the Group is preceding with 'BPR Renovation 2.0!' project to become Korea's top bank based on its experiences and knowhow. It will gradually carry out four core tasks for BPR project, including marketing supports, new businesses, existing process system improvement, and streamlining of BPR Center operation.

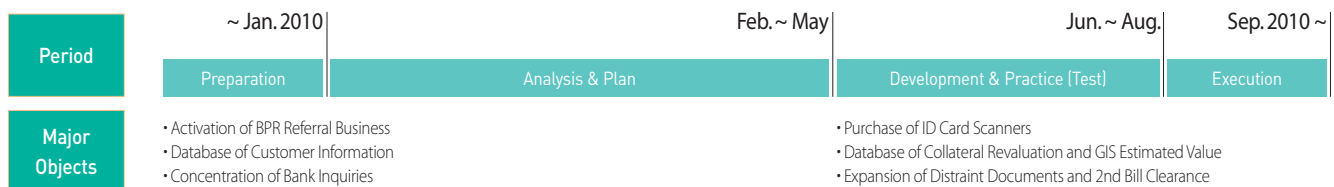
● Employee Satisfaction on BPR



● Reduction of Working Time at Branches



● Schedule for BPR Renovation 2.0! Project



Process Innovation Campaign **Card**

In addition to Six Sigma program, Shinhan Card holds campaigns to secure stable financial performance, share knowledge between divisions and employees, and boost the efficiency in daily operation. In March 2009, the company conducted the "Bubble Zero," an in-house campaign to minimize overhang costs caused by unnecessary overlaps. Through the campaign, the company selected 154 suggestions out of 1,285 suggestions for improvement from 1,042 employees, leading to KRW2.6 billion of annual cost-savings and the improvement of revenue structure. Furthermore, the company implemented 'Work-Diet' campaign in September 2009 to enhance the efficiency in its HR management by minimizing low-value tasks. In the campaign, the company carried out process innovation by holding intensive time limited to each employee's own duty, simplifying paperwork, and reducing numbers or duration of meetings. As a result, 8,587 hours were saved every month via this campaign.

NGS-2008, a New Insurance System **Life Insurance**

To encounter newly introduced regulations including IFRS, strengthen synergy created between subsidiaries, and build highly competitive IT infrastructure, Shinhan Life Insurance developed 'NGS (New Generation Start)-2008.' To consider the characteristics of the company's sales channels, including Financial Consultant (FC), Telemarketing (TM), Agency Marketing (AM), bancassurance, and institutional sales, the company identified 1,350 types of cases and invested KRW18 billion for 17 months to the development of the system. With this new insurance system, duration of product development was radically curtailed and time of balancing process was cut to the lowest level in the industry. By integrating customer information, this system provides customers with one-stop service, and enables employees via simple one-click to access information about policy terms, details of consulting, and insurance claims and payments.



Knowledge-based Management

To share diverse knowledge and experience of employees and improve employees' capability in operation, we hold a wide variety of programs.

Shinhan Bank | Shinhan Bank introduced the Knowledge Management Team in April 2006 and opened the Enterprise Knowledge Portal (EKP) in July 2007 to provide quality products and services to customers through the systematic management of the knowledge database, where individual best practice (BP) experiences and knowledge are collected and shared. The portal enables the Bank to improve its work process through management improvement suggestion system which encourages the creativity and ideas of employees. As a result, total number of suggestion in 2009 posted 7,061, while the suggestion acceptance recorded at 948, leading to 13.4% suggestion acceptance rate. Furthermore, the Community of Practice (CoP)⁰⁸ promotes smooth knowledge exchange between departments and employees. In 2009, 356 CoPs were installed though the participation of 6,500 employees.

Shinhan Card | Shinhan Card conducts Idea Bank, a program collecting employees' suggestions to share their creative idea and seek proper ways to resolve. Through various programs including "A Day of Suggestion" and "Suggestion Event," the company encourages voluntary participation of employees, resulting in 16.6% improvement of participation rate in 2009 compare to the one in 2008. Major issues were CS improvement, taking 28.7% of total suggestion, and sales revitalization, making up 23.4%. The company also holds CoP program to cultivate open-door culture via self-motivated study and active communication. As of the end of 2009, 551 employees were participated in 31 CoPs. Twice a year, we reward outstanding CoPs according to their activities level and output quality. Superior members in CoP are accredited for four hours of required education time and rewarded.

Shinhan Investment | To share and use ordinary days' ideas of employees to boost productivity, Shinhan Investment has conducted a proposal program named as 'Eureka.' The company upgraded the 'Eureka' program by simplifying screening procedure and disclosing results of treatment. And CEO of the company determines reward level for extraordinary performance after reports of screening committee. 412 employees participated in 14 CoPs. Six additional CoPs are preparing for launching.

Shinhan Life Insurance | Shinhan Life Insurance implements suggestion programs, Knowledge Bank, and CoP program to inculcate the company with innovate spirit focusing on work site. The suggestion programs include: "real-time suggestions," which allow employees freely talk about all areas of management; "research & suggestions," which requires in-depth research about management innovation and other issues; and "inviting suggestions," which invites employees to join in suggestions. Until 2009, totally 1,400 suggestions have been accepted for rewards and mileages⁰⁹. 100 employees participated in ten CoPs. In addition, the Knowledge Bank system was launched at cyber academy to store and manage various information for marketing, management, financing, and other knowledge for respective job. Total 2,100 items were registered as knowledge in 2009. Twice a year, through knowledge registration campaigns, listed knowledge is rewarded with mileages.

⁰⁸ COP [Community of Practice] is a community to create, practice and share knowledge among employees.

⁰⁹ Mileage points of Shinhan Life Insurance are added up in cases of registering efficient knowledge and proposals, and rewards are awarded to excellent providers quarterly and yearly.



Public Works **Card**

Shinhan Card became a sole partner for various welfare card businesses in line with the government policy. In 2008, the company developed a special card for small car owners on commission of the government, following the government's policy on tax credit for small cars. In 2009, the company was selected as a sole business partner for 'i-Love Card'¹⁰ organized and launched by the Ministry for Health, Welfare and Family Affairs. This business will be continued by us exclusively. The company was also selected to take part in the Ministry of Land, Transport and Maritime Affairs' oil subsidies project for truck owners as a business partner, and initiated a special welfare card with additional service of oil price discount for truck owners. This card provides convenient discounting service when the truck owners use the card by eliminating requirement for submission of documents every quarter regarding the oil subsidies. Thus, Shinhan Card is striving to develop socially contributable products by using its cumulated knowhow.

Foray into Futures Business **Investments**

Shinhan Investment Corp. began futures business to provide institutional investors at home and abroad and individual customers with new investment products by taking advantage of opportunities from the Capital Market and Financial Investment Service Act. Due to economic growth, advancement of capital market according to the government's policy, and expanded overseas investment, overseas futures and FX margin trading¹¹ are expected to grow stably. By fulfilling the trading demands for exchange traded derivatives from the group's subsidiaries, the company will secure profitability by creating synergy inside the group. Going forward, the company will continue to proactively enter new business areas within the legal boundaries of the Capital Market and Financial Investment Service Act.

¹⁰ 'i-Love Card' was created to help people who bring up infants or children. Childcare subsidy is given when the card user pay the commission at nursery.

¹¹ FX margin trading is a real-time currency transaction between two countries.



Job Creation Shinhan Bank

Shinhan Bank, as an unbiased bank pursuing the benefits of the bank and society at the same time, implemented the “Job-S.O.S 4U” project to resolve youth unemployment and labor shortage in SMEs that are the most significant issues in Korea today. The project name, “S.O.S,” stands for “Sharing of Shinhan” and includes job-sharing and pain-sharing. This project has two programs for supporting of SMEs’ employment, and nurturing of financial experts for socially responsible businesses. KRW37 billion of fund for the project were raised by employees’ voluntary return of payroll.

SMEs’ Employment Support Program | This program supports SMEs recommended by the Korea Federation of Small and Medium Business with one year of salary for each new recruit for permanent employment. Since April 2009, Shinhan Bank has supported the employment of 3,000 job seekers with KRW35 billion in capitals. The Bank supports 80% of monthly salary (KRW1.0 million in maximum per month) for each new recruit.

SMEs’ Employment Support Program | This program supports SMEs recommended by the Korea Federation of Small and Medium Business with one year of salary for each new recruit for permanent employment. Since April 2009, Shinhan Bank has supported the employment of 3,000 job seekers with KRW35 billion in capitals. The Bank supports 80% of monthly salary (KRW1.0 million in maximum per month) for each new recruit.

Nurturing Financial Experts for Socially Responsible Businesses

| This program allows socially responsible businesses, which hire underprivileged group and provide social services, to relieve burden caused by the absence of financial experts. Since the Group signed agreement with the Ministry of Labor in July 2009, Shinhan Bank has supported the socially responsible businesses with education expenses for financial experts and one year of salary with KRW2 billion of fund raised from employees’ voluntary return of payroll.

Job Creation to Resolve Unemployment | Shinhan Bank newly hired 760 employees, more than two-fold numbers of its annual recruits and 500 youth interns. The Bank also created jobs for aged personnel by reemploying retirees in 2009 for temporary position. In 2010, the Bank plans on hiring three times the number of employees than usual hiring to create more jobs. It will also recruit 1,000 part timers from female and households. 🌐

[Interview with an Expert] Young-Ho Seo, Executive Director of JP Morgan

Suggestion for Socially Responsible Management within SFG

Shinhan Financial Group is Korea's leading financial group with the best competitiveness for core businesses and well-allocated business portfolio between banking and non-banking sectors. Additionally, employees' awareness of ethical management and morality earn good reputation from most stakeholders.

The major strong points of SFG's CSR activities are transparent management and varied communication with stakeholders. If SFG develops these strengths further, CSR activities of SFG could be a successful role model for other corporations.

Looking ahead, if SFG continue to aggressively strengthen its presence in the world markets, the Group should make efforts to foster global talents. To do so, the group needs to improve employees' foreign language skills and scout global talents to sharpen its global competitiveness.

Response from SFG

Despite unfavorable market environments due to the global financial crisis, SFG retained its industry-leading performances in net income for two consecutive years thanks to outstanding results from non-banking businesses. Furthermore, we were preparing for growth opportunities in upcoming boom with our core strategic tasks "Building New Growth Pipelines" in 2009.

To implement effective CSR management, we continue to focus on active communication with stakeholders to listen their voices through networking between CSR teams of the Group and subsidiaries and branches.

To become a world-class financial group, we will nurture 240 financial experts with global talent every year from 2009 until the number reaches 1,000 by 2012. We are actively conducting Hong Kong Finance Education Center, overseas MBA programs, and training programs linking with overseas strategic partners including BNPP Group and Macquarie Group.



Environment

To keep pace with the global response to climate change and to meet responsibilities as a financial institution, SFG has introduced eco-friendly management initiatives for environmental conservation and development of green financial products. SFG is quickly becoming a leader in the green-financing industry through a variety of products and services.

Climate Change

It becomes more and more important for financial institutions to play a role in meeting with climate change due mainly to the government's strategic supports for green growth, increasing environment consciousness of customers and requirements for more corporate social responsibilities today. Shinhan Financial Group also adopted the environment-friendly management system to cope with climate change as well as to realize the importance of environmental issues. The Group will continue to take our social responsibilities by proactively participating in the burgeoning eco-friendly financial markets.

Green Management

Green Financing Executive Council | To boost efficiency and expand opportunities for synergy in green financing, SFG organized the Green-Financing Executive Council. The council consists of four members in charge of green financing – one each from Shinhan Bank, Shinhan Card, Shinhan Investment Corp., and Shinhan BNP Paribas Asset Management – as well as one person from the Bank FSB Research Center. The council will establish Group-wide green financing strategies, develop opportunities for synergy inside the Group, carry out domestic and overseas case studies, and exchange information. It will also monitor the procedures of each subsidiary in green financing, helping the Group develop into a leading player in the field.

Special Team for Green Banking Shinhan Bank | Shinhan Bank launched the "Green Banking Team" in its Strategic Support Department in October 2009 to prepare for the upcoming ISO26000. The Bank performs

a variety of tasks through the department, including establishment and planning of a green management system, planning and adjustment of the roles of each division in green financing, and securing a long-term growth engine through green financing.

Information Disclosure and Management of CO₂ Emissions

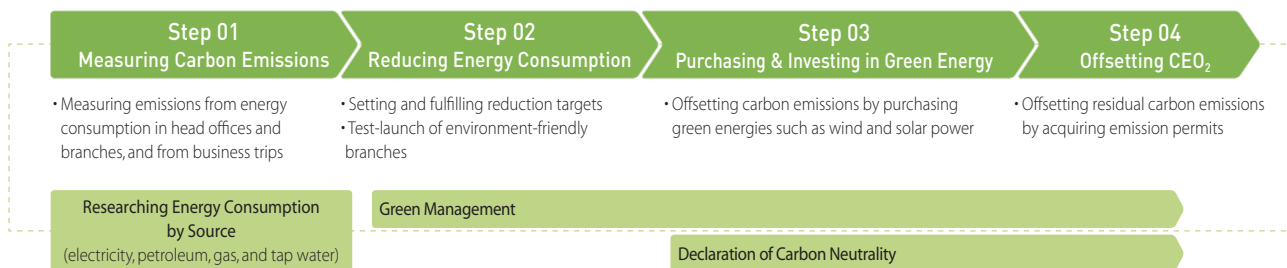
SFG participates in a variety of global initiatives for financial institutions and is committed to reducing greenhouse gas emissions, in accordance with the United Nations Framework Convention on Climate Change. SFG will develop an inventory system to measure, record, and process data on greenhouse gas emissions from its business operations, and to establish efficient strategies to offset carbon emissions. Above all, the Group plans to minimize CO₂ emissions through its green management policies, and offset emissions through the purchase of renewable energy resources and emission rights.

A Member of the Carbon Disclosure Project (CDP)

Shinhan Bank

BNPP | Shinhan Bank and Shinhan BNP Paribas Asset Management have participated in the carbon disclosure project (CDP) since 2007 and 2008, respectively. CDP is a world-wide project that collects information and encourages companies listed on major stock markets to develop mid- to long-term business strategies against greenhouse gas emissions on behalf of financial investment institutions around the world. As an active participant in the CDP, SFG offers financial incentives to encourage corporate customers to disclose information on greenhouse-gas emissions.

● Four Steps to Promote Green Management and Carbon Neutrality



Carbon Offsetting Shinhan Bank | In January 2010, Shinhan Bank transformed the “2009 Comprehensive Performance Evaluation Event,” its largest company-wide event, into a demonstration of carbon neutrality. By observing the carbon offsetting standards of the Korea Energy Management Corporation, the event was held with “zero” carbon emissions.


The Bank has participated in carbon-offsetting forestry projects organized by the Korea Forest Service (KFS) since 2010. KFS has operated its own forestry projects in Pyeongchang-gun, Gangwon province, for the last 40 years, which now makes Korea eligible for the purchase of more carbon-emission rights. The Bank signed an MOU with KFS in March 2010, and is now forming a master plan with local government of Pyeongchang. These activities are examples of how the Bank looks beyond merely purchasing carbon emission rights by seeking collaborative solutions with regional communities.

Participation in the Global Environment Prevention Initiative

Shinhan Bank joined the United Nations Environment Programme Finance Initiative (UNEP FI)¹² in January 2008 to fulfill its pledge of sustainable

growth as a financial institution. The UNEP FI identifies, encourages and assists eco-friendly financial institutions, augmenting the synergy between the financial and non-financial sectors, including sustainability management of financial institutions. SFG will continue to reinforce its sustainability management through Group-wide environment-friendly policies, with Shinhan Bank as a pivotal point.

Education Programs for Employees Shinhan Bank

As the financial sector increasingly acknowledges its crucial role in minimizing the impact of climate change, Shinhan Bank holds environmental education programs for employees, thereby fostering competitiveness in human resources and developing eco-friendly products that reflect the opinions of the community. In after-hour workshops and online sessions offered since 2010, these education programs address a variety of issues including new and renewable energy, green financing, and green management. Using materials from the Korea Institute of Banking, the Bank also offers a class on the history of green financing and on strategies and case studies in green financing. From the second half of 2010, the Bank will enhance these educational offerings with in-house MBA courses that focus on green financing. 

● Environment-related Education Programs

Category	Course	Method	Institute
New and Renewable Energy	2010 New and Renewable Energy Prospect Conference	Group	KECFT
	New and Renewable Energy Development Project	Mail	Alpaco
	Seminar for Commercializing New and Renewable Energy Technologies	Group	KECFT
Green Finance	Green Finance, a New Paradigm of Financing	Cyber	e-Pass Korea
	Understanding of Green Financing	Group	KBI
	Seminar for Key Green Technologies, Market Prospects and Low Carbon Management	Group	KIEI
	Green Alternative Energy Technology (Wind Power and Solar Power)	Group	SBC
	Seminar for Carbon Business Strategy of Low Carbon Green Growth Policy	Group	KECFT
	History of Green Financing	Group	KBI
	Low Carbon Green Management for the Future	Mail	Alpaco
Green Management	Green Financing Management	Group	KBI
	Practical Business for the Climatic Change Convention and Cultivation of Experts	Group	KFQ
	Climate Change Leadership Course	Group	ASSIST
	Professional Education on Climate Change in the Industry	Group	MKE

¹² The UNEP FI, an international organization under the UN, was established by the proposals of advanced financial institutions after the agreement on sustainable growth at the Rio Summit in 1992, and supports environment-friendly activities of financial institutions.

Green Finance

Because SFG fully understands the significant role of the financial sector in the sustainable growth of society, it is developing a diverse line of green financing products and supporting eco-friendly companies through loans.

Support for Green Business Shinhan Bank

Shinhan Bank has launched the “Shinhan Green Growth Loan” to offer prime rates to companies engaged in green energy industry including renewable energy and LED products. The loan also funds companies exploring new growth engines and developing more efficient, lower carbon energy sources, as well as companies that have earned environmental certification. As of March 2010, the Bank has exposed KRW 44.8 billion to these loans. The Bank plans to expand loans to eco-friendly companies, including a “Tax- Free Green Deposit and Loan,” funded through lower interest for companies with green certification and reflecting an applicant's environmental awareness in the credit review process. Shinhan Bank will contribute to its customers' awareness of environmental issues by introducing additional green financing products and to expand its supports for green businesses.

● Preferential Treatment of Shinhan Green Growth Loan

Contents	Details
Interest Rate	Prime rate up to maximum 1.0% for the followings: · 0.4% for BB- ratings, 0.6% for BB ratings and 0.8% for BB+ and over · 0.2% for entire guarantee loans · 0.5% for promising SMEs in green growth area
Commission	No commission for entire guarantee loans, BBB- and over, or promising SMEs in green growth area · Commission for credit evaluation · Commission for collateral inspection · Commission for appraisal by the Center

Financial Supports for New and Renewable Energy Sectors

To achieve effective sustainability management, a company must understand the methods of financial support for green growth industries. SFG is significantly expanding its financial support for new and renewable energy sectors, and it supplies policy funds, including the Energy Use Rationalization Fund. The Group also invests in new and renewable energy industries through ownership sharing and fund raising.

In 2009, Shinhan Bank launched the “Shinhan Solar Power Loan” to finance construction of solar power plants. The Bank also introduced the “Shinhan Green Growth Loan” to offer prime rates to businesses in the renewable energy industry and new growth engines such as low carbon, high-efficiency energy sources. Thanks to the development of these products, the Bank has made loans of KRW119 billion to solar power and KRW90.4 billion to wind power, wood chip boilers, cogeneration, and waste treatment. The Bank also contributed KRW 889.8 billion to Korea's Energy Use Rationalization Fund in order to actively support the government's environmental policies on reduction of greenhouse-gas emissions through the streamlining of energy-saving processes.

SFG plans to strengthen its leadership in green financing services in 2010 by expanding support for new and renewable energy sectors and low-carbon and green growth industries, and by diversifying into financial services that support carbon-emission reduction, including CDM¹³ and emission-rights trading.



¹³ The Clean Development Mechanism (CDM), defined in Article 12 of the Kyoto Protocol, allows industrialized nations that contribute to renewable-energy projects in developing countries to adjust their own carbon-emission reduction commitments by using credits earned from those projects in the carbon-trade market.

Environmental Product Development

SFG manages its green-financing products so that it can expand fundraising opportunities for environmental causes and share its awareness of the importance of the environment with customers. The Group is developing a variety of eco-friendly financial products and dealing with environmental issues in a way that leads to sustainable growth.

Shinhan Bank has introduced "Shinhan Hope Energy," an installment deposit program offering prime rates to customers who are active in the nationwide energy conservation campaign. As of December 2009, its sales exceeded KRW 357.9 billion. The "Shinhan 'My Car' Loan" provides a 0.1% reduction in preferential interest rates for borrowers purchasing cars with engines below 1000cc, as well as hybrid and electric cars. In recognition of its contribution to energy-savings through these environment-friendly products, the Bank received the Chairman's Award at the 2009 Korea Financial Innovation Awards, presented by the Korea Federation of Banks. Shinhan Investment Corp. is developing eco-friendly products from a variety of approaches, as well. The company is preparing a series of Green Bonds¹⁴ with funds from corporations that have earned the government's green certificate. It is also developing a carbon-emission rights fund for companies that emit CO₂. Through a consortium with the National Strategy Institute, Shinhan Investment Corp. conducts research and development on green technologies. The company has currently signed a contract to provide financial consulting for the development of the Green Technology Investment Trade Center.


In 2009, Shinhan Life Insurance introduced the "Shinhan Children Love Green Insurance" product, which guarantees coverage for bicycling accidents and environmental disease¹⁵ – the first such program in the industry. This insurance product expands insurance coverage for children and reflects the new insurance needs of the eco-friendly era. It also offers customers an opportunity to contribute to regional communities by donating 1% of their first premium payment to environmental businesses. The company has another eight insurance products that invest in SRI Funds¹⁶, and four insurance products that guarantee coverage for environmental disease.

Jeju Bank has initiated the "Gotjawal Love Time Deposit/Installment Savings" and "Gotjawal Love Card" to support the prevention of Jeju

Island's eco-system. This is a financial product that makes a donation to the "One-Pyeong (3.3m³) Purchase" campaign, a public movement to protect the island's Gotjawal lava flow from reckless development. Upon payment at maturity of these time deposits, the Bank also makes a donation in the customer's name to public benefit foundations. It issues a "Gotjawal Love Card" to depositors, through which a customer can donate 0.1% or more of the principal to the Gotjawal Preservation Foundation. The "Low Carbon Pureumi" installment savings, introduced in April 2009, raises regional development funds for low-carbon, green-growth public services from a certain portion of interest yielded at the maturity of time deposits.

Shinhan Financial Group will continue to develop environmental products and to contribute to "low carbon and green growth."

Green Risk Management Shinhan Bank

Green business practices have been redefined in accordance with the government's Green Certificate program and Code of Best Practices for Green Financing Business Support Processes, and as a result, loan policies and review processes are being improved. Thus, the Bank is developing evaluation models to quantify risks in green business and to efficiently control the environmental risks of general credit companies. 

¹⁴ In line with the government's Green Certificates program, effective since April 14, 2010, for green businesses and technologies, Green Bonds are corporate bonds issued by eco-friendly businesses that have obtained green certificates.

¹⁵ Environmental diseases are specified by the Ministry of Environment, including atopic dermatitis, asthma, and allergic rhinitis.

¹⁶ SRI Funds invest in eco-friendly and socially responsible companies.

Energy Management

Shinhan Financial Group, as a major financial group with a large of branch network in the nation, promotes various energy-saving activities at the Group level.

Energy Saving and Efforts for High Efficiency

SFG's subsidiaries have their own energy-saving action plans.

Since signing an agreement on the reduction of energy consumption with Seoul Metropolitan City in August 2006, the Bank has been implementing intensive energy control and enhancement at its head office and many of its branches. Since the second half of 2009, the Bank has installed LED lighting and signboards at its headquarters and branches. The Bank also installed a photovoltaic power system, saving KRW 5.6 million in annual electric consumption, at its newly constructed Seongsudong Boarding House, which was completed in the second half of 2009.

Shinhan Investment Corp. turns off unnecessary lights at offices and uses automatic timers for signboards and lighting at sunrise and sunset. The company also maximizes cooling by using air cleaners.

Shinhan Life Insurance keeps the interior temperature at 26 degrees Celsius during summer, uses automatic timers for signboards and lighting during sunrise and sunset, avoids unnecessary color printing for reports, and reduces luminescent lighting at its headquarters.

Jeju Bank is also enhancing its energy efficiency. It aims for a 10% reduction in energy consumption costs by minimizing use of automatic cooling and heating systems and maintaining optimal interior temperature. It encourages employees to dress more casually during summer and to wear long undergarments during winter. It has also completed the installation of lighting sensors in bathrooms.

Energy Use

As the Group rents most of its headquarters and branches, gathering and managing data on energy use is so difficult at most locations. Therefore, this report includes data for the headquarters of Shinhan Bank, Shinhan Investment Corp., and Jeju Bank, the three facilities that are fully available for the energy consumption measurements.

Using standards set by the Intergovernmental Panel on Climate Change (IPCC)¹⁷, 12,178 tons of CO₂ was emitted in 2009, representing a slight increase despite active efforts at conservation. SFG continues to aim for a significant reduction in the volume of energy used by establishing and implementing energy conservation plans based on inspection of major buildings. Furthermore, SFG also continues to lead in energy conservation as it seeks ways to manage and monitor usage of energy resources more effectively at its main offices and all of its branches.

● Energy Use

Classification		2007	2008	2009
Electricity (KWH)	Shinhan Bank	10,606,080	10,517,920	10,468,800
	Shinhan Investment Corp.	12,782,664	13,734,490	13,813,032
	Jeju Bank	45,936	36,497	33,890
	Total	23,434,680	24,288,907	24,315,722
Water (m ³)	Shinhan Bank	107,829	87,976	90,031
	Shinhan Investment Corp.	73,437	67,843	68,770
	Jeju Bank	4,410	4,591	4,674
	Total	181,270	155,823	158,805
City Gas (Nm ³)	Shinhan Bank	729,000	540,614	580,099
	Shinhan Investment Corp.	29,377	31,323	30,971
	Jeju Bank	-	-	-
	Total	758,377	571,937	611,070

* This table includes data for the main offices of Shinhan Bank, Shinhan Investment Corp., and Jeju Bank. Jeju Bank does not use city gas.

● CO₂ Emission

Classification	2007	2008	2009
CO ₂ Emission ¹⁸	12,114	12,078	12,178

¹⁷ The IPCC is an intergovernmental body established by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) for assessment of and preparation for the global impact of climate change.


¹⁸ CO₂ emissions volume is calculated based on standards for carbon emission by fuel type as prescribed by the IPCC. The calculation formulae are: LNG: 0.637 Ton C/TOE, where TOE = caloric value per ton of crude oil. (about 107 kcal); electricity: 0.424 Ton CO₂/MWh, Ton CO₂ = Ton CX(44/12)

Paperless Office Campaign

To establish an eco-friendly office environment, SFG is expanding its use of e-documents and promoting conservation of paper. By expanding its e-mail billing system, SFG has reduced its paper usage while boosting customer convenience.

In September 2009, Shinhan Bank implemented a system to manage document printing that encourages resource conservation through several methods, including toner-saving, double-sided and multi-page printing, monitoring of printers and all-in-one devices, and output statistics. The system's double-sided printing feature particularly enables the Bank to save printing paper, while automatic ink-density adjustment saves toner.

Since the introduction of its e-document usage campaign in 2007, Shinhan Card has replaced a large number of paper documents with electronic ones. The company has also continued its paperless office campaign through its online bulletin boards, providing tips for employees on printing double-sided and multiple-page documents since 2008. During the first half of 2010, the company plans a significant reduction in paper usage through a campaign for e-faxing, as well as through the installation of hybrid printing devices with conservation features.

Shinhan Investment Corp. began to set default color modes on its all-in-one devices to black and white in 2010 in order to avoid unnecessary color printing. By providing boxes for reusable paper, the company also encourages recycling of printed paper. In addition, the company's online bulletin board offers instructions on the features of its hybrid devices, which include double-sided and multi-page printing. The company encourages the use of an e-fax system, which prevents the excessive use of paper resulting from spam faxes. 

Environment Prevention Activities

Green Programs for the Underprivileged Shinhan Bank | Card

SFG contributes to programs for the socially underprivileged by installing LED lighting and solar power in centers for lower income groups, including children, the elderly, and the disabled. The Group also contributes to the government's "low carbon, green growth" policies through public environmental education programs and opportunities to expand the supply of eco-friendly energy sources.

Through cooperation with the Korea LOHAS Association, Shinhan Bank supplied 50-70% of solar power equipment installation costs, equivalent to KRW150 million, of Youngnak Senior Welfare Center, Jaewon, a facility for the disabled, and an elderly care center in Daegu.

Shinhan Card provided funding for the installation of LED lighting, street lamps and rainwater storage tanks at social welfare facilities including the Amsa Rehabilitation Center, the Daewoo Dream Hill and the Holy Family Child Adoption Center through collaboration with the UNEP. This installation of eco-friendly facilities allows the company to help meet the substantial needs of lower income groups through reductions in the cost of electricity, fuel and tap water, as well as contributing to the reduction of CO₂ emissions.

Looking ahead, the Group will focus not only on large-scale investment for low-carbon, green-growth businesses, but also on small eco-friendly welfare programs for local communities.

● Supports for the Underprivileged by Environment-friendly Energy

Subsidiary	Facilities	Supports
Shinhan Bank	Youngnak Senior Welfare Center	Solar Power Generator (9kW)
	Jaewon, Welfare Center for the Disabled	Solar Power Generator (12kW)
	Sam Health Care Center for the Elderly in Daegu	Solar Power Generator (9kW)
Shinhan Card	Amsa Rehabilitation Center	10 Lamps (57W-LED), 78 Lamps (32W-LED) and Solar Power Streetlamps
	Daewoo Dream Hill	10 Lamps (57W-LED), 78 Lamps (32W-LED), Dual Sashes and Interior Insulators
	Holy Family Child Adoption Center	10 tons Rainwater Storage Tanks and Pumps

The “Healing Garden” Shinhan Bank

In 2009, Shinhan Bank opened the “Healing Garden” at Suseo Permanent Rental Apartment Complex in cooperation with its residents, making use of empty land within the complex. The “Healing Garden” was built by aged and disabled people, as well as residents, healing their souls and minds.

Eco-Labeling Campaign in the National Parks Shinhan Bank

Since 1992, Shinhan Bank has promoted a labeling campaign for trees at major national parks, Seoul Grand Park, and the War Memorial of Korea at Yongsan. The campaign raises public awareness of nature conservation through the labeling of trees with eco-information. The Bank has invested KRW 990 million for the production of the labels, donation, and environmental protection. Until 2009, the campaign has labeled 34,254 trees, including 4,456 trees at Mt. Jiri, 2,206 at Mt. Dukyoo, and 1,485 at Mt. Worak. In January 2009, The Bank embarked on the project along with the Korea National Park Service, resulting in a mutually advantageous partnership with the community.

Environmental Photography Contest Shinhan Bank

To cherish the natural environment, promote environmental initiatives, and contribute to artistic photography, Shinhan Bank has held the “Nationwide Environmental Photography Contest,” the only event of its kind in the financial industry, every year since 1994. Supported by The Ministry of Environment, it is one of the nation’s leading photography contests, with more than 1,500 photographs submitted from every corner of the nation. Photographs are exhibited on three themes: “The Natural Beauty of the Countryside,” “Harmony between Nature and Man,” and “Reporting Environmental Damage.” A record-breaking 1,539 photographs were submitted for the 16th exhibition in November 2009. The winners’ photographs are exhibited at nationwide branches and other public places to help raise public awareness of the importance of the environment and its preservation.


“Han-Pyeong Park – a Beautiful Village” Shinhan Bank

Since 2005, Shinhan Bank has directed a project called “Han-Pyeong Park – a Beautiful Village.” Through close cooperation with local communities, the project turns remnant lands as small as 3.3 square meters (1 pyeong) into urban oasis for local residents. In 2009, the project was carried out at five locations including the Culture Street in Bupyung, a municipal childcare counseling center in Jangan-dong, an apartment complex in Banghwa-dong, Daejang-dong in Bucheon, and a permanent rental apartment complex in Sinnae-dong.

An Environmental Camp for Youth Shinhan Bank


From July 31 to August 2, 2009, Shinhan Bank hosted “Top Love,” a youth environmental camp, with 350 employees participating along with teenagers at coastal areas of Taejeon, Chungnam province, to nurture ecological awareness in the next generation. A joint program of the Community Chest and the social welfare center of the University of Seoul, the camp includes a volunteer coastal cleanup operation with middle and high school students selected through online application. It also includes communication with local residents and schoolchildren, and programs that help the youth experience the ecosystem.

Environmental Cleanup Campaign Shinhan Bank Jeju Bank

Shinhan Bank and Jeju Bank conduct environment cleanup campaigns through the participation of their employees. Shinhan Bank employees hold river cleanups with local residents in the Yangjae-dong area of Seoul and the Anyang-dong area of Anyang City. These cleanups began in April 2004, when Jeju Bank launched its “Pureumi Campaign,” setting an example for keeping the environment of Jeju Island clean. The Bank has since carried out 60 environmental cleanup campaigns. 



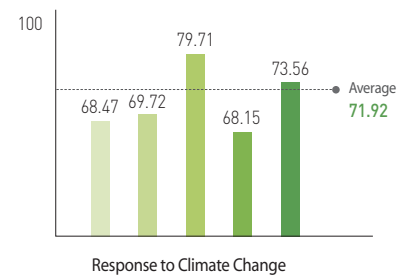
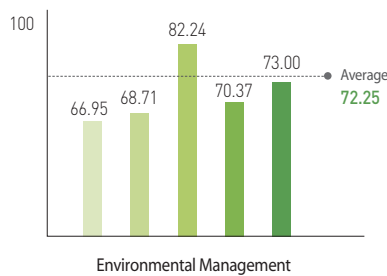
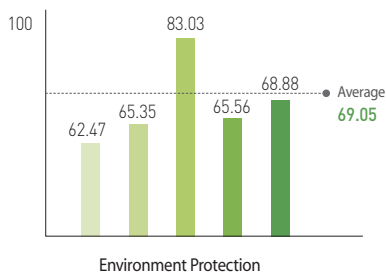


In results from a survey of inside and outside stakeholders on awareness of eco-friendly management, SFG's employees registered the highest score. By comparison, individual and corporate customers posted relatively lower scores on awareness of eco-friendly management. Among environmental issues, environmental management received the highest score for recognition among stakeholders, while environmental protection received the lowest. These survey results are attributed to insufficient information on corporate environmental issues among outside stakeholders compared to inside stakeholders such as employees. The Group is striving to improve the recognition of eco-friendly management among all stakeholders. SFG is also committed to improving the recognition of its contributions to environmental protection among outside stakeholders, which received the lowest scores, by adjusting its management strategies. 

● **Environmentally-aware Management**

■ Individual Customer ■ Corporate Customer ■ Employee ■ Local Community ■ Business Partners

(Out of 100 points)



[Interview with an Expert] Young-Ho Seo, Eun-Sung Shin, Ph.D., Institute for National Security Strategy

Suggestion for Socially Responsible Management within SFG

Shinhan Financial Group has led the Korean financial sector on awareness of the importance of socially responsible management. The Group should think of leadership for the long-term, not only as a temporary role. Since the environment will be the most significant issue for the sustainable management of financial institutions, SFG should focus on it.

Today, the level of pollution from the financial sector is low. To further help in environmental protection and the response to climate change, the industry should offer a variety of eco-friendly financial products created through a synergy between consumers and financial institutions. Therefore, I believe that SFG needs to boost its green-financing services by actively supporting companies in the area of renewable energy and carbon-emission rights. This is a global trend, and SFG should participate in the critical challenge now facing the world. SFG should provide further financing to eco-friendly companies, and it should raise awareness of environmental management by developing its own standards in pursuit of green growth.

Response from SFG

SFG implements "green-growth" management through its subsidiaries. The Group focuses on three major issues in its green management, including greenhouse gas reduction, environmental monitoring, and green business promotion.

To revitalize green finance, we have introduced Green Finance Council and especially Shinhan Bank launched Green Bank Team. Shinhan Bank also sells loan products to support new & renewable energy development. The bank transformed its "2009 Comprehensive Performance Evaluation Event," into a demonstration of carbon neutrality and holds other activities to promote eco-friendly green management. Looking ahead, we will expand our loan exposure to eco-friendly businesses, and achieve our long-term target for carbon offset by measuring the group-wide carbon emission volume via the domestic financial groups' first green management system. SFG will continue to lead in eco-friendly management for sustainable growth of our society.



- 1_ Voluntary Works at Omija Village in Mungyeong
- 2_ One Company and One Mountain Campaign
- 3_ Planting Trees at Jungnang Camping Forest
- 4_ One Company and One Village Systerhood
- 5_ Spring Flower Festival
- 6_ Environment Photo Exhibition
- 7_ Green Finance Product 'Hopeful Energy Savings'
- 8_ Environmental Cleanup Campaign





Customer

Shinhan Financial Group places highest priority on the creation of customer value. By understanding the real needs of customers, we offer practical financial services for individual customers. Moreover, to earn the highest respect from customers, we develop outstanding products and services that set us apart from other financial institutions. SFG provides the most reliable, diversified services, always seeking total customer satisfaction.

Customer Service Improvement

Comprehensive Financial Services

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

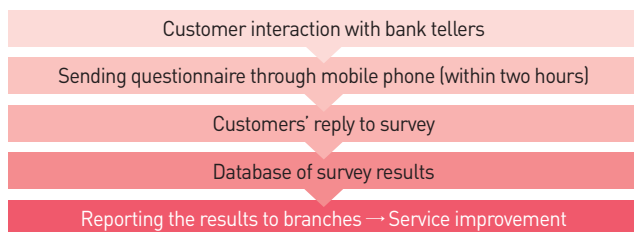
Customer Time-Saving Program Shinhan Bank

To address customer complaints regarding waiting times and interruptions, Shinhan Bank has adopted a customer time-saving program. The program measures and monitors the waiting and processing times for customer interactions, with the goal of minimizing time spent during bank visits. The new program has successfully reduced waiting times, ultimately enhancing customer satisfaction and minimizing inconvenience and complaints.

Information Collection System Shinhan Bank

To improve its services from the customers' point of view and based on market information, Shinhan Bank introduced the "Mobile CS Survey," Korea's first real-time CS survey, in January 2009. The survey collects opinions and CS information from 25,000 customers every month, and the bank reflects the results in its business operations. The bank also encourages its employees to improve their customer service skills by sending the monthly results to branches through "CS Emoticons".

● Survey Procedure



CS Culture in the Shinhan Global Network Shinhan Bank

SFG's ability to create customer value through high customer satisfaction provides the group with a significant global competitive edge. To strengthen this advantage throughout its global network, the group offers a variety of support and training programs designed to fine-tune its CS culture to local needs. In 2007, SFG conducted CS training courses at its Chinese subsidiaries and branches, including Qingdao, Beijing, Wuxi, and Tianjin. In 2008, it completed local staff training at Shinhan Bank Canada Ltd., and in 2009 at SBJ Bank, the Japanese subsidiary. In the second half of 2009, it conducted a four-month CS education program at its U.S. subsidiary, Shinhan Bank America.

Development of Customer-oriented Products Card

Life Insurance

SFG continues to develop its wide variety of financial products by utilizing its in-depth understanding of customer needs and market trends. In 2009, Shinhan Card launched the Shinhan "High Point Nano Card" to provide cardholders with a full range of options and a "Premier Card" to offer VVIPs exclusive prestige services. Shinhan Life Insurance develops its customer-oriented products through four methods: by understanding customer needs through preliminary market studies, by inviting employees to submit their ideas, by holding surveys, and by monitoring the interaction between customers and employees. Even after products are launched, the company conducts assessments of customer satisfaction with financial planners at least twice a year. The company also convenes monthly meetings of its product-development council as a platform for gathering opinions.

Special Services for Disabled Customers Shinhan Bank Card

SFG provides special services for physically challenged customers, offering them convenient access to all financial services. Shinhan Bank operates special ATMs for disabled customers. Most notably in November 2009, it introduced the "Eye Comfortable ATM," which provides large letters on monitor screens. With the help of its Fingertips of Love Consulting Group, which includes experts in user interfaces, Shinhan Card launched internet chatting services in December 2009 for hearing- or speech-impaired customers. This service is also used by younger customers who prefer consultation through instant-messaging.

Provision of Financial Information **Investments** **Life Insurance**


Shinhan Investment Corp. regularly provides investment information for individual and corporate customers. In 2009, the company held 1,464 IR sessions and information meeting with VIPs, including 806 in the first half and 658 in the second half. It also opened 62 research conferences. Shinhan Life Insurance convenes personal financial management forums for its premium customers, providing comprehensive financial information including economic overviews and personal financial management. In 2009, 16 forums were held during a nation-wide tour, with 1,134 customers participating.

Efficient Operation of Call-Centers **Card**

To increase efficiency and flexibility in human resources management, Shinhan Card began planning for the outsourcing of its call-center services in September 2008. After ensuring that the quality of consultations and operations would remain stable, the center began its conversion to an outsourcing system in January 2009. As a result of its thorough preparation, the center maintains a 98.2% call rate and a waiting-time of 12.6 seconds, ensuring prompt, accurate consulting services. Under the motto "Saving even one second for customers," the center holds regularly scheduled education programs to keep consultants updated on the latest product and service information.

Integration of Emotional Marketing **Shinhan Bank** **Card**

Investments **Life Insurance**

SFG's major four subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment Corp., and Shinhan Life Insurance, participate in a group-wide joint emotional integration program in six selected regions including Seoul, Busan, Daegu, Gwangju, Incheon, and Jeju. The program aims for a uniform approach to emotional marketing through a synergy between subsidiaries. It also enables the Group to provide more diverse financial services to customers by achieving a fuller understanding of operational differences between subsidiaries through field experiences at other subsidiaries and joint CoP activities. In addition, smaller, regional meetings provide a platform for communication between employees. In some regions, all branches collaborate in joint promotional and marketing activities, thus creating full synergy. SFG continues to enhance this synergy and to offer premium financial services to its customers. 

Customer Trust

Provision of More Accurate Information

SFG provides its customers with accurate information on its financial products and services through leaflets, posters, handouts and electronic promotional material. These documents clearly convey key features of financial products and are carefully screened by the Compliance Department to avoid overselling or misleading statements. SFG also abides by the Fair Transaction Act for customer protection, as well as legislation concerning broadcast reviews. There have been no violations of advertising or marketing regulations during the reporting period.

Shinhan Investment Corp. discloses full information for all its products and services on its homepage (www.goodi.com). Any modification of this information is updated in a timely manner in the customer notification section of the homepage, as well as through email, SMS, pop-ups¹⁹ and banner²⁰ ads. The disclosure process is deliberated by the Korea Financial Investment Association, a self-regulatory organization for domestic securities companies, and all laws and regulations concerning information disclosure.

Shinhan Life Insurance has disclosed information on its entire product line at the company's homepage (www.shinhanlife.co.kr) for the first time in the industry in 2008. The company operates a Product Disclosure Team, which segments its market according to the type of a policy holder. In addition to the team, the company operates a system that allows customers to design their own insurance premiums, boosting customer convenience. In particular, the company utilizes the "Happy Call" program to determine whether investors and policy holders are obtaining sufficient information and documents, including insurance terms and copies of applications. Furthermore, the company requires financial planners to complete education programs on product information, along with sales skills and tips.

Guidelines for Management of Customer Complaints

Shinhan Bank

Through a customer complaint management program, SFG autonomously prevents and resolves customer complaints. The program includes employee education and motivation. Additionally, SFG conducts separate guidelines for complaint paperwork and CS Committee operation. To improve the efficiency of the program, the Group also provides an evaluation system for the Office of Customer Complaint Management and guideline on pre-deliberation of complaints. Complaints submitted at the Group's main office are evaluated by a manager in charge of the system.

¹⁹ Pop-up is a mini-sized window to show information on the website.

²⁰ Banner is a graphic image for online PR.

Operation of the Voice of Customer Shinhan Bank Card


Investments Life Insurance

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

As part of its upgrade to the system, Shinhan Bank operates VOC counseling desks, particularly at its CS centers, and shares its expertise on complaint resolution with the centers. The Bank also conducts other programs to minimize complaints, including VOC 3-step warning notes and consultation for branches with a large number of customer disputes. The Bank's advanced VOC system maximizes operational efficiency by streamlining the entire process, beginning with the collection of feedback. The system also enables the Bank to respond instantly to complaints by facilitating real-time sharing of feedback among divisions. Abiding by the principle of "resolution within 24 hours of receipt," the Bank focuses more on preemptive measures and prevention than on timely reaction to specific customer requests. As a result, the number of VOC interactions declined each year in the bank. This decline continues despite a moderate rise in customer complaints due to lower returns on fund investment caused by the global financial crisis.

Shinhan Card analyzes three million VOCs every month, collected through an array of contact points such as call centers, branches, homepages, and consumer panels to understand customer demands as early as possible. The company uses the results for development of new products and services. It conducts a monthly assembly of employees to raise companywide awareness of customer issues and discuss ways to respond to them.

Shinhan Investment Corp. handles client complaints through financial advisors when possible. If a financial advisor cannot resolve an issue with a client, the issue is assigned to divisional management. For the most common issues, advisors can also respond promptly online, followed by a report of results to divisional management.

Shinhan Life Insurance conducts a VOC system to manage issues that arise through the entire CS process, from sales and contract to deposit payments. The company makes every effort to avoid repeated complaints by emphasizing prevention. 



● Number of Complaints via VOC

Classification	2007	2008	2009
Shinhan Bank	7,236	4,876	4,621
Shinhan Card	-	2,611	2,232
Shinhan Investment Corp.	329	101	154
Shinhan Life Insurance	4,278	4,315	4,547

* There were no fixed data in 2007 at Shinhan Card due to the merger with LG Card in October 2007.

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

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

Customer Satisfaction Improvement

Management of Customer Complaints Shinhan Bank Card

Investments Life Insurance

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

Shinhan Bank provides a three-step "Complaint Care Program," covering every stage of resolution from prevention to follow-up. The first step is a "Customer Complaint Forecast," which allows the company to prevent customer complaints by collecting possible complaints and conducting proactive resolution activities at HQ divisions and branches. If the first step is unsuccessful, the company initiates a "Visit-and-Care Service," in which VOC officers visit customers to listen and resolve complaints directly. In the "Follow-Up," the final step of the program, VOC officers discuss issues they have encountered and complete case studies to prevent future occurrences.

Shinhan Card ensures the fairness of its terms or business standards from the customer's point of view to curtail complaints on products and services or individual credit limits. The company also makes use of Six Sigma to minimize complaints against process. Shinhan Investment Corp. collects and addresses client issues through an investor rights protection center.

Shinhan Life Insurance introduced a complaint prevention system in July 2009 to resolve complaints as early as possible. This system distinguishes complaints from public disputes and provides a prompt reporting system to address both internal and external, civil affairs. Thanks to the introduction of the system, the number of customer complaints through VOC has been curtailed by 7% compared to the first half of 2009. The company continues to refine the system to manage public disputes preemptively.

Discretionary Authority for Compensation in Public Disputes Shinhan Bank Life Insurance

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

Reinforcing Employee Competencies for CS Shinhan Bank

Investments Life Insurance Capital

SFG holds education programs to help employees better understand how to render services and maintain contact with customers. Shinhan Bank operates a CS Academy with its own dedicated facilities to train customer service experts. The Bank is improving the quality of its CS education and enhancing employee capabilities by introducing an interactive communication scheme through which trainees may provide feedback on the programs. The Bank also conducts a CS mileage program to encourage employees to participate in CS activities and build up customer-oriented culture through comprehensive approaches in management, evaluation and compensation of employees' CS performance.

Shinhan Investment Corp. holds an array of employee training programs including education for newly recruited employees. Through an in-house CS morning broadcast, the company also provides daily reminders on etiquette for greeting customers.

Shinhan Life Insurance continues to expand field-oriented education programs for the prevention of public disputes and educational visits to branches with higher potential for public disputes. Twice a year since 2009, the company has also selected and rewarded employees for excellence in customer service. These are employees who contribute significantly to the company's methods for responding to the voices of customers, as well as to preventing and resolving customer complaints. Shinhan Capital also holds CS education for new recruits. SFG continues to foster professionalism, quality, and integrity in its customer service culture.

● Shinhan Bank's CS Education Programs

Contents	Purpose
Upgrading Service Course for Tellers	- Provision of active customer service through higher expressiveness - Enhancement of service competitiveness by CS activity training
Improvement of Financial Consultation Service	- Cultivation of CS-minded people with wide financial knowledge - Service improvement by practical educations
Global Service Education	- Expansion of Shinhan's unique customer service practices and inspiration of consciousness as a global company
Visiting Service Education	- Enhancement of CS awareness and maximization of education effects by visiting service education programs
CS Focus Day	- Establishment and expansion of CS-oriented culture

Expansion of CS Culture **Shinhan Bank** **Card**

Shinhan Bank has first introduced the 'CS Self-Assessment Program,' a unique consultation program for employees. By measuring the gap between customer perceptions and employee assessments on the level of service, the program allows the Bank to upgrade customer service in a way that meets customer expectations. In conjunction with the self-assessment program, the Bank operates training programs to help its employees provide up-to-date CS services. In 2009, approximately 500 employees completed the course. In 2010, the Bank plans to expand the program to its tellers, thereby cultivating CS culture at every level of customer interaction. In addition to training programs, the Bank holds a variety of programs to promote good CS among its employees, including 'A Case Like This,' an in-house contest through which employees suggest communication skills for particular situations, and 'Shinhan's Smiling Angel,' a competition to encourage bank tellers to be cheerful toward customers.

Shinhan Card operates 'Mystery Call²¹' and 'Mystery Shopper²²,' divisional performance assessment programs to upgrade customer services throughout the company. The company's 'CS Clinic' program provides remedies for divisions with lower scores on certain factors. Furthermore, all employee education courses in the company begin with CS training, including on-the-job and employee motivation sessions, ensuring that all employees remain customer-oriented in daily operations. The company also runs an annual 'CS Academy,' mandatory for all employees, in order to emphasize the importance of customer satisfaction and exchange ideas for CS improvement.

Customer Satisfaction Survey **Shinhan Bank** **Card** **Investments**

Life Insurance **Jeju Bank**

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



Shinhan Bank | Shinhan Bank conducts internal CS surveys twice a year and CS surveys for non-face-to-face channels four times a year. The Bank has received excellent scores from outside CS survey institutions through consistently innovative customer value creation and management of key indicators. It is respected in the industry as a bank trusted by its customers.

Shinhan Card | Shinhan Card conducts internal surveys for customer satisfaction twice a year, as well as monthly checks of service quality at customer contact points. It also maintains an MOT management index²³. Results of the surveys are utilized for CS improvement in each division, and in turn, the results of the improvements are reported every quarter to a CS Assembly under the superintendence of the CEO, and then shared with all employees. As a result, in 2009, just three years after its incorporation, the company obtained a market-leading position in external CS surveys.

Shinhan Investment Corp. | Shinhan Investment Corp. conducts CS surveys from each branch by telephone four times a month, and, in 2010, it will expand these surveys to six times a month. The results of the survey are reflected in the performance scores of each branch. Overall scores have remained over 90 points year after year, including 91.9 points in 2008 and 90.2 points in 2009. In addition to the CS surveys, the company conducts CS monitoring, which goes beyond superficial diagnostic assessment and analysis and enables it to meet customer needs as precisely as possible. The company provides incentives to outstanding branches and employees based on the results of this monitoring, and require employees at underperforming branches to take additional off-the-job CS training sessions.

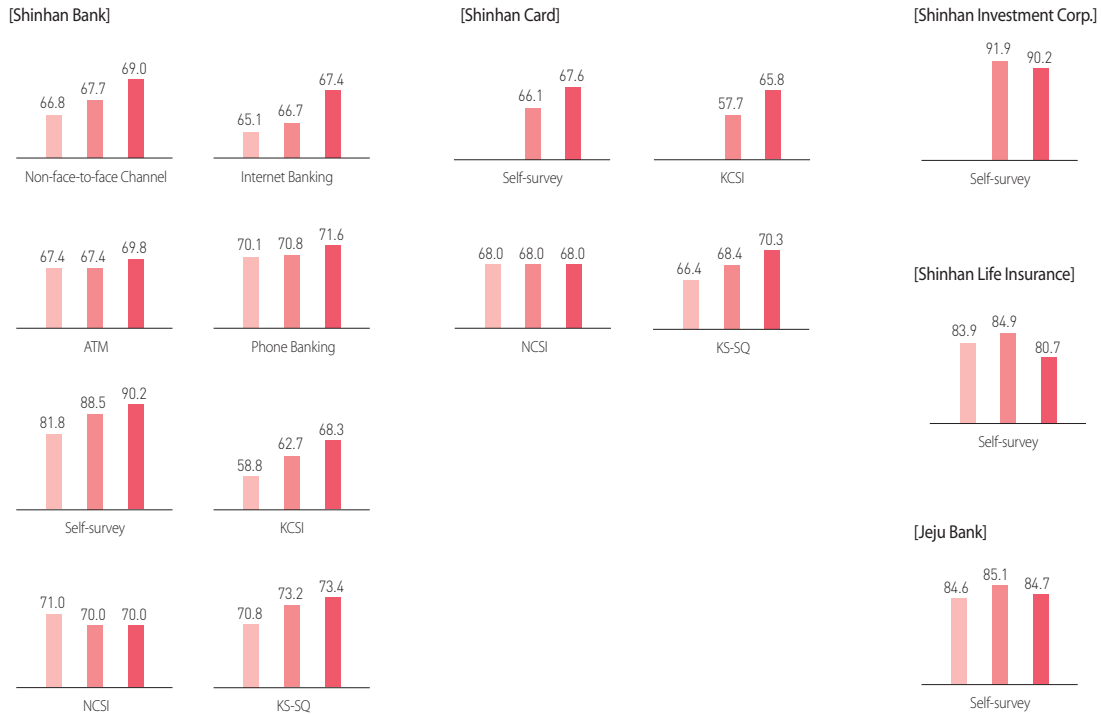
²¹ 'Mystery Call' is to evaluate the level of counselors' services by disguising as customers.

²² 'Mystery Shopper' is a man who evaluates the level of sales clerks' services by disguising himself as customers.

²³ MOT (Moment of Truth) Index helps our major customer contact points such as call centers, DM centers and websites to set up and check customer management indices.

● Customer Satisfaction Results by Subsidiary

■ 2007 ■ 2008 ■ 2009



* Shinhan Bank's customer satisfaction through non-face-to-face channels = CS in internet banking × 50% + CS in ATM+30% + CS in phone banking × 20% (This survey is implemented every quarter and the figures are calculated by an arithmetic average).

* Shinhan Bank's self-survey is implemented twice a year and the figures are calculated by an arithmetic average.

* There were no self-survey and KCSI data in 2007 for Shinhan Card due to the merger with LG Card in October 2007.

* There were no self-survey data in 2007 for Shinhan Investment Corp.

* Shinhan Life Insurance's data in 2007 was the result of implementing self-surveys twice a year and an arithmetic average. The survey method was changed to the comprehensive survey including products, services, images and loyalty in 2009.

* The decline of customer satisfaction of Shinhan Investment Corp. in 2009 resulted from sharp increase of customers caused by bull market in 2009.

* The decline of customer satisfaction of Shinhan Life Insurance in 2009 resulted from the change of survey method (Telephone survey of 30 customers of each branch had been implemented before 2009, which was changed to random survey since 2009).

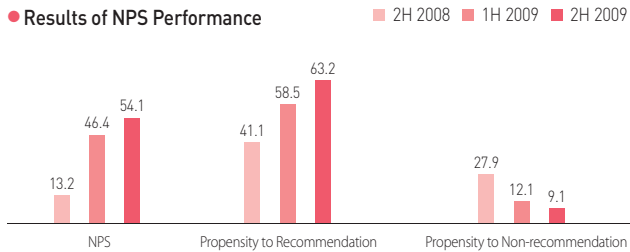
* The decline of customer satisfaction of Jeju Bank in 2009 resulted from some problems in the process in the first half of the year. The survey was implemented just in the second half of the year after the change of survey agency.

Shinhan Life Insurance | In 2009, Shinhan Life Insurance changed its telephone surveys into one-on-one interviews with visiting customers, conducted with 1,000 clients. The interview method enables the company to address limitations in the telephone survey. Through comparison with the CS surveys of other companies, Shinhan Life avoids understating its strengths and weaknesses. The company collects a variety of VOCs from customer interviews and sets divisional improvement plans for underperforming points of contact. The CS supervising division monitors the implementation of divisional improvements.

Jeju Bank | Jeju bank conducts a CS survey every month to assess the strengths and weaknesses of each branch and teller. Survey results are reflected in the performance evaluation criteria for each branch. The Bank improves underperforming operations through education programs for the provision of qualified financial services.

Net Promoter Score Survey Shinhan Bank

Shinhan Bank introduced the Net Promoter Score (NPS) survey program in 2007. NPS is an indicator of soundness in customer relations based on customer loyalty, and it has improved steadily since the second half of 2008. 🌐



* NPS = percentage of the number of customers who have recommended – percentage of the number of customers who have not recommended.



Customer Information Security

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

Shinhan Card regularly holds information protection inspections through compliance, IT planning and auditing teams in order to handle credit information safely. The company also requires all employees to complete online education courses on protection of customer information. Its customer protection and management system has obtained globally renowned certificates, including ISO27001 for information protection, and ISO20000 for IT services.

Since it began promulgating guidelines for protection and management of credit information, Shinhan Investment Corp. has devised management processes and standards through its marketing and compliance divisions. In 2010, the company plans further improvements in protection of customer information, including prevention of potential complaints related to group-wide sharing of consumer credit information.

At Shinhan Life Insurance, the marketing support division supervises the management of customer information, while the compliance division is responsible for examining internal control and each division's protection practices. Since the implementation of guidelines for protection and management of customer information, the company has produced and distributed a manual to each of its branches and has introduced security rules for documents and files to prevent customer information leaks. To encourage employees' and financial planners' awareness of the need to protect customer information, the company holds a "Day of Security" to inspect documents containing customer information and to conduct education programs every month. 🌐

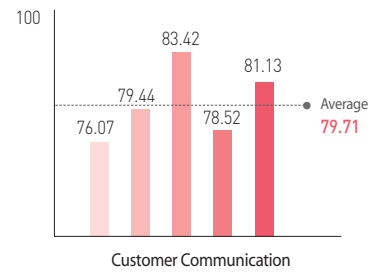
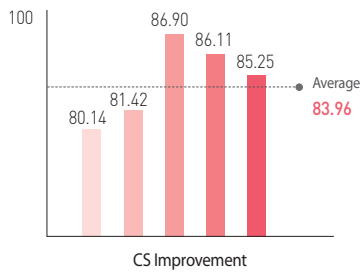
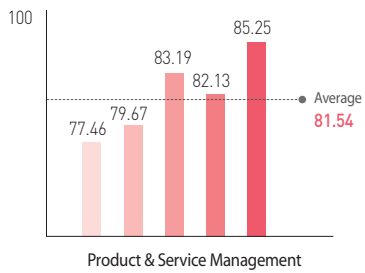


In a recent survey of inside and outside stakeholders on the recognition of the importance of customer-oriented management, individual and corporate customers posted the lowest scores. The highest score on the survey was for the awareness of improvements in customer satisfaction, while management of product and services scored relatively lower. These results are attributed to a lack of communication among all stakeholders regarding customer opinions. Looking ahead, SFG is committed to upgrading its customer service processes and enhancing customer communication. 🌐

● **Customer-oriented Management**

Individual Customers Corporate Customers Employees Local Communities Business Partners

(Out of 100 points)



[Interview with a Customer] Ji-Young Lee**Suggestion for Socially Responsible Management within SFG**

Because it continues to develop new products and services, SFG has provided customer-oriented services. I think this focus enables SFG to stand out from other financial companies. If the Group retains this competitive edge, it will certainly reach another level.

Specifically, SFG needs to launch additional communication channels to allow its customers more access to information on its products and services. It also needs a more advanced disclosure system so that customers can better understand the bank's customer deposit operations. Such disclosure will be in the public interest. However, SFG continues to provide reliable services and to keep its promises with customers, making it a trustworthy institution.

I believe that other activities to fulfill its social responsibilities, including expanded support for underprivileged people and ongoing financial education programs for the next generation will help SFG to improve its public reputation and solidify role as a leader in society.

Response from SFG

SFG makes every effort to develop products and services to provide customers with substantial benefits. In the second half of 2009, we introduced the S-More Card and the Point Account. These are the first products in Korea to offer interest according to the usage of customers. They have created a sensation in the market.

Just as we did with the successful introduction of these new products, we will continue to listen to customer opinions and to develop new products and services that can meet the hidden needs of customers and lead the market. In particular, we are now developing a car loan product. Car buyers conventionally consider financing for their new cars to be installment purchases. Shinhan Bank, however, will enable customers to buy new cars through loans with lower interest.

Furthermore, we continue to hold financial education programs for the next generation. We are expanding the audience for our financial education programs, such as the one held in 2009 for multi-cultural families and immigrant women.



Local Community

SFG participates in a broad range of social contribution activities to fulfill its social responsibilities and role as a financial company that serves the nation and communities. The Group also returns its corporate profits to society, and shares the results and its value with local communities. As a part of contribution to local communities, the Group also holds a full array of voluntary activities and supports in varied areas by its subsidiary to promote harmony and wholeness with the local communities.

Direction of Social Contribution Activities

SFG extends the horizon of its CSR activities from charity donations to role-taking as a reliable partner of local communities. It also leads the way in returning profits to the society and ethical management. Since its early days as a financial group, SFG has carried out diverse CSR activities to realize its management philosophy to become "An Enterprise of Community" into practice and fulfill its social responsibilities and role as a financial company serving the nation and communities. 🌐

Organization

The Group-wide CSR strategies are setup by Strategic Planning Team of the holding company, while the strategies are executed by Social Culture Team. As for Shinhan Bank, Social Cooperation Team launched in 2007 is responsible for CSR activities in pursuance with strategies focusing on future generations, sharing happiness and culture, and implementing eco-friendly management. In addition, SFG has introduced a mentoring system to instill CSR activities into its corporate culture and increase the efficiency of the Group-wide CSR management. As a Group-wide mentoring system, major subsidiaries – including the holding company, Shinhan Bank and Shinhan Card – which lead CSR activities play the role of mentors to support the CSR activities of mentees which are the rest of subsidiaries of the Group. In doing so, mentees are able to smoothly accept CSR activities as a part of their overall management based on the support of mentors. 🌐

Communication with Communities

Sustainable growth of a financial company requires socially responsible management beyond economic contributions to the society. SFG proactively identifies the recipients' needs in conjunction with local communities and public institutions to boost the efficiency in social contribution activities. Reflecting the result of this identification into designing of CSR programs, the Group fulfills its corporate citizenship through cooperation with regional communities and organizations.

"The Beautiful Bank," a Website for Social Contribution

Shinhan Bank

Shinhan Bank operates "The Beautiful Bank," a website for a promotional channel of social contribution activities. By publishing "CSR e-newsletter" which includes the introduction of CSR²⁴ and Mecenat²⁵ trends & activities and news for volunteer works, the Bank also implements a communication channel and builds an information-sharing database for management of employees' voluntary activities, new ideas and collection of volunteers.

"Arumin," a Website for Donation Card

Shinhan Card makes efforts to promote small amount donation with large numbers of participation by operating "Arumin (arumin.shinhancard.com)," Korean financial industry's unique website specializing in donation. The website is setup and operated through a various social contribution network of 130 public organizations to encourage customer to participate in donation easily and conveniently. By sharing information and supporting activities for participation promotion, donation and social contribution, total amount of customers' donation reached KRW 3 billion as of December 2009. 🌐



²⁴ CSR (Corporate social responsibility) pursues all stakeholders' benefits through creating environmental, economic and social values.

²⁵ Mecenat means companies' supports for public services in the areas of culture, art and sports.

Supports for Local Communities

SFG's CSR activities include social welfare, arts/culture supports, education/scholarship program, sports promotion, and contribution to regional economic development. The Group also enhances its communication with local communities regarding regional issues and social contribution activities.

Social Welfare

Volunteer Teams | **Shinhan Bank** | **Card** | **Investments** | **Life Insurance** | **Capital** | **Jeju Bank** | SFG adopts systematic approaches for its volunteer activities. Shinhan Bank has operated "Shinhan Bank Volunteer" since its introduction in July 7, 2004 as Korean banks' first volunteer team headed by the Bank's CEO and participated with all employees. It was followed by additional team creation for other subsidiaries including Shinhan Card's Arumin Volunteer Team, Shinhan Investment Corp.'s Shin Sarang, Shinhan Life Insurance's Stepping Stones to Love, Shinhan Capital's Nuridasom, and Jeju Bank's volunteer team. Shinhan Bank also provides medical services to underdeveloped countries such as Cambodia every year, while Shinhan Card encourages its customers' participation in volunteering through "Customer Volunteer," which is held once a month through direct customer involvement. As a result, 104 customers participated in such volunteering programs for 384 hours in 2009. Henceforth, we will continue to actively hold various programs for volunteer activities and expand the cooperative volunteering works between customers and our employees.

SFG Volunteer Festival | For a month from April 15 to May 16 of 2009, SFG opened "2009 SFG Volunteer Festival" with more than 9,000 participants consisting of employees and their family members of all subsidiaries. During the festival, SFG provided various volunteer activities including "one company, one village" campaign, cultural properties protection, Little Picasso, support for Seoul International Wheelchair Marathon event and divisional volunteering activities.

"Small Coins, Big Love" Campaign | SFG has held "Small coins, big love" campaign for past 15 years in a row through spontaneous participation of employees. Small coins donation raised by less than KRW 1,000 from each employee's monthly salary is donated to underprivileged families including youth-headed and single-mother families. Thanks to this campaign, Shinhan Life Insurance supported medical expenses for 12 pediatric cancer patients between November 2006 and December 2009.

"Kimchi Sharing" Event | SFG launches "Kimchi Sharing" event to enable its underprivileged neighbors to prepare for the winter season. The event was held at nine major cities in Korea, including Seoul, Busan, Daegu, Gwangju, Incheon, Gangreung, Cheonan, Cheungju, and Jeju, with participation of 1,600 employees to make 50 tons of Kimchi for more than 4,000 families. The CEOs and executives of the Group's subsidiaries participated in the event.

Overseas Training Programs for Disabled Youth | Sponsored by SFG and the Community Chest of Korea and hosted by the Korean Society for Rehabilitation of Persons with Disabilities, "Disabled Youth Dream Team Exploring Six Continents" program is held once in a year. Commenced under the sponsorship of SFG in 2005, this program was Korean financial industry's first overseas training program for disabled youth. SFG encourages and nurtures disabled youth for their leadership in the future by allowing them to select their own courses and explore new fields of the program. During the past five years, 278 disabled youth and their helpers participated in the program.



“Charity Click” **Shinhan Bank** | Shinhan Bank conducts “Charity Click,” a program running on its Beautiful Bank homepage (www.beautifulshinhan.co.kr), as a year-round donation drive among employees. In this program, the bank donated the funds raised through employees’ voluntary participation to low income group. Particularly, the “Charity Click” donation is processed through an automatic system that the same amount of money with employees’ clicking is deducted from their following month’s salary. The Bank also conducts matching-grant²⁶ program for the “Charity Click” program. Thus, double amount of fund are raised through the actual “Charity Click” and matching-grant program. The candidates of recipients are recommended by employees, social welfare institutions, local communities, and social workers. Between 2005 and 2009, the Bank donated KRW600 million to 30 institutions and individuals. In 2009, the Bank also held joint donation activities with Naver Happy Bean (<http://happybean.naver.com>), contributing to the promotion of the donation culture throughout the society.

Aid for Developing Countries **Shinhan Bank** | Shinhan Bank signed a cooperation agreement with Korea International Cooperation Agency (KOICA), a government agency for grant aid for developing countries in 2010. Shinhan Bank describes information about supporting and cooperation for poverty eradication in developing countries on its customers’ bank books.

Agreement on Insurance Premium for Donation **Life Insurance** | In August 24, 2007, Shinhan Life Insurance signed an agreement with World Vision, an international Christian humanitarian organization, for the donation raised from 1% of premium income from its “Shinhan Christian Insurance” product. As the first insurance product affiliated to a religion, this insurance product covers expenses occurred in potential accidents during religious occasions including prayer meetings and services. During 2008 and 2009, the Bank instilled the culture of donation by donating more than KRW28.5 million to the World Vision²⁷, Caritas Seoul²⁸, and Good People²⁹.



Culture and Arts

Traditional Culture Prevention **Shinhan Bank** | Shinhan Bank has conducted a “Cultural Assets Love” campaign through its nationwide branch network since 2007. Every year, more than 5,000 employees and their families at nation-wide 1,000 branches visit 50 selected cultural assets nearby their branches to cleanup and monitor the surrounding areas and hold education programs for traditional culture. The campaign is acknowledged as a unique CSR activity by Cultural Heritage Administration of Korea and local communities. In addition, the Bank holds differential programs by combing CSR activities for local communities and Mescenat program for traditional culture prevention, including “Children’s Adventure to Palaces,” and “Traditional Culture Experience 2009.” The programs invite marginalized children to experience the traditional culture, visit cultural assets, and take history education, contributing to local communities’ well-beings as well as traditional culture preservation.

Shinhan Gallery **Shinhan Bank** | Since the Shinhan Gallery was established in 1997, “Shinhan Young Artist Festa,” a public contest, has opened every year to nurture new artists with outstanding enthusiasm and ideas by offering 73 pyeong of exhibition space with no rental fee. The general public’s entry fee for the exhibition is also free to motivate the artists’ creativity and general citizens’ participation in enjoying art pieces. To promote communication between artists at the exhibition and general citizens, the Bank also operates lunch talk programs and experience education programs for arts, contributing to cultivating public sentiment. Looking ahead, the Gallery will take a position of high level exhibition space for diverse arts.

²⁶ Matching Grant is promoted to expand donations of employees. The company contributes the same amount of donations raised by employees.

²⁷ World Vision, an international NGO, carries out aid, development, and safeguard projects for 0.1 billion neighbors at 100 countries.

²⁸ Caritas Seoul established in 1976 to restore human dignity according to the teachings of Jesus Christ, and share love with those in poverty and sufferings. It supports social welfare activities through registered groups for children, disables, and aged people.

²⁹ Good People registered as a NGO for international development to the Ministry of Foreign Affairs and Trade in July 1999. It currently has 10 domestic and 15 overseas branches.

Shinhan Music Awards Shinhan Bank | Launched in 2008 as the first award in the financial industry to introduce a new Mescenat activity, Shinhan Music Awards has indentified and fostered outstanding talents in classic music, seeking opportunities to grow Korean music industry into another level. It is significant that the prize money is paid via a fund raised by 13,000 employees' voluntary donations. Through the rigorous screening process, KRW60 million are rewarded to four winners selected from talented young musicians playing piano, strings, and winds, and vocals.



Education and Scholarship

Shinhan Scholarship Foundation | SFG established the Shinhan Scholarship Foundation in 2006 to return its profits to society and support unfortunate students with financial difficulties. KRW80 billion was invested from seven subsidiaries including Shinhan Bank into scholarship programs and supports for academic researches and education institutions. In scholarship program, the Group supported KRW4.12 billion to 1,093 junior high/high school/college students in financial difficulties in 2009. Since January 2010, in addition to existing scholarship programs, SFG also initiated "Shinhan Mentoring," a mentoring system between college and high school students in financial trouble. Total of 64 students have been involved in the system at Seoul area since its beginning. The mentoring system will expand into other regions from 2011. Furthermore, SFG supported KRW30 million to the Korea Money and Finance Association to advance the financial sector and academic researches. The Group also provided KRW30 million to five junior high schools, applying for the support of the Jungbu District Office of Education, for operating expenses of after-school study for students from low income families.

Overseas Training Program for Teachers Shinhan Bank | Since 1988, Shinhan bank has sent 400 to 500 teachers every year to explore the Korean heritage in Japan. Up to now, the program has provides about 10,000 Korean teachers with opportunities to better understand and experience Korea's ancient history through the trips to overseas. This program helps their students take the national pride of the nation's culture by delivering vivid experiences.

Korean Financial History Museum Shinhan Bank | Established in 1997 to become the first financial history museum among private financial institutions, the museum helps general visitors to understand the Korean financial history at one place. The exhibition halls collectively hold 4,000 historical financial relics, including documents, publications, securities, pictures and equipment from Korea's modern financial history. The museum also offers various experience sections for children's and economy education. In May 2008, the Bank launched "Shinhan Economy Academy," an education center for finance and economy, at the Museum. Henceforth, the museum continues to play an accentual role as a special museum for financial history by collecting, preserving, researching and exhibiting materials of financial history, providing in-depth financial information to visitors.

Economics Education for Next Generations Shinhan Bank Card

Jeju Bank | SFG holds economics classes to inspire children to develop a sound attitude toward money and a good understanding of the economy. Shinhan Bank holds Children's Economics Classes in cooperation with the Mail Business Newspaper. In the classes, the Bank's employees volunteer as instructors with Junior Achievement (JA), an international non-profit organization established in 1919, to help children's understanding about ethical management, healthy attitude toward career, and market economy. In January 2009, the Bank held "I Minted the Coin!" to enable visitors to meet various domestic/international currencies, as well as the history, components, and production of currencies and coins. The program effectively delivers financial knowledge to the next generation through videos, financial history classes and other activities. Since 2010, the Bank has participated in "Teenagers' Financial Education Network" organized by the Financial Supervisory Service and other financial institutions and led the way in financial education for the nation-wide students. Additionally, Shinhan Card and Jeju Bank hold finance & economics education program to cultivate soundness in the next generation's value system. Hereafter, the education program will expand into multi-cultural families.

Sports Promotion

Wheelchair Marathon Competition | The Wheelchair Marathon Competition has opened every year since 1992, sponsored by SFG and the Community Chest, as well as organized by the Korean Association of person with Physical Disabilities, Korea Athletics Federation for the Disabled, and Seoul Sports Association for the Disabled. The marathon event enhances the interest and understanding of the society, and discovers disabled athletes. In 2009, the world's renowned 700 domestic and international wheelchair marathoners participated in a full course, a half course, and 5km course.

“Shinhan Donghae Open” Golf Tournament **Shinhan Bank** | Since 1981, the Bank has opened the “Shinhan Donghae Open” golf tournament to boost the popularity of golfers, promote the nation's sports activities and become a gateway for prospective Korean golf talent to gain worldwide recognition. With its longest history and tradition in Korea, it greatly contributes the development of the nation's golf tournaments. In 2009, during the tournament, the Bank raised funds, totaling KRW250 million, for charity works through various donation programs.

“S-Birds” Basketball Team **Shinhan Bank** | Since 2004, Shinhan Bank has managed the “S-Birds”, a women's basketball team which is based in Ansan. To carry out region-friendly management for its home stadium, the basketball team supports the Ansan Basketball Association and the Korea Wheelchair Basketball Federation. The Bank's consistent support for the women's basketball team has led the S-Birds to win Women's Korean Basketball League for four years in a row, from 2006 to 2010, for the first time in the nation's women's basketball history.

Promotion of Lifetime and Unpopular Sports **Shinhan Bank** | To reinvigorate lifetime sports, Shinhan Bank has supported the operation of outdoor skate rink at the Seoul Olympic Park every winter season since 2006. The Bank also has supported a Wu-Shu team of athletic association in Gangwon-do to nurture unpopular sports including Wu-Shu, a martial art. By sponsoring Wu-Shu players with KRW100 million, the Bank fulfills its social responsibility beyond sports marketing activities.

Contributing to Local Economy

Regional Win-Win Fund **Shinhan Bank** | On April 23, 2009, Shinhan Bank signed MOU with Incheon City and Gyeonggi-do for KRW240 billion of Regional Win-Win Fund to resolve liquidity problem in suppliers of two automakers, as well as to revitalize local economy. The fund will be raised by Gyeonggi-do, Incheon City and banks under the supervision of the Financial Services Commission and Ministry of Knowledge Economy, and guaranteed by Korea Technology Credit Guarantee Fund. For the next five years, totally KRW120 billion will be provided to the suppliers of the two automakers, allowing each supplier to secure KRW3 billion in maximum.

CSR Implement Agreement **Life Insurance** | In November 2007, life insurance companies signed a large-scaled CSR implementation agreement to donate 0.25-1.5% of pre-tax income every year. Between November 2007 and December 2009, Shinhan Life Insurance contributed KRW 1.58 billion, and the figures will grow to KRW1.5 trillion by 2026. CSR fund raised by this method supports social contribution foundations, academic activities for the industry's development, children's welfare, and public-service corporations which create jobs. 🌐



Supports for Financially Marginalized Group


To help financially marginalized people achieve greater social and financial independence, the Group founded the Shinhan Smile Microcredit Bank in December 2009. For next five years, each subsidiaries of the Group will contribute KRW10 billion every year, totaling KRW50 million, to underprivileged groups for supporting their business startups and operation without collaterals and guarantees. As of June 2010, total of KRW932 million of such loans were made to 122 persons. In 2010, two offices were added at Busan and Anyang.

Credit Recovery Support Procedures Shinhan Bank

Shinhan Bank began a credit recovery program in 2004 for customers who fulfill required hours of community service, providing practical opportunities to rebuild their credit. In 2009, requirement for the credit recovery expanded from community services into completion of reemployment training sessions, leading to broader sense of personal economic recovery beyond credit recovery. As a result, credits of four customers were recovered via 188 hours of community services in 2009. Meanwhile, the Bank sold off KRW80.2 billion of credit recovery funds for 10,411 customers (KRW72 billion for 9,080 customers in April and KRW8.2 billion for 1,331 customers in December, 2009). Acknowledging this credit recovery performance, the Bank won the special achievement award.

Financial Product Support Shinhan Bank Life Insurance Jeju Bank

SFG provides various financial products to support financially marginalized groups. Since 2006, through cooperation with Seoul Metropolitan City, Seoul City Credit, and Social Solidarity Bank, Shinhan Bank has provided special loan products for start-up businesses owned by the unemployed, disabled, and female head of household. The Bank also operates Children Development Accounts (CDA) of the Ministry of Health and Welfare to support the future of children in low-income families. As of the end of 2009, KRW16 billion accumulated via the accounts supported to more than 36,000 children in low-income group. Shinhan Life Insurance introduced "Shinhan Hope & Love Insurance" to assure unfortunate children in December 2008. Using dormant deposit, the insurance product covers various diseases, accidents, and death with free of charge.

Jeju Bank fulfills its responsibility as a leading local bank by supporting financially marginalized group through "Jeju Hope Sharing Loan" and other financial supports for low credit (lower than 8th rating) and low income groups (less than KRW20 million in annual income). 


Supports for SMEs



Corporate Success Program (CSP)

Shinhan Bank has conducted Corporate Success Program (CSP)³⁰, a workout program, since 2004 for SMEs with technological competitiveness, but with weak financial structure, and liquidity problem. The program includes management consulting, investment supports, and M&As³¹ management to provide tailored services. In December 2008, the Bank launched Corporate Restoration Support Division under direct control of the Bank's CEO for the first time among domestic banks to provide timely and substantial support.

As of the end of 2009, the Bank supported 153 workout companies out of 878 selected companies. As a result, the Bank posted KRW953.7 billion in new supports, KRW4.6 trillion in maturity extension, KRW830 million in interest relief, and KRW9 billion in debt-equity swap. The Bank also compensates outstanding companies in CSP program twice a year, while reporting operation status to the FSS every month. In line with the support process in CSP program, 460 companies under the jurisdiction of Credit Review Division and Individual Credit Review Division will be managed in 2010.

Financial Supports for SMEs

SMEs Support Fund  | To help SMEs in funding difficulties caused by the global credit crunch, Shinhan Bank has participated in raising SMEs Support Fund via cooperation with POSCO. The size of the fund reached KRW400 billion, the largest among the nation's fund supporting SMEs. This enables SMEs to resolve funding problem and strengthen their future competitiveness.


"Go! SMEs Support Loan"  | Since December 2008, Shinhan Bank has created win-win position with its SMEs customers through "Go! SMEs Support Loan." This special loan product enables cash-strapped SMEs to resolve liquidity problem with collateral of guarantee certificate from Korea Credit Guarantee Fund (KODIT). The Bank contributed KRW100 billion to KODIT to extend credit guarantees to KRW1.2 trillion for the liabilities of promising SMEs which lack tangible collateral. As the end of 2009, the Bank supported KRW726.4 billion to SMEs on 4,472 occasions. 

Community-centered Investment

Special Credit Card for Donation

Shinhan Card cultivates the culture of donation by developing "Beautiful Card," the nation's unique special card for donation, in 2005. By eliminating additional services and advantages, this card was made only for donation. This card also encourages cardholders to participate in sharing activities by engraving their names on the front side of the credit card. 0.5-0.8% of card usage amount is accredited to Arum points. This card also allows cardholders to choose recipients from 400 fields posting in donation specialized homepage (www.arumin.co.kr). Unlisted recipients at the homepage are able to register via simple screening regarding public interest. Donation methods include temporary, regular, and temporary/regular.

Investment in Communities

In consideration of social influences and responsibility as a financial institution, Shinhan Life insurance implements community-centered investment. With loan and investment through Social Responsible Investment (SRI)³² fund, Social Overhead Capital (SOC)³³, and Build-Transfer-Lease (BTL)³⁴ for construction of public facilities including schools, the company lays a firm base to seeking mutual beneficial opportunities between all participants of the society. 

Classification	Kind	Amount (KRW in billions)
SOC Investments	Loan	114.6
	Equity	78.9
BTL Investments	Loan	136.9
	Equity	77.4
SRI Funds	Fund	66.5
Total		474.3

³⁰ Corporate Success Program (CSP), Shinhan Bank's own corporate work-out program implemented in 2004, supports normalization of businesses with cash flows from operating activities, top management's strong commitment to restructuring, and higher potential of financial turnaround.

³¹ M&A refer to mergers and acquisitions of corporate which plan to reshuffle business structure to countermeasure changes in management environment.

³² SRI (Social Responsible Investment) funds are mainly invested in companies that are pursuing social responsibilities.

³³ SOC (social overhead capital) includes a variety of public facilities and structure such as transportation, electricity, public health, road, river, harbor, and airport. Recently, it has been expanded to social welfare and environmental facilities such as schools, hospitals and public parks.

³⁴ BTL (Build-Transfer-Lease) is one of construction businesses that private construction company builds public facilities and leases them to the government. The ownership is transferred to the government after the return of investments. Major objects include military apartments, superannuated national elementary and middle schools and deteriorated sewer pipes.



As a result of survey on socially-aware management, the scores for inside stakeholders were high, but the one for outside stakeholders, including individual and corporate customers, were low. By detailed criteria, the scores for communication with local communities and local communities' development were lower than the ones for CSR activities and compliance to law. Due to the lack of sufficient information and better communication with outside stakeholders, SFG will focus on local communities' development by developing additional communication channels. 🌐

● **Community-centered Management**

■ Individual Customer ■ Corporate Customer ■ Employee ■ Local Community ■ Business Partner

(Out of 100 points)



[Interview with an Expert] Kyung-Ja Yang, Chairman of Community Welfare Council, Seoul City

Suggestion for Socially Responsible Management within SFG

SFG continues on tailed supports to meet the needs of local communities via employees' participation. I think that major strengths for the Group's CSR activities are management's volunteerism and opportunities to work together with volunteers from customers. By enhancing these strong points, SFG could grow them into its unique CSR strategies.

As it aims to reinforce its communication with local communities, the Group should have an ear to listen diverse to opinions of diverse groups.

SFG needs to launch an integrated financial consulting center for customers, employees and business partners, like a CSR activities center to listen local voices. In doing so, the group is able to get even closer to stakeholders by reflecting collected opinions or information into its management direction. In addition, as a leading financial group, SFG should lead the way in supporting personal bankruptcies, as well as other social issues including low birth rate and welfare program for elderly citizens.

Response from SFG

SFG has aggressively carried out CSR activities by launching volunteer teams since Shinhan Bank introduced a volunteer team to Korean bank industry in 2004. CEOs and executives are participating in Shinhan Financial Group Volunteer Service Grand Festival every year. In 2010, we will institute a group-wide volunteer team for systematic CSR activities.

Using the advantage of the nation-wide branch network, SFG also conducts regionally specific activities. Through each branch and regional HQs, we hold CSR activities by responding to regional issues. Looking ahead, we will maintain our active communication with local voices.

In December 2009, we launched Shinhan Smile Financial Foundation to support the financial independency of group with low credit. With KRW50 billion of fund and financial knowhow, the Foundation will provide practical solutions to support the unfortunate people.



1
2



3 4

- 1_ Briquettes Sharing in Incheon
- 2_ Voluntary Works at Seobu Disabled Welfare Center
- 3_ Seoul Baby's Reception Home
- 4_ Sponsorship of Children's Flea Market
- 5_ Sharing Love at Municipal Peaceful Home
- 6_ Voluntary Works at Restoration Site of Sungnyemun
- 7_ Supports for Social Welfare Facilities
- 8_ Blood Donation



5 6



7 8





Employee

Shinhan Financial Group respects and supports employees for their self-realization through individual education and growth. Thus, SFG makes efforts to making happy place to work by cultivating entrepreneurship, implementing performance-based compensation and personnel development, and conducting various employee satisfaction programs.


Equality and Human Rights

SFG promotes the equality and human rights in working place and treat employees accordingly.

Employment Stability and Equality

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

Safeguarding Human Rights

Abiding by the labor and human rights principles of the UN Global Compact with its workforce, SFG prohibits forced labor and child labor. As the collective agreement and ethics regulations prohibit sexual harassment, abusive language and assault at the workplace, the Group prevents them by holding seminars for all employees. Twice a year or as needed, Shinhan Bank holds prevention education via visiting and intranet for its private security personnel in branch offices and the headquarters. Jeju Bank also conducts training courses for such personnel about human rights issues and relevant legal matters, work tips and other on-the-job information, and CS education to prevent their inappropriate behavior which inadvertently infringes upon others' rights. 

HR Development & Compensation

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

Education and Training

Shinhan Bank Investment Life Insurance

BNPP

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



Career Development Program Shinhan Bank Investment

Jeju Bank

SFG conducts the Career Development Program (CDP) to help employees to identify their career path through counseling with experts and setup plans to achieve the personal career goals. SFG also holds additional career development programs, including Shinhan Free Agent (SFA) which nurtures talents in the way what the organization requires, as well as self-motivated individuals to freely pursue job career, job specialists nurturing programs, global specialist nurturing program (including overseas MBA, global financial experts programs, and training at overseas branches), and the New Employee Care Program (NECP) for new recruits.

Courses of Shinhan Investment Corp.'s CDP are selected through two options, including an open contest for all employees, and open lecture by area in which individual employees choose. The courses include MBA courses by job position, financial expert courses by area, PB³⁵ master courses linking with colleges, management expert nurturing courses, and courses for new recruits.

CDPs of Jeju Bank include programs for motivation and on-the-job training. For new branch head, managers, and recruits, the Bank provides marketing college for leadership, PB school for corporate financing experts and on-the-job training for newly recruited personnel.

● Consultation for Career Development	[%]		
	2007	2008	2009
Shinhan Bank	13.0	15.1	18.9
Shinhan Investment Corp.	99.2	99.6	95.2
Jeju Bank	10.5	12.1	15.6

* Data of Shinhan Investment Corp. include the results of annual face-to-face meeting with all employees for personnel affairs. (Individual meetings by private request were also included.)

Multi-dimensional Evaluation Shinhan Bank Card Investment

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

Shinhan Bank operates the system through diverse group of evaluators³⁶ including division heads, current and former team members, and employees themselves. Following guiding indexes in the Code of Contact for SHB Leader, the Bank holds absolute evaluation using outside institutions' website and seven criteria, and strength/weakness evaluations by index.

Shinhan Card conducts timely colleague and staff evaluations for heads of divisions and departments, and units. To enhance fairness and reliability, the evaluation is outsourced to outside professional agencies through online survey.

Shinhan Investment Corp.'s employees at divisions and branches hold the multi-dimensional evaluation for heads of divisions and branches. The company implements absolute evaluation through five-phased criteria for ten principles for the leadership, including rational communication, fairness, decision-makings, and nurturing staffs. Upgrading the evaluation system, a peer evaluation will be added to evaluation group, while the scope of evaluation will be expanded. Additionally, evaluation criteria will be expanded into Shinhan Way's core values and credos.

Job Education Programs Card Life Insurance

In preparation of job changes of employees caused by promotion or transfer, the company operates job education programs to support them to acclimate easily to new jobs and enhance their work efficiencies. These programs include full knowledge of each job.

Shinhan Card operates essential and optional education programs including basic business and management skills, research programs and marketing analysis. The 'Core Job College' course is recommended for employees in the marketing, management and specialized business sectors.

Shinhan Life Insurance is also carrying out basic job educations such as word processing and CS management through the 'Common Job Training' program. The 'Sales Management' to foster talents is recommended for branch managers and office leaders, and the 'Leadership Improvement Course' to upgrade ability and role as a leader is encouraged for executives, department heads and branch managers.

³⁵ PB is responsible for the following works: sales of financial products such as loans, savings and funds, consultation services for foreign investment, foreign currency transactions and credit card business, offering comprehensive asset management services including real estate and tax, collection of information and customer management to attract high-class customers.

³⁶ The Grouping Evaluator implements the evaluation by grouping the business or region. The 'Workmate Evaluation' covers business divisions and branches, and 'Junior Staff' and 'Ma Competency Evaluation' comprise of 70% of current department staff and 30% of previous department staff, respectively.

Education Completion Guarantee Program Card

Shinhan Card introduced an education completion guarantee program to enable equal opportunity for education. This program allows employees to plan on self-directed learning process according to individual level and needs, and upgrades employees' capability on their own duties.


● Yearly Compulsory Training

Head of Department	Vice Head	Deputy Head ~ Manager	Assistant Manager ~ Staff	Junior Staff
12 hours (recommendation)	30 hours	40 hours	50 hours	24 hours

Mentoring System Card Life Insurance

Shinhan Card and Shinhan Life Insurance hold a mentoring system to enable newly recruited personnel to settle down in their job position as soon as possible, and improve the capability for their duty, as well as allowing supervising personnel experience to nurture their leadership skills. The companies select a mentor from related team members or senior employees recommended by division head besides members of the same team, and the mentor submits his or hers mentoring plans and execution results. The companies support KRW100 thousands to each team every month, and rewards outstanding mentors based on mid-term and final evaluation.

In-house Lecturer Card Life Insurance

Shinhan Card and Shinhan Life Insurance improve the loyalty of excellent employees for the companies, and reflect the real field information on employee education through in-house lecturer program. The program allows two companies to develop field-oriented education programs and secure professionals. The in-house lecturers develop course works and handle relevant results after the courses. 



Great Work Place Campaign

SFG promotes the balance between work and personal life and conducts "Great Work Place" campaign to boost the trust and respect of employees toward the Group. Hereafter, the group will continue to develop and introduce programs to increase the level of employee satisfaction, as well as seeking opportunities for employee benefits and sustainable growth.

Family-friendly Management

Go Home Early On Every Wednesday Shinhan Bank Life Insurance

Capital Jeju Bank | Shinhan Financial Group boosts employees' morale by encouraging employees to go home early on every Wednesday. It allows employees to spend more time with family by avoiding dinner appointments and night works.

Family-friendly Programs **Shinhan Bank** **Card** | SFG puts the first priority on family love and provides a various programs for family and children. Shinhan Bank and Shinhan Card operate weekend farming, allowing their employees to share love with family and environment, and experience farming life. For employees' children, the companies provide briefing sessions for college entry exam, composition contests and English camps. Shinhan Bank holds weekend trips programs for employees' family. As a result of these programs, the Bank won the grand prize in the financial institution category of the "Korea Great Work Place" (GWP) award for six consecutive years.

Supports for Employees' Children **Shinhan Bank** **Card** **Investments** **Life Insurance** | SFG offers financial supports and nurturing system for the education of employees' children.

For the nurturing programs, Shinhan Bank offers congratulatory money for new births pursuing the government's birth promotion policy. For the first born, the company supports KRW1.0 million, while KRW1.2 million for the second born. Shinhan Card also provides KRW0.6 million for the first born, as well as KRW1.0 million for the second and KRW2.0 million for the third born. For child care subsidies, KRW50,000 is given for infants between 13 and 60 month old every month, KRW100,000 for babies between 61 and 84 month old. Shinhan Life Insurance supports KRW0.5 million to new birth with disregard for the number of children.

For the education supports, Shinhan Investment Corp. supports admission fee and tuitions, and KRW0.4 million of pre-school preparation for two years for employees' children in difficulties, such as trouble in living expenses and parent's death amid business operation. Shinhan Life Insurance supports employees with disabled children with KRW0.2 million every month from pre-school for two years until graduation from elementary school.

For child care programs, Shinhan Bank opened a child care center at Ilsan area in March 2008, and has provided care for 40 children to relief the burden of parents and boosts the pride of employees.

Employee Benefits Program

Optional Benefits Program **Card** **Investments** **Life Insurance** | SFG operates an optional employee benefits program by accumulating mileages and issuing cards, allowing employees and their family to choose the benefits according to their needs. The program is designated to use for self development, health care, leisure, cultural activities, nurturing and education of children.

Shinhan Card implements "Cafeteria Program" to provide KRW1.2 million for full-time employees and KRW0.8 million for temporary workers to use the benefits within the card points of each employee.

Shinhan Investment Corp. issues welfare card limited to KRW0.7 million for all employees, excluding temporary workers.

Shinhan Life Insurance also conducts 'S-café' program to support welfare points to employees, equivalent to from KRW1.2 million to KRW3.3 million annually. Each employee is able to design own plan from three options including basic, optional, and free styles.

"Refresh Leaves" Program **Investments** **Life Insurance** | SFG has introduced "Refresh Leaves" program to provide employees refresh time and promote long-term leaves.

Shinhan Investment Corp. supports vacation expenses, equivalent to 50% of annual paid holidays compensation, to employees who use five consecutive days of fitness vacations, and annual/monthly leaves.

Shinhan Life Insurance allows employees, who works for the company more than ten years, to use five holidays consecutively or separately during two years, based on the anniversary of the company, at the 10th, 15th, 20th and 25th year at work.

Working Environment Improvement

Office Equipment Improved **Card** | Shinhan Card streamlined its office environment by installing the up-to-date telecommunication system based on IP communication, including remote video conference, IP recording and IP telephone system. By visiting work sites, the company replaces old equipments and remodels branches through research and collection of complaints.

Reduction of Online Use **Life Insurance** | Shinhan Life Insurance implements a campaign to reduce online use. Since August 2009, the closing time for online use in regular days has been set at 8:00 pm. shortened by two hours, while one hours cut for the end of every month. Additionally, the company reduced additional one hour for the online use in ordinary days and the end of month since April 2010. Through this reduction, employees can refresh themselves and concentrate on their works later.

Proud Place to Work TFT **Capital** | Every year, Shinhan Capital holds Proud Place to Work TFT to enhance working environment and collect suggestion for welfare programs. 🌐

Employee Communications

Shinhan Financial Group provides online bulletin board to collect employees' voices regarding welfare program improvement, while activating intranet bulletin board to bolster employees' communication with top management. To share management vision and strategies, SFG cultivates open-door corporate culture by holding informal meetings with CEOs for division heads and regular employees

Reactivation of Employees' Morale Shinhan Bank

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


Employee Complaint Handling Program

SFG conducts diverse consulting services to upgrade working conditions by effectively addressing and handling employee complaints. Through internal and external consulting, and online consulting, SFG seeks practical solutions for problems arising in employees' personal and professional lives.

Employee Assistance Program Card | Shinhan Card's employee assistance program (EAP) provides employees with information from manuals of the Group's guidelines and Q&As, and consulting services for personal and professional problems. Linking to three outside consulting institutions, the company also conducts a counseling system for psychological, career, and family matters. In March 2010, the company renewed EAP homepage to enable users to access the system, which was opened in February 2009 at intranet, from outside of the company. From the second half of 2010, the company will hold a personality test and online bulletin board for employees' satisfaction by posting information about family-bonding programs.

● Introduction and Operation of EAP

Classification	Outside Consultation (Special Items)	Inside Consultation (Corporate Items)
Consultant	Outside consulting institutes	- Five consultants in the company - Installation and operation of consulting room
Method	- E-mail - Telephone - Face-to-face	- Website for EAP use - available connection from the outside - Visiting consultation service
Contents	Home problems, personal relations, law & financial problems, health care, etc.	Conflicts within the organization, sexual harassments, etc.

Whistle-Blower System Investments | To eliminate unfair labor, Shinhan Investment Corp. implements a whistle-blower system for unlawful labor practices. Through a special online channel for employee complaint handling program, violations are reported to a HR manager to handle them timely. Additionally, the company invigorates the reporting through regular and timely self-reporting system, and prevents discrimination and complaints of employees through regular and timely interviews. 

Health & Safety

As a financial institution, SFG does not conduct an industrial safety & health committee, but the definition and compensation guidelines are identified in the industrial safety & health section of ILO agreement. SFG also discusses employees' safety & health issues at Labor-Management Committee meetings. By putting its first priority on employees' health, every year SFG requires securitized health exams to all employees.

As a result, there has been no absence reported due to injury or accident during this reporting period. Looking ahead, through consistent upgrade of working environment, accident-free campaign, and in-house education programs, SFG will continue to support physical and mental health of employees and harmony between work and personal lives.

Maternity Protection Shinhan Bank Investment Jeju Bank

To encounter low birth rate and aged society, SFG supports the promotion of childbirth, and implements maternity leaves programs. Basically, each subsidiary conducts its own pre- & post-natal holiday programs, as well as maternity leave for spouse for 90 to 110 days required by the law. The group also has parental leaves for infant care.

Additionally, Shinhan Bank guarantees parental leaves within one year after infant adoption and maternity leave within one year after baby delivery of infertile female employees.

Shinhan Investment Corp. guarantees entire salary and bonuses during maternity leaves, and conducts working time adjustment programs for infant care after delivery. New mothers are able to split the leaves during one year after the children birth, and are supported by 50% of regular salary during the leaves.

Jeju Bank guarantees maternity leaves for younger than three-year-old children during two years including pre- & postnatal and infertile leaves.





Stress Management Program Shinhan Bank

Shinhan Bank became the first Korean financial institution to adopt a stress management program in October 2008. Providing self checkups on stress status and treatment for those with high potential risk, the program is also available over the phone with outside expert consultants. Other programs to relieve employees' stress and promote a mental health include supports for employees' leisure such as an open contest for digital camera.

Non-Smoking Campaign Card Jeju Bank


Shinhan Card conducts Non-smoking Partnerships program by opening a pledge ceremony for non-smoking. The program offers souvenirs and holiday to some employees who succeed in non-smoking during a certain period of time. Linking to National Cancer Center and public health centers, the company also encourages smokers to participate outside non-smoking programs.

Jeju Bank also operates non-smoking clinics in connection with public health centers.

Employee Lounge in Main Office Building Shinhan Bank

Jeju Bank

Shinhan Bank opened "Sky Garden," an environmentally friendly employee lounge, on the rooftop of its main office building in September 2008, offering employees with small concerts for their relaxation. The lounge was remodeled in early 2010 to provide spaces for free talking among employees.


Jeju Bank also launched such a lounge space on the rooftop of its main office building in June 2009 to enable employees relax over a cup of tea. During summer season, the Bank also provides summer resort to relieve employees' stress and promote their healthy lives. 



Retiree Management

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

Life Planning Program Shinhan Bank

Shinhan Bank holds career development consulting services for full-time employees who have worked for more than 3 years in their designated career path. Full-time workers over the age of 45 are provided with "life planning consulting" services, assisting them with planning for retirement. For employees over the age of 40, a "career change support consulting" service is available to help them with planning for their future. The life planning program at Shinhan Bank provides career analyses for current employees in service and education and consulting programs for successfully leading a retired life, including business start-up, reemployment and certificate acquisition programs. 

Labor-Management Cooperation

SFG has labor unions and labor-management committees by each subsidiary. According to the collective agreement, the group guarantees free union activities and free admission of employees through prescribed procedures. The group also guarantees free admission and withdrawal of employees and freedom of assembly and association in observance with the Labor Standards Act, as well as having an obligation to notify major changes regarding management matters. There have been no labor disputes between 2007 and 2009.


In 2009, SFG Inc. has 82 labor union members out of 135 employees. Composed of a chairman, a vice chairman, a general manager, and workers, the Labor-Management Committee opens every quarter and on demand. In case of major changes in business operation, and all members of the committee meet to open briefing sessions.

Labor-Management Cooperation Programs Card


Life Insurance

SFG promotes reliable and cooperative relationship between labor unions and the management through labor-management cooperation programs.

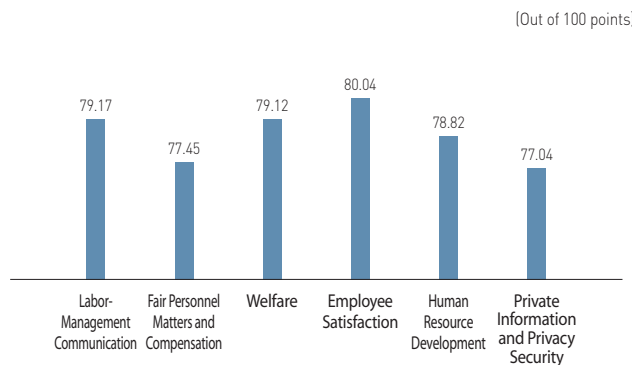
Shinhan Card holds labor-management cooperation training sessions with participation of the management and labor unions members, briefing sessions for management status, and joint outdoor activities.

Shinhan Life Insurance cooperates with the labor union for sporting events, pep rallies and morale stimulation programs to boost internal communication between employees. 



As a result of survey on "Employee-centered Management," employees scored the highest 80.04 points for the satisfaction about the company. Protection of personal information and private life, fair promotion and compensation scored the lowest. Looking ahead, to increase the level of satisfaction of employees, we will enhance our HR policy and human rights programs, as well as HR development programs for employees. 

● Employee-centered Management



[Interview with an Employee] Hyuk-Ki Koh, Former Assistant General Manager at Employee Satisfaction Center of Shinhan Bank., Current Vice Branch Manager of Seodaemun Station Branch of Shinhan Bank

Suggestion for Socially Responsible Management within SFG

To become a top bank, SFG has contributed to boost employees' morale and welfare programs.

Particularly, SFG relieves employees' stress in their duty and keeps their healthy mental status through many programs. The programs include stress level check-ups, and outside programs linking with external professional consultants. To promote open-door culture across the group, we encourage smooth communication among employees.

To grow into a globally competitive financial group, ethical management and CSR activities are expanded to meet the global standards. Additionally, it is very important to make every effort to provide accurate information and the best services to customers, I think.

Response from SFG

By acknowledging the competence and satisfaction of employees is the most important factor to keep the corporation's competitiveness, we try to help each employ find themselves in working places through various education and training programs. We also hold "Good Place to Work" campaign to maintain the harmony between the work and personal life. Especially, every Wednesday, we encourage employees go home early without dinner appointment or hold extended work hours.

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

To meet global standards, we nurture global talents through investment and education programs, while appointing the group's compliance officer and team to ensure ethical and transparent management. We carry out strict internal control through screening by officers to prevent scandals and accidents.



Business Partner

Through regular meetings and workshops, we continue our communication with business partners. Hereafter, we are further supporting their CSR activities, and growing together with them via various communication channels.

Our Business Partners

Partnership


SFG has business partnership with outside suppliers by subsidiary for its IT system development, branches and facilities maintenance, consulting and survey activities, debt collection, security, money receipt agents, and call center.

Selection & Evaluation

To select business partners, Shinhan Bank utilizes the "Shinhan Industrial Information" for financial and industry information, and an integrated terminal "#7042" system for track records of transactions with the bank, securing fairness in all procedures.

Shinhan Card operates the industry's unique procurement team for transparent and efficient purchase processes. Moreover, the company implements an integrated procurement system to computerize all procurement processes, enhancing the efficiency in bidding and delivery process for business partners. By adding evaluation system for business partners, the company rewards excellent partners.

For selection of business partners, Shinhan Investment Corp. avoids to select candidates who violate CSR issues including ethical management, corporate governance, labor-management relationship, social contribution, eco-friendly management, and human rights protection.


Jeju Bank evaluates candidates for business partners with various criteria including financial condition for stable supply of products, technological level, labor, and capability through dispatches to the bank. 

Communication with Business Partners

SFG is aware of the essential role of smooth communication with business partners and holds regular meetings with them.

Shinhan Bank remains committed to open-minded communications with its business partners through regular meetings, while promptly addressing complaints and heeding their opinions. Shinhan Card conducts various communication channels with its suppliers, including suppliers' team leaders meetings, workshops with suppliers and contractors, special treatment by supplier, and suppliers voice programs.


Shinhan Investment Corp. listens to suppliers' complaints at working-level personnel meetings. Through monthly interview and telephone, division head collects complaints and suggestions of business partners.

Shinhan Life Insurance and Jeju Bank hold regular or irregular meetings with their suppliers to discuss about business agenda, and listen to their complaints. 

Supports for Business Partners' CSR Management

Quality Control for Suppliers Shinhan Bank Life Insurance

Shinhan Bank monitors, assesses, and audits financial condition of its IT suppliers to ensure stable supply for IT equipments and minimize the effects from insolvent operation of the suppliers. Via the e-credit certification system (<http://www.esrm.co.kr>), the Bank manages its major business partners. This process makes it possible to perceive the risks of IT suppliers' financial condition in advance and to accurately respond to the risks.

Shinhan Life Insurance also controls service quality of its business partners. 



Prompt Repairs Shinhan Bank

The Quick & Quick Team at Shinhan Call Center is responsible for rapid visit and repairs of disorder in Quick & Quick booth, an automated service center, through the cooperation with outside security agencies. For ATMS and DVR, the call center and its partners for automation requires the outside security agencies to repair the system, and minimizes the duration of repair process via automated reporting system for departures and arrivals.

Education for Business Partners Card

Shinhan Card provides education for suppliers on their CS mindset, consulting guidelines, and verbal communication through visiting and manuals. By monitoring the quality of the outsourced consultants, the company holds 1:1 mentoring system, while dispatching the company's employees to the suppliers to improve conversation skills.

Transparent Contract Shinhan Bank Card

Shinhan Bank and Shinhan Card require "The Integrity Pact" and "Clean Shinhan Card" both to their employees and business partners for contract process.


Eco-friendly Management Promotion Investment

From 2010, Shinhan Investment Corp. began to encourage its business partners for printing materials to use eco-friendly paper and soy bean ink.

Ethical Management Jeju Bank

Jeju Bank promotes ethical management of its business partners by sharing its ethical management philosophy. 🌍

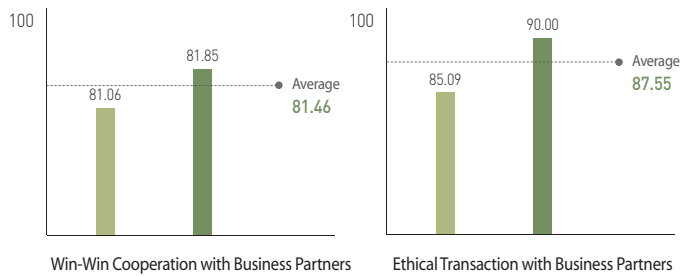


As a result of survey on "Business Partner-oriented Management," the score of business partners was higher than the one of employees. By detailed criteria, the score for ethical trade reached 90 marks, while win-win cooperation relatively posted lower score. We are continuing to provide specific action plans for the sustainable growth of our business partners, and enhance the satisfaction level for the trade with SFG by collecting and responding to their complaints. 

● **Business Partner-oriented Management**

■ Employee ■ Business Partner

(Out of 100 points)



ENVISIONING SUSTAINABLE GROWTH





Social responsibility has been the essential for all companies today. Shinhan Financial Group is also laying greater emphasis on CSR management for sustainable growth. By doing so, we will continue to create more value in the future.

In the rapidly changing financial market conditions and fierce competition, it is more important to develop opportunities to grow together by communicating with society. And social value is as important as economic value today. To meet this trend, Shinhan Financial Group will continue to lead the Korean financial industry by cherishing social value as well as creating financial value.



KMAR Assurance Report

Dear Readers of 2009 Shinhan Financial Group Social Responsibility Report

Foreword

The Korea Management Association Registration and Assessments (KMAR) had been engaged by Shinhan Financial Group (SFG) to verify the contents of its 2009 Social Responsibility Report (here and after called "the Report"). SFG is responsible for the collection and presentation of information within the Report. Our responsibility is to carry out assurance activities on specific information in the verification scope stipulated below.

Our independence

With the exception of providing third party verification services, KMAR is not involved in any other SFG business operations that are aimed at making profits in order to avoid any conflicts of interest and to maintain independence.

Verification scope

SFG described its efforts and achievements of its sustainability activities in the Report. The verification process was designed to provide readers with the following information;

- Verification of the economic segment: Review whether financial performance data has been extracted appropriately from SFG's 2009 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sectors
- Verification of environment segments: Review whether information included in the following segments is presented appropriately.
 - Environment Preservation and counter-moving against climate changes
- Verification of social segments: Review whether information included in the following segments is presented appropriately.
 - Ethical Management
 - Sustainability Management System
 - Stakeholders (Customers, Employees, Stockholders and Business Partners)
 - Social Contribution

'to be Presented appropriately' means that the contents of the Report appropriately reflected actual data and original information and were presented in a consistent and reliable manner. For the economic sector, we based our evidence gathering procedures on reasonable assurance. It is a higher level of assurance than the limited verification in terms of characteristics and the extent of performed tasks.

Verification standards

KMAR performed the review based on our verification standards that have been developed in accordance with the Accountability's "AA1000 Assurance Standard." We also used the International Auditing and Assurance Standards Board-issued "International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information" as additional guidelines.

Verification process and conclusion

In order to form our conclusion, KMAR undertook the steps outlined below to assess SFG's internal processes for reviewing the sustainability reporting practices.

- Surveyed SFG's sustainability related media information during the reporting period
- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances

Based on results we have obtained from material reviews, related department visits and interviews, we held several discussions with SFG on the revision of the Report. We reviewed the Report's final version in order to confirm whether our recommendations for improvement and revisions have been reflected.

- Economic performance
We compared the Report with SFG's 2009 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2009 Financial Statements.
- Environmental and social performance
We observed that information contained in the "environmental and social sections" has been appropriately presented. We did not discover any significant errors.

Recommendation for improvement

We hope SFG's first publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- Establishment sustainability strategy related to company management strategy
- Description business performance presented from sustainability strategy



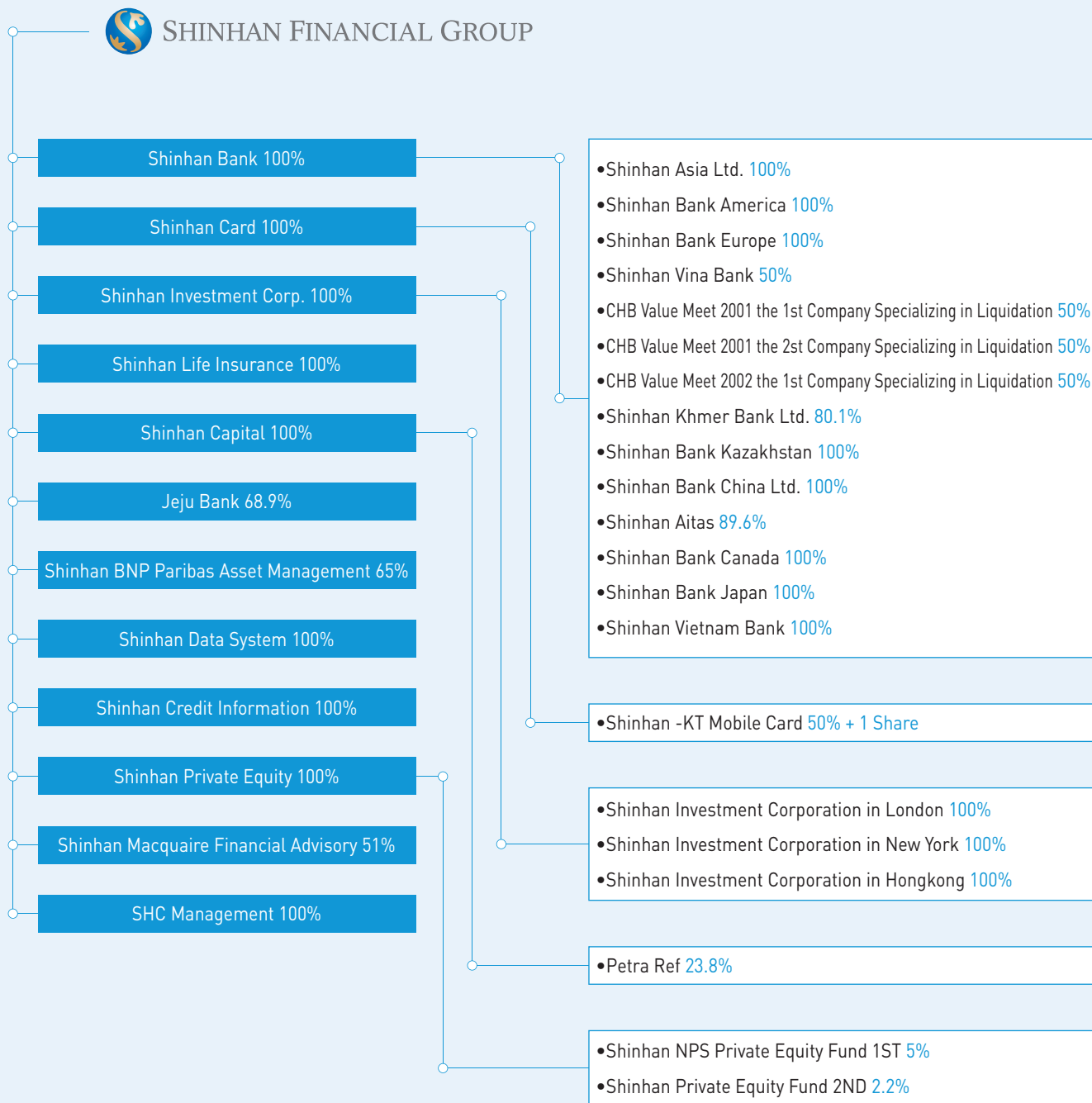
Korea Management Association
Registrations & Assessments Inc.

K. H. Park

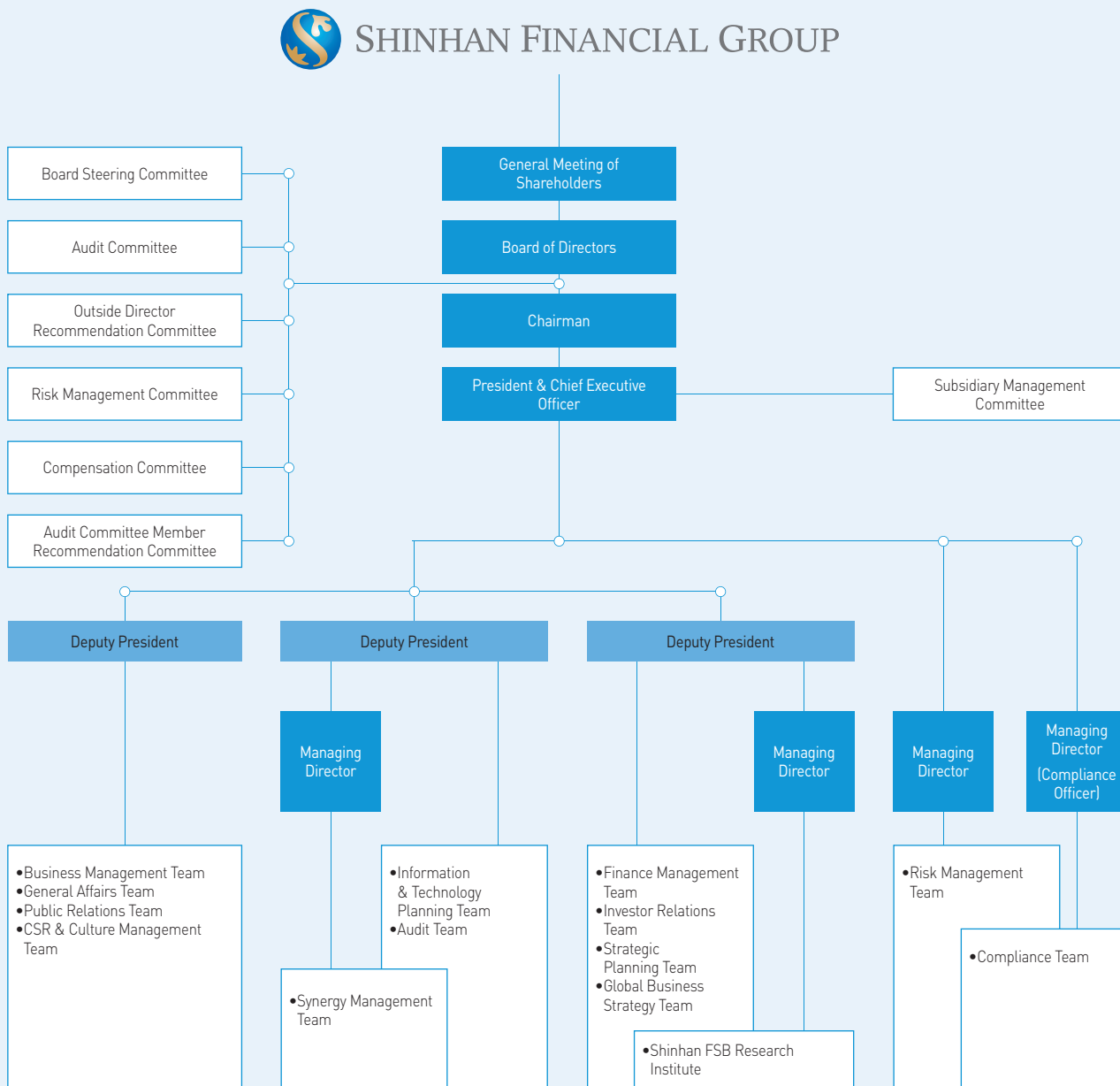
CEO Ki Ho Park

Governance Structure

Ownership of Shinhan Financial Group



Organization



BOD Members by Subsidiary

(March, 2010)

Subsidiary	Classification	Name	Current Position	Notes
Shinhan Bank	Inside Director	Baek Soon Lee	President & CEO	Reappointment
		Woo Jong Won	Standing Audit Committee Member	Reappointment
	Outside Director	Sang Hoon Shin	President & CEO, Shinhan financial Group Inc.	Reappointment
		Sung Ho Wi	Vice President, Shinhan financial Group Inc.	Reappointment
		Kyu Min Lee	Director of the Institute 21 for Peace Studies of the Dong-A Ilbo	Newly-appointed
		Joon Kyung Kim	2 Secretary of Finance and Economy of Senior Officer to the President for Economic Affairs	Newly-appointed
		Jae Ha Park	Senior Research Fellow & Vice President, The Korea Institute of Finance	Reappointment
		Cheol Soon Park	Vice-Dean of College of Business Administration & Professor of Business Administration, Seoul National University	Reappointment
Hee Jin Lee	Chairman of International Cooperation Committee, Korean Association of International Development and Cooperation	Newly-appointed		
Hirakawa Haruki	President of Hirakawa Shoji Co., Ltd.	Newly-appointed		
Shinhan Card	Inside Director	Jae Woo Lee	President & CEO	-
		Ihn Nam	Standing Audit Committee Member	-
	Outside Director	Sang Hoon Shin	President & CEO, Shinhan Financial Group Inc.	Reappointment
		Chan Hee Jin	Vice President, Shinhan Financial Group Inc.	Reappointment
		Byung Ho Kang	Professor of Hanyang University	Reappointment
		Sang Yong Park	Dean of College of Business Administration, Yonsei University	Reappointment
		Young Rae Cho	President of Japan Dongsung Co., Ltd.	Reappointment
		Ho Joo Shin	Advisor of GSS Holdings	Newly-appointed
Jahng Shick Bahn	President of Sogang Institute of Advanced Technology	Newly-appointed		
Shinhan Investment Corp.	Inside Director	Hyu Won Lee	President & CEO	Newly-appointed
		Ki Seung Jung	Standing Auditor	Reappointment
	Outside Director	Sung Ho Wi	Vice President, Shinhan Financial Group Inc.	Reappointment
		Kyung Ho Kim	Director	Reappointment
		Hae Ik Rhee	Director	Newly-appointed
Cheol Gon Park	Director	Newly-appointed		
Shinhan Life Insurance	Inside Director	Jin Won Suh	President & CEO	Newly-appointed
		Soon Bae Soh	Standing Audit Committee Member	Newly-appointed
	Outside Director	Sang Kyun Lee	President of Marushin Corporation	Reappointment
		Hwa Nam Kim	Vice President of Investment Association of Koreans in Japan	Reappointment
		Jung Bo Lee	Governor of Financial Supervisory Service	Reappointment
BuhmSoo Choi	Vice President, Shinhan Financial Group Inc.	Newly-appointed		
Shinhan Capital	Inside Director	Do-Heui Han	President & CEO	Reappointment
	Other Non-Executive Director	Hyo Il Lee	Managing Director, Shinhan Financial Group Inc.	Reappointment
		Sam Yong Lee	Managing Director, Shinhan Financial Group Inc.	Newly-appointed

Subsidiary	Classification	Name	Current Position	Notes
Jeju Bank	Inside Director	Chang Kee Huh	President	Newly-appointed
		Sam Jin Whang	Standing Audit Committee Member, Former General Manager of Jeju branch, the Bank of Korea	Newly-appointed
	Outside Director	Sung Hyo Ko	Professor of Accounting, Jeju National University	Newly-appointed
		Hisamatsu Genjo	President, Raekeuto Co., Ltd.	Newly-appointed
		Seung Ik Ko	Lecturer of Tourism Management, Jeju National University, Former Assistant Professor of Jeju Tourism College	Reappointment
Byung Ok Choi	Managing Director of ChoHung Bank	Newly-appointed		
Shinhan BNP Paribas Asset Management	Inside Director	Bhang Gil Choi	CEO	Newly-appointed
		Patrick Mange	Deputy CEO	Newly-appointed
		Hae Woong Jung	Standing Audit Committee Member	Newly-appointed
	Non-Standing Director	Jean Audibert	Director	Newly-appointed
	Outside Director	Max Diulus	Outside Director/Standing Auditor	Newly-appointed
		Buhm soo Choi	Outside Director/Standing Auditor	Newly-appointed
		Sam Yong Lee	Outside Director/Standing Auditor	Newly-appointed
Hyo Il Lee		Outside Director/Standing Auditor	Newly-appointed	

Major Products & Services by Subsidiary

Subsidiary	Classification		Product Name
Shinhan Bank	Liquid Deposit		Tops Office Worker Plan Deposit
	Accumulating Deposit		Shinhan Installment Savings at Monthly Compound Interest
	Unredeemed Deposit		Mint Fixed Deposit
	Foreign Currency Deposit		Foreign Currency Change-up Deposit
	Gold Banking		Shinhan Gold Tech Bank Book
	Private Credit Loan		Shinhan S-more My Car Loan
	Private Secured Loan		Shinhan Security Deposit-based Loan
	Business Loan		Shinhan Green Growth Loan
Shinhan Card	Premium		Premier, The Ace, The Best, Platinum Classic, Etc.
	General		Love, Lady, 2030, Lovely Life, Shinhan-SK Happiness, Etc.
	Specialized	Point	Hi-point, Nano, S-More, etc.
		Oil	Big Plus GS Caltex, Big Plus, GS Bonus, SK Bonus, Etc.
		Airline	Travel, Sky Pass, Asiana Club, New Sky Pass, Etc.
		Automobile	Deferred High Pass, Top's Auto, Etc.
Others		J-Plus, Beautiful Card, F1, Style-T, Etc.	
Shinhan Investment Corp.	Collective Investment Securities	MMF	Shinhan Best Private MMF1
		Bond type	Hi-Plus
		Mixed	Dongyang Moa Dream 10
		Equity type	Shinhan BNPP Good Morning Hope, Shinyoung Marathon A1
	Mutual Fund	Domestic	Future Discovery, Future Independence
		Overseas	Fidelity China Focus, Fidelity India Focus, Templeton Global Fund
	ELS	OTC	Capital Guarantee ELS Two Stock Knock-out ELS
	DLS	OTC	DL554th (Copper Call), 56th (Natural Gas Step Down) 82th (Sugar Call), 85th (Sugar Call), 110th (BDI Call)
	Trust	Trust Product	Savings Bank Fixed Deposit (Dongbu Savings Bank) Naemamdaero Trust
	Retirement Pension	Pension Product	PCA Retirement Pension Income Plus
Shinhan BNPP Retirement Pension Samsung Retirement Pension Index			
CMA		Shinhan S-more CMA	
WRAP ACCOUNT		Premium ETF Mixed Wrap Global Raw Material ETF Wrap	

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

Association and Joined Group

Subsidiary	Joined Association & Group
Shinhan Bank	Century 21 Executives Club, Korea Employers Federation, American Chamber of Commerce, Korea Derivatives Expert Committee, Nationwide Company commander Association, National Strategy Institute(NSI), Korea Service Management Association, Carbon Disclosure Project(CDP), Century 21 Financial Vision Forum, The Korean Economic Association, Korea Insurance Development Institute, Korea options, swaps & derivatives Association(KOSDA), Finance Forum, Primary Dealer Association, Korea Forum for Progress, Derivatives Trading and Foreign Exchange Expert Committee, CIO Roundtable, Korea Money and Finance Association, Brand Power Forum, Korea Forex Club, International Council for Small Businesses, Financial Information Security Council, Korea Fire Safety Association, The European Union Chamber of Commerce in Korea, CS Management Information Committee, Korea Management Association(KMA), Samsung Economics Research Institute, Korea Accounting Association, Korea Federation of Small and Medium Business, Corporate Finance Forum, Korea Heat Energy Engineers Association, Global Compact Network Korea, CS Leaders Club, Korea Marketing Study Group, Council of the Foreign Exchange Market Operations, Korea-Japan Economic Association, Bond Market Association, The Korean Financial Engineering Society, Korea Foreign Company Association, Business Ethics and Sustainability Management for Top performance, Ham Radio Deluxe Support Forums, Korean Business Council For the Arts, Seoul Economist Club, Korean Japanese Association, Korea CEO Forum, The Korea Chamber of Commerce & Industry, Korea Council of Volunteering, Junior Achievement Korea, Korea Financial Investment Association, The Korean Museum Association, Seoul Financial Forum, Korea-China Business Center, Korea Association for Chief Financial Offer, The Republic of Korea National Red Cross, Korean Finance Association, Association for Korea Investment of Korean resident in Japan, Knowledge Management Research Center, Korean Association of Real Estate Investment Consulting, Institute for Global Economics, Institute for Overseas Koreans, Associate Financial Planner Korea, East Asia Society for Regional Financial Cooperation in Asia, The Korea Political Science Association, The Federation of Korean Industries, Korea Core Industrial Technology Investment Association, Asia Society Korea Center, 136 Forum Linkage with Korea Green Foundation, The Institute of International Auditors, The Korea International Trade Association, Korea Statistics Promotion Institute, Korea Association of Emergency Disaster Safety & Security, United Nations Environmental Programme National Committees for the Republic of Korea, Korea Sustainability Investing Forum, IdenTrust, Manbun Club Linkage with Green Foundation
Shinhan Card	Century 21 Financial Vision Forum, Seoul Economist Club, World Future Forum, The Korea Chamber of Commerce & Industry, Financial Services Commission, Green Finance Council, The Credit Finance Association of Korea
Shinhan Investment Corp.	Korea Financial Investment Association, Korea Deposit Insurance Corporation, Korea Management Association(KMA), SERI-CEO Forum, Korea CFO Forum, The Institute of International Auditors, Korea Listed Companies Association International Corporate Governance Conference, Korea Capital Market Institute, Korea Center for International Finance, Institute for Global Economics, Global Finance Forum, Century 21 Financial Vision Forum, Green Investment Forum Korea, The Federation of Korean Industries, Seoul Chamber of Commerce & Industry, Korea Employees Federation, The Korea International Trade Association, Korea Petrochemical Industry Association, Korea Tire Manufacturers Association, Korea Automobile Manufacturers Association, Korea Iron & Steel Association, LawnB Corp., Association of Compliance Officers, Financial Information Security Center, Financial Security Agency, Financial Information Security Association, One-time Password Center, SignKorea(KOSCOM), Retirement Fund and Development Council, Interbill Corp., Korea Information Service, INC., Bloomberg, Ethics & Compliance Officer Association in the Federation of Korean Industries, Primary Dealer Association, Korea options, swaps & derivatives Association(KOSDA)
Shinhan Life Insurance	Korea Life Insurance Association, Korea Insurance Development Institute, Korea Insurance Research Institute, The Korea Chamber of Commerce & Industry, Korea Risk Management Society, The Korea Life Insurance Medical Association, Korea Insurance Academic Society, The Institute of Actuaries of Korea, Academy of Actuaries of Korea, Korea Insurance Jurisprudence Society, Association for Korea Investment of Korean resident in Japan, Century 21 Financial Vision Forum, Korea Accounting Institute, Financial Security Agency, Korean Bar Association, Korean Personal Improvement Association, Retirement Fund and Development Council
Shinhan Capital	The Credit Finance Association of Korea
Jeju Bank	Jeju Chamber of Commerce & Industry, Jeju Employees Federation, The Republic of Korea National Red Cross Jeju Branch, Korea Freedom Federation, Association for Korea Investment of Korean resident in Japan, International Peace Foundation, Jeju Center for Inter-Korea Exchange & Cooperation, Jeju Finance Forum, Jeju Special Self-Governing Provincial Tourism Association, Jeju Convention & Visitors bureau, Jeju Korean Japanese Association, Jeju Distributors Association for Developing Win-win Relationship, Federation of Small Business in Jeju
Shinhan BNP Paribas Asset Management	Full Membership with the Korea Financial Investment Association Signed Up Securities, Associate and Asset Management Company

Results of Ethical Education

(Unit: Person, Hours)

Subsidiary	Classification	2007	2008	2009
Shinhan Bank	No. of Attendee	11,374	13,572	12,551
	Hours	6	12	7
Shinhan Card	No. of Attendee	4,430	5,115	3,360
	Hours	4	4	4
Shinhan Investment Corp.	No. of Attendee	3,429	3,786	3,978
	Hours	4	4	4
Shinhan Life Insurance	No. of Attendee	953	1,859	499
	Hours	2	2	2
Shinhan Capital	No. of Attendee	65	85	93
	Hours	2	2	2
Jeju Bank	No. of Attendee	424	408	407
	Hours	14	14	14
Shinhan BNP Paribas Asset Management	No. of Attendee	-	-	171
	Hours	-	-	2

* Including cyber education and group education.

* There are no data in 2007 for Shinhan Card because it newly started the business in 2007.

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

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

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

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

Corporate Social Responsibility Performance

Major Eco-friendly Products

Classification	Product Name	Details
Shinhan Bank	Hopeful Energy Installment Savings	0.3~0.5%p prime rate for the subscribers of implementing energy saving
	Shinhan Solar Power Loan	Supports for the construction of solar power plants
	Shinhan Green Growth Loan	Provision of prime rate to the companies practicing low carbon and green growth businesses
	Shinhan My Car Loan	0.1%p prime rate for the purchaser of green vehicles (mini car, hybrid car or electric car under 1,000cc)
Shinhan Card	Environment Love Lady, Environment Love 2030	Environment-friendly product to realize and activate environmental problems by cooperating with Korean Foundation for environmental movement · 20% discount on ecotourism fees · 25~30% discount on environment-related books · Free pass to environmental concerts and art shows · Discount on materials rental from environment centers
Shinhan Investment Corp.	Shinhan BNPP Tops Global SRI [Stocks]	Investments in DJSI companies
	Shinhan BNPP Tops Beautiful SRI [Stocks]	Investments in leading companies in environmental, social and economic responsibilities (Based on Eco Frontier's Evaluation Service)
	ING Green Focus Stock 1 [Stocks]	Investments in green companies covering alternative energies and environment-friendly businesses
	Trust Genghis Khan MKF Green Growth	Investments in green companies covering alternative energies and environment-friendly businesses (Based on KOSPI and MKF Green Growth Index)
	Dongyang Great Company (SRI) 1 [Stocks]	Investments in CSR-centered companies (Based on KRX SRI Index)
	Woori Frontier CSR SRI 1 [Stocks]	Investments in CSR-centered companies
Shinhan Life Insurance	KDB SRI Better World 1 [Stocks]	Investments in leading companies in environmental, social and economic responsibilities (Based on IPS' Analysis Data)
	Non-dividend Shinhan Top Plan Variable Universal Insurance	Variable insurance including SRI funds
	Non-dividend Shinhan Power Rich Variable Universal Insurance	
	Non-dividend Shinhan Child Love Variable Universal Insurance	
	Non-dividend VIP Dream Tree Variable Universal Insurance	
	Non-dividend Safe Up Variable Pension Insurance	
	Non-dividend Shinhan Variable Pension Insurance	
	Non-dividend VIP Frontier Variable Pension Insurance	Term insurance for environment-related diseases
	Non-dividend Shinhan Variable Whole Life Insurance Plus	
	Non-dividend Shinhan Child Love Insurance Gold	
Non-dividend Shinhan Child Love Insurance Plus		
Non-dividend Shinhan Child Love Insurance Long Care		
Non-dividend Shinhan Premium Child Love Insurance	Specialized term insurance in bicycle accidents	
Non-dividend Shinhan Child Love Insurance Care		
Jeju Bank	Non-dividend Shinhan Child Love Insurance Green	
	Gojjawal Love Fixed Deposit/Installment Savings	Raising contributions for public services'Buying an Area of 1-pyeong in Gojjawal'
	Gojjawal Love Card	Donation of 0.1% amount of credit card sales to Gojjawal Communization Foundation
	Low Carbon Prumi Installment Savings	Raising funds for regional development by saving a part of interests on deposits

Contents of Award Winning on Corporate Responsibility Management

Subsidiary	Contents of Award Winning on Corporate Responsibility Management
Shinhan Bank	<ul style="list-style-type: none"> - Number One Bank for Eight Consecutive Years in Service Quality Index - Awarded the Grand Prize for Six Consecutive Years in Bank Sector on 'Korea Service Awards; Korean Standard Association - Number One Bank for Six Consecutive Years in Most Admired Companies in Korea, Korea Management Association Consulting - Awarded the Grand Prize for Four Consecutive Years in Corporate Responsibility Sector on 'Global Standard Management Awards : Korea Management Association (Inducted into Hall of Fame for Five Consecutive Years in 2010) - Awarded the Grand Prize for Three Consecutive Years in the Overall Competition on '2009 Social Contribution Awards : Korea Journalists Forum (Awarded the Grand Prize in the Overall Competition for Four Consecutive Years in 2010) - Number one bank for Five Consecutive Years in Bank Sector on 'Global Customer Satisfaction Competency Index(GCSI), Japan Management Association Consulting - Number one bank for Two Consecutive Years in PB on 'Korea Standard-Premium Brand Index; Korean Standard Association - Awarded the Grand Prize for Five Consecutive Years in Bank Sector on '2009 First Brand Awards; Korean Customers' Forum - Awarded the Grand Prize for Six Consecutive Years in Bank Sector on 'Korea Great Work Place Awards; Joongang Newspaper/ GWP Korea - Awarded the Grand Prize for 'the 14th Fighting Small Business Support Loan Awards', Mael Economy Newspaper - Awarded the Grand Prize as a Trust Company on 'the Company of Korea 2009 : Korean Customers' Forum - Awarded the Grand Prize in Bank Sector on Green Awards, Environmental Media - Best Retail Bank in Korea best Retail Bank, The Asian Banker - Nominated as a Best Brand by Customer's Choosing on '2009 Korea Highest Brand Awards : Brandstock
Shinhan Card	<ul style="list-style-type: none"> - Number one Card Company for Three Consecutive Years in Most Admired Companies in Korea, Korea Management Association Consulting - Nominated as a Number One Company in Credit Card Sector on 'Global Brand Competency Index Rating : Japan Management Association Consulting - Awarded an Appreciation Plaque on '2009 Smile Awards' - Nominated for Good Advertisement by Customer's Choosing, Campaign 'We are routing you' - Awarded the Certification in '2009 Seodaemun-gu Volunteer Fair' - Rated as 'A' Grade for Two Consecutive Years on 'the Credit Rating of Long Term Foreign Bonds : JCR(Japan Credit Rating Agency) - Nominated for '2009 Master Brand Awards : Korea Brand Management Association - Number one Credit Card Company on '2009 BSTI(BrandStock Top Index); Brandstock - Number one Company in Credit Card Sector on '100 of Korea Company, 2009' and '2010 Brand Star : Brandstock - Nominated for '2009 Korea Highest brand : Brandstock - Awarded the Grand Prize on 'This Year's Brand' and '2010 Korea First Brand : Korean Customers' Forum, Hangeok Economy Newspaper - Awarded the Grand Prize for Six Consecutive Years in Bank Sector on 'Korea Great Work Place Awards; GWP Korea-Joongang Newspaper - Number One Bank on '2009 Korea Service Quality Index : Korean Standard Association - Nominated for 'Most Reliable Credit Card Company by Customer's Choosing : Korea Civil Movement Association for Customer's Right - Excellent Financial Company for Financial Consumer Protection, The Financial Supervisory Authority - Nominated for Grand prize on 'Social Welfare Service : Seoul Welfare Foundation - Awarded the Grand Prize on '2009 Corporate Social Responsibility : Hangeok Economy Newspaper - Awarded the Grand Prize for Three Consecutive Years on 'Customer Satisfaction Management : Korea Management Association Consulting - Awarded the Grand prize on 'Knowledge Management of Mail Economy : Mail Economy, Booz & Company - Number one Credit Card Company on 'Korea Standard-Premium Brand Index : Korean Standard Association - Awarded the Grand prize on 'Master Brand Awards 2009 : Co-organized by Hankyung.com, Donga.com, imbc
Shinhan Investment Corp.	<ul style="list-style-type: none"> - Awarded the Grand Prize for Six Consecutive Years in Brand Marketing Sector on '12th Hankyung Marketing Awards', The Korea Economic Daily - Rated as a Best Sales Company for Two Consecutive Years on '2009 Fund Sales Company Evaluations : Korea Investors Protection Foundation - Nominated for 'Best Fund Sales Company' on 'Moneytoday-Morning Star Fund Awards': Co-organized by Moneytoday and Morningstar - Awarded the Grand prize in the Culture and Art competition for Four Consecutive Years on '2009 Social Contribution Awards': Korea Journalists Forum - Nominated for '2010 Creative Management Company that Brought Honor to Korea, Joongang Newspaper
Shinhan Life Insurance	<ul style="list-style-type: none"> - Awarded the Grand Prize on '13th Herald Business Insurance Awards' - Rated as 'AAA' Grade for Two Consecutive Years on 'the Insurance Industry's Credit Rating; Korea Investors Service - Awarded the Grand Brand Prize for Two Consecutive Years on '2009 Korea Luxury Brand Awards': Korea Sustainability Management Evaluation - Awarded the Grand Prize on '2009 Asia Economy PB Awards' - Nominated for '2009 Highest Brand in Korea; Brandstock - Awarded the Grand Prize on '2010 First Brand' - Nominated for Excellent Call Center on 'Service Quality Index of 2010 Korean Industries': Korea Management Association Consulting - Awarded the Grand Prize on '2010 Customer-Centered Management; The Federation of Korean Information Industries
Jeju Bank	<ul style="list-style-type: none"> - Awarded the Grand Prize for Six Consecutive Years on 'Environment Preservation Activities through One Company for One Area Movement'

* Shinhan Capital and Shinhan BNP Paribas Asset Management are not applicable to the above contents.

Results of Social Contribution Activities

Classification		Shinhan Financial Group Inc.	Shinhan Bank	Shinhan Card	Shinhan Investment Corp.	Shinhan Life Insurance	Shinhan Capital	Jeju Bank	Shinhan BNP Paribas Asset Management
No. of Participants (persons)	2007	-	15,703	4,140	718	288	192	4,484	-
	2008	-	15,914	3,020	736	580	180	4,621	-
	2009	122	15,939	3,388	771	688	52	4,488	10
Activity Hours (hours/person)	2007	-	5.0	6.3	7	3.8	7.6	2.1	-
	2008	-	5.0	3.6	7.3	6	7	2.4	-
	2009	3.7	5.7	3.4	7.4	4	4.8	2.2	5
CS Expenses (Donation, etc.) (KRW in millions)	2007	-	50,300	6,127	617	1,134	95	1,740	-
	2008	30	109,017	1,971	510	313	111	1,780	-
	2009	631	176,572	16,470	2,881	8,913	1,061	1,710	2,571

* There are no data in 2007 and 2008 for Shinhan Financial Group Inc. because the company had not computed the participants and hours.

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

* Participating hours per employee = Social contribution hours by each subsidiary / participants.

* It has not been calculated into the cost of holding company because of the nature of the holding company, Shinhan Financial Group Inc.'s 2007 Social Welfare Costs was paid through a subsidiary.

Employees

Classification		Shinhan Financial Group Inc.			Shinhan Bank			Shinhan Card			Shinhan Investment Corp.		
		2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
No. of Employees (Persons)		92	103	140	12,499	12,791	12,346	4,636	4,145	3,409	1,780	1,869	1,986
Employment Type (Persons)	Executive	5	5	5	16	13	13	31	29	26	18	19	28
	Regular Position	85	97	132	10,470	10,926	10,265	3,143	3,239	2,800	1,430	1,516	1,698
	Temporary Position	2	1	3	2,013	1,852	2,068	1,462	877	583	332	334	260
Employment of Social Minorities	Woman	2 (7.1%)	0 (0%)	11 (15.5%)	516 (57.8%)	692 (53.7%)	467 (65.3%)	104 (91.2%)	652 (92.6%)	504 (93.3%)	91 (30.3%)	95 (55.9%)	75 (35.4%)
	Local University	0 (0%)	2 (6.7%)	7 (9.8%)	362 (40.5%)	616 (47.8%)	366 (51.2%)	111 (97.4%)	674 (96.2%)	510 (94.3%)	41 (13.7%)	32 (18.8%)	49 (23.1%)
% of Woman Manager		1.5	3.75	8.0	15.5	17.0	19.1	8.0	7.9	7.9	7.0	7.3	8.3
Job Creation Rate (%)		-11.5	11.9	35.9	-	2.3	-3.5	-	-10.6	-17.8	9.98	5.30	1.61
Turnover Rate (%)		1.35	0.08	0.22	0.11	0.11	0.09	0.3	0.2	0.2	0.86	0.65	0.69
Average Length of Service (Years)		2.9	3.5	2.3	14.7	14.8	14.7	5.3	6.5	7.7	8.8	9.2	9.2

Classification		Shinhan Life Insurance			Shinhan Capital			Jeju Bank			Shinhan BNP Paribas Asset Management		
		2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
No. of Employees (persons)		938	994	1,024	87	111	117	457	453	419	-	-	187
Employment Type (persons)	Executive	8	8	8	5	5	4	4	4	4	-	-	4
	Regular Position	776	805	874	79	104	111	322	326	328	-	-	178
	Temporary Position	154	181	142	3	2	2	131	123	87	-	-	5
Employment of Social Minorities	Woman	84 (64.6%)	77 (63.3%)	58 (59.8%)	7 (41%)	8 (53.3%)	1 (14%)	11 (45.8%)	2 (28.5%)	16 (53.3%)	-	-	68 (36.4%)
	Local University	34 (26.2%)	39 (33.1%)	28 (28.9%)	5 (29.4%)	6 (40%)	0 (0%)	7 (29.2%)	6 (85.7%)	16 (53.3%)	-	-	10 (5.3%)
% of Woman Manager		7.1	9.0	10.7	1.2	4.5	5.98	0.87	0.88	0.95	-	-	13.9
Job Creation Rate (%)		6.7	6.0	3.0	16	27.5	5.4	3.6	0.9	7.5	-	-	0
Turnover Rate (%)		0.71	0.49	0.46	1.2	1.0	1.8	0.2	0.2	0.2	-	-	1.0
Average Length of Service (years)		9.4	9.3	10.3	7.5	7.3	8.2	11	11	11	-	-	3.8

* Ratio of woman manager includes manager and upper levels.

* No. of employees includes regular and contract ones.

* Job creation rate: (No. of employees in the year - No. of employees in the previous year)/No. of employees in the previous year*100

* Turnover rate: (No. of monthly average jobless / No. of monthly average employees)*100

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

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

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

Education on Human Rights

Classification		Shinhan Financial Group Inc.	Shinhan Bank	Shinhan Card	Shinhan Investment Corp.	Shinhan Life Insurance	Shinhan Capital	Jeju Bank	Shinhan BNP Paribas Asset Management
No. of Educated Employees (Persons)	2007	92	7,005	4,430	1,775	975	87	454	-
	2008	103	11,374	5,115	1,869	1,025	111	449	-
	2009	140	6,059	3,360	1,899	1,096	117	415	90
No. of Educated Security Officials (Persons)	2007	1	1,031	-	-	-	-	31	-
	2008	1	1,653	-	-	-	-	29	-
	2009	1	1,950	-	-	-	-	28	-

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

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

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

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

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

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

Investments in Education

Classification		Shinhan Financial Group Inc.	Shinhan Bank	Shinhan Card	Shinhan Investment Corp.	Shinhan Life Insurance	Shinhan Capital	Jeju Bank	Shinhan BNP Paribas Asset Management
Education Expenses (KRW in millions)	2007	158	1,560	-	3,200	660	140	299	-
	2008	152	1,540	3,700	4,060	580	87	137	-
	2009	190	1,640	4,000	2,425	788	93	280	313
Education Expenses per Employee (KRW)	2007	1,715,690	1,190,000	-	1,802,817	600,382	1,639,462	654,989	-
	2008	1,471,633	1,197,000	1,140,000	2,172,285	571,000	780,745	303,265	-
	2009	1,735,486	1,331,000	1,410,000	1,274,355	801,034	823,673	669,014	1,690,000
Education Time Per Employee (Hours)	2007	-	119	-	100.5	95.3	4,816	110	-
	2008	-	165	144	68	103.7	2,496	150	-
	2009	-	188	158	113.7	100.5	2,129	180	5

* As for Shinhan Financial Group Inc., the calculation of education hours per employee is difficult due to the nature of the job that their educations are carried out individually or by team level.

* There are no data in 2007 for Shinhan Card because it started the business in 2007.

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

Labor Union by Subsidiary

Subsidiary	Classification	Contents	Remark
Shinhan Bank	Name	Shinhan Bank Branch of Korean Financial Industry Union	Industrial Union
	Establishment	Jun. 01, 1960	
	No. of Subscribers	7,610 Persons	As of the End of December 2009
	No. of Regular Members	23 Persons	
	Affiliated Association	Federation of Korean Trade Unions	
Shinhan Card	Name	Shinhan Card Labor Union	
	Establishment	Jan. 14, 2000	
	No. of Subscribers	2,732 Persons (Regular: 2,639, Contract: 93)	As of April 1, 2010
	No. of Regular Members	9 Persons	Chairperson (1), Chief Vice Chairperson (1), Vice Chairperson (1), Secretariat Chief (1), Head of Planning Dept., Head of Organizational Dispute Dept., Head of General Affairs/System Renovation Dept., Head of PR Dept., Dispatched Worker by Clerical & Financial Union (1)
	Affiliated Association	Korean Confederation of Trade Unions, Clerical & Financial Union under	
Shinhan Investment Corp.	Name	Shinhan Investment Branch of Nationwide Securities Industry Unions	
	Establishment	Jan. 19, 1988	
	No. of Subscribers	1,450 Persons	As of the End of December 2009
	No. of Regular Members	6 Persons	Chairperson (1), Chief Vice Chairperson (1), Vice Chairperson (1), Head of Policy Dept. (1), Secretariat Chief (1), Head of Culture Dept. (1)
	Affiliated Association	Clerical & Financial Union	
Shinhan Life Insurance	Name	Shinhan Life Insurance Branch of Nationwide Life Insurance Industry Union	
	Establishment	Jun. 05, 1995	
	No. of Subscribers	640 Persons	As of the End of December 2009
	No. of Regular Members	3 Persons	
	Affiliated Association	Korean Confederation of Trade Unions, Clerical & Financial Union under	
Jeju Bank	Name	Jeju Bank Branch of Nationwide Financial Industry Unions	Trade unions
	Establishment	Aug. 24, 1987	
	No. of Subscribers	310 persons	As of the End of April, 2010
	No. of Regular Members	3 persons	
	Affiliated Association	Federation of Korean Trade Unions	

Joint Labor-Management Conference by Subsidiary

Subsidiary	Year	No. of Meeting	No. of Resolution	Participation (%)	Major Agenda
Shinhan Financial Group Inc.	2007	1	14	90	- '09.9.10: Agreement on legal requirement to compensatory vacations in 2009
	2008	1	19	92	
	2009	1	1	93	
Shinhan Bank	2007	2	19	100	- '09.3.9: Agreement on the change of office hours - '09.3.26: Introduction of retirement pension - '09.4.6: Agreement on CSR activities and overcoming the crisis (supports for job creation of SMEs with salary returns) - '09.9.4: Additional agreements to share difficulties (including the use of annual paid holidays, etc.) - '09.9.8: Improvement of in-house fund operation system and physical examination environments
	2008	2	9	100	
	2009	6	9	100	
Shinhan Card	2007	-	-	-	- '09.4.: Contribution of welfare funds to labor-management athletic meeting - '09.10.: Agreement on overseas training and integration of company rules
	2008	4	11	100	
	2009	4	9	100	
Shinhan Investment Corp.	2007	4	0	80	- '09.3.23: Business plans and performances of retail business headquarters - '09.3.25: Business plans and performances of wholesale, trading and IB headquarters - '09.3.27: Business plans and performances of management support, risk management and IT headquarters - '09.6.23: Change of company name, report of Competitiveness Enhancement Committee, launch of new system and IT outsourcing, campaign for the protection of sexual harassment and verbal abuse - '09.9.23: Agreement on improving salary and bonus system - '09.10.6: Agreement on improving salary and bonus system
	2008	7	0	85	
	2009	6	0	90	
Shinhan Life Insurance	2007	4	2	100	- '09.5.12: Agreement on physical examination and use of condominium in the the peak season - '09.9.17: Agreement on sharing jobs - '09.12.30: Agreement on optional welfare system, physical examination, accident insurance and residential supports - '10.3.31: Agreement on closing time of online business, optional welfare system, educational supports for disabled children, vacation policy and the time of paying annual vacation substitution bonus
	2008	4	4	100	
	2009	4	14	100	
Shinhan Capital	2007	4	6	100	- '09.: Agreement on operating in-house welfare funds - '09.: Improvement of other welfare system process, etc.
	2008	4	5	100	
	2009	4	6	100	
Jeju Bank	2007	2	7	100	- '09.5.29: Agreement on introducing welfare card, cutting new employees' salaries, improving bonus system, hiring new staff, saving in-house welfare funds, supporting family tour, improving IT team, buying automatic cash calculating machines, abolishing special business team, supporting school expenses for the dead, returning 50% of welfare pension and legal requirement of annual holidays - '10.1.12: Agreement on resolving personnel congestion, setting up promotion guidelines for over P3 position, expanding overseas training opportunities, extending the period of rental housing for employees at distant areas, supporting transportation expenses for single and contract workers, reforming relegation system, and increasing physical fitness expenses
	2008	2	12	100	
	2009	2	19	100	
Shinhan BNP Paribas Asset Management	2007	-	-	-	- '09.3.3: Selection of labor members (passed by unanimous consent) - '09.3.26: Coordination of internal position conflicts since the integration, readjustment of language education expenses - '09.5.28: Agreement on the event for a team-building in Jeju-do - '09.9.17: Agreement on improving reward criteria for long-term employees and autumn team-building - '09.12.7: Simplification of process for asking medical expenses, regularization of labor-management meeting and activation of extraordinary meetings, collection of opinions about year-end party
	2008	-	-	-	
	2009	5	1	100	

* There are no data in 2007 for Shinhan Card because it started the business in 2007.

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

Communication with Business Partners

Subsidiary	Object	Meeting	Contents
Shinhan Bank	· IT-Related partners	32 Partners	Regular Meeting (Once a Year)
	· ATM-Related Partners	4 Partners	Trouble Prevention Meeting (Once a Month)
Shinhan Card	· Team Manager Who is Responsible to Shinhan Card · Manager of Customer Service Team	Team Manager Meeting	Once a Month
	· Team Manager Who is Responsible to Shinhan Card, Vice Manager and Over of Each Center · Manager of Customer Service Team, Head of Center, Staff of Partners Who are Fully in Charge	Workshop with Partners	Once a Quarter
	· Middle Manager of Customer Service Team is Fully in Charge of Each Partner.	Exclusive Charge System with Partners	Ordinary Times
	· Major Partners in Procurement, Printing, Etc.	Hearing Difficulties of Partners	Visiting Partners Once a Year to Hear Difficulties
Shinhan Life Insurance	· IT-Related Partners	One Partner	Regular Meeting (Once a Month)
	· IT-Related Partners	2 Partners	Irregular Meeting * Focus on Work Discussion
Jeju Bank	· ATM-Related Partners	2 Partners	Staying in the Bank for Nonscheduled Operation
	· Partners in Managing PCs for Business Use	One Partner	Staying in the Bank for Nonscheduled Operation
	· Security-Related Partners	One Partner	Once a Month

GRI(G3) INDEX

● Disclosed | ● Disclosed Partially | ◇ Not Disclosed | ○ Not Applicable

GRI(G3) INDEX	Profile Disclosure	Description	Extent of reporting	Page
Profile				
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization	●	4-5
	1.2	Description of key impacts, risks, and opportunities.	●	12-13
Organizational Profile	2.1	Name of the organization.	●	8-9
	2.2	Primary brands, products, and/or services.	●	8-9, 96-97
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	8-9, 92
	2.4	Location of organization's headquarters.	●	8
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	8, 36-37
	2.6	Nature of ownership and legal form.	●	14, 92
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	8, 36-37
	2.8	Scale of the reporting organization.	●	8, 35
	2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	36-37
	2.10	Awards received in the reporting period.	●	101
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	3
	3.2	Date of most recent previous report (if any).	◇	The First Publication
	3.3	Reporting cycle (annual, biennial, etc.)	●	2
	3.4	Contact point for questions regarding the report or its contents.	●	3
	3.5	Process for defining report content.	●	24
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	2
	3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope). ¹	●	2
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	92
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	3
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	◇	The First Publication
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	◇	The First Publication
	3.12	Table identifying the location of the Standard Disclosures in the report.	●	108-114
	3.13	Policy and current practice with regard to seeking external assurance for the report.	●	2, 90-91
Governance, Commitments, and Engagement	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	14-17
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	14
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	14
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	16, 79
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	15
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	14
	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	●	14-15

GRI(G3) INDEX	Profile Disclosure	Description	Extent of reporting	Page
Governance, Commitments, and Engagement	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	Refer to the Code of Ethics at our website
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	14-15, 21
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	15
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	27-28
	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	22
	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	98
	4.14	List of stakeholder groups engaged by the organization.	●	23
	4.15	Basis for identification and selection of stakeholders with whom to engage.	●	23
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	23
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	24, 43, 52, 63, 72, 83	
Economic Performance				
EC		Disclosure on Management Approach	●	20-21
Performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	35
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	47-48
	EC3	Coverage of the organization's defined benefit plan obligations.	●	81
	EC4	Significant financial assistance received from government.	◇	
Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	○	
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	◇	
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	●	37
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	30-31, 42, 64-71
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	42
Environmental Performance				
EN		Disclosure on	●	20-21
Materials	EN1	Materials used by weight or volume.	◇	
	EN2	Percentage of materials used that are recycled input materials.	◇	
Energy	EN3	Direct energy consumption by primary energy source.	◇	
	EN4	Indirect energy consumption by primary source.	●	49
	EN5	Energy saved due to conservation and efficiency improvements.	●	49
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	●	47-48
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	●	49-50

GRI(G3) INDEX	Performance Indicator	Description	Extent of reporting	Page
Water	EN8	Total water withdrawal by source.	●	49
	EN9	Water sources significantly affected by withdrawal of water.	◇	
	EN10	Percentage and total volume of water recycled and reused.	◇	
Bio Diversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	◇	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	◇	
	EN13	Habitats protected or restored.	◇	
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	◇	
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	◇	
Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight.	●	49
	EN17	Other relevant indirect greenhouse gas emissions by weight.	●	49
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	45, 49
	EN19	Emissions of ozone-depleting substances by weight.	◇	
	EN20	NOx, SOx, and other significant air emissions by type and weight.	◇	
	EN21	Total water discharge by quality and destination.	◇	
	EN22COMM	Total weight of waste by type and disposal method.	◇	
	EN23	Total number and volume of significant spills.	◇	
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	◇	
Products and Service	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	◇	
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	47-48
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	◇	
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	Supplementary Notes on Index
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	◇	
Overall	EN30	Total environmental protection expenditures and investments by type.	●	44, 47, 48, 50, 51
Labor Performance				
LA		Disclosure on Management Approach	●	20-21
Employment	LA1	Total workforce by employment type, employment contract, and region.	●	103
	LA2	Total number and rate of employee turnover by age group, gender, and region.	●	103
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	75
Labor / Management Relations	LA4	Percentage of employees covered by collective bargaining agreements.	●	105
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	82
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	80
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	●	80

● Disclosed | ● Disclosed Partially | ◇ Not Disclosed | ○ Not Applicable

GRI(G3) INDEX	Performance Indicator	Description	Extent of reporting	Page
Occupational Health and Safety	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	80-81
	LA9	Health and safety topics covered in formal agreements with trade unions.	●	80-81
Training and Education	LA10	Average hours of training per year per employee by employee category.	●	104
	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	75-77, 81
	LA12	Percentage of employees receiving regular performance and career development reviews.	●	76
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	●	103
	LA14	Ratio of basic salary of men to women by employee category.	○	
Human Rights Performance				
HR		Disclosure on Management Approach	●	20-21
Management Practice Non-Discrimination	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	●	85
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	●	85
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	●	75
	HR4	Total number of incidents of discrimination and actions taken.	●	75
Freedom of Association	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	●	82
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	●	75
Force and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	●	75
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	●	104
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	Supplementary Notes on Index
Society Performance				
SO		Disclosure on Management Approach	●	20-21
Community	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	65-71
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption.	●	25-26
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	22, 99
Public Policy	SO4	Actions taken in response to incidents of corruption.	●	79
	SO5	Public policy positions and participation in public policy development and lobbying.	●	25
Anti-Competitive Behavior	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	25
Improper Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	26
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	Supplementary Notes on Index

GRI(G3) INDEX	Performance Indicator	Description	Extent of reporting	Page
Product Responsibility Performance				
PR		Disclosure on Management Approach	●	20-21
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	◇	
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	◇	
Customer Health and Safety	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	56
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	●	56
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	58-60
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	56
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	57, 61
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	56
Financial Service Sector Supplement				
Impact of Products Services	FS1	Policies with specific environmental and social components applied to business lines.	●	45-46, 47-48, 70-71
	FS2	Procedures for assessing and screening environmental and social risks in business lines.	●	27-28
	FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	●	47, 55-57
	FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	●	45, 58
	FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	●	47-48, 70-71
	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	●	70-71
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	●	70-71
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	●	48, 100
	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	●	15, 17, 20-21
	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	Percentage of assets subject to positive and negative environmental or social screening.	●	47, 71
	FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	●	16
Society	FS13	Access points in low-populated or economically disadvantaged areas by type.	●	30, 70
	FS14	Initiatives to improve access to financial services for disadvantaged people.	●	30, 70
Product Responsibility	FS15	Policies for the fair design and sale of financial products and services.	●	56
	FS16	Initiatives to enhance financial literacy by type of beneficiary.	●	68

Indicator Supplement

● Disclosed | ● Disclosed Partially | ◇ Not Disclosed | ○ Not Applicable

GRI(G3) INDEX	Performance Indicator	Description	Extent of reporting	Explanation
Economic Performance	EC4	Significant financial assistance received from government.	◇	No government subsidy
Market Presence	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	○	Not allowed to disclose by the corporate policy
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	◇	Not specifically reported because we select business partners based on performance or qualification, not location.
Materials	EN1	Materials used by weight or volume.	◇	Due to the nature of the business, we do not use raw materials for production.
	EN2	Percentage of materials used that are recycled input materials.	◇	Due to the nature of the business, we do not manage or control raw materials.
Energy	EN3	Direct energy consumption by primary energy source.	◇	Due to the nature of the business, we do not consume direct energy for production.
Water	EN9	Water sources significantly affected by withdrawal of water.	◇	Due to the nature of the business, there are no direct impacts on water sources significantly affected by withdrawal of water.
	EN10	Percentage and total volume of water recycled and reused.	◇	Due to the nature of the business, we do not directly recycle the water used at our branches.
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	◇	Not specifically reported because no major impacts on biodiversity have been identified that would be associated with our operations.
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	◇	Not specifically reported because no major impacts on biodiversity have been identified that would be associated with our operations.
	EN13	Habitats protected or restored.	◇	Not specifically reported because no major impacts on biodiversity have been identified that would be associated with our operations.
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	◇	Not specifically reported because no major impacts on biodiversity have been identified that would be associated with our operations.
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	◇	Not specifically reported because no major impacts on biodiversity have been identified that would be associated with our operations.
Emissions, Effluents, and Waste	EN17	Other relevant indirect greenhouse gas emissions by weight.	◇	System will be prepared to collect the amount of other indirect greenhouse gases. Results will be reported.
	EN19	Emissions of ozone-depleting substances by weight.	◇	Due to the nature of the business, there are no ozone-depleting chemicals.
	EN20	NOx, SOx, and other significant air emissions by type and weight.	◇	Due to the nature of the business, there are no NOx, SOx, and other significant air emissions.
	EN21	Total water discharge by quality and destination.	◇	Due to the nature of the business, there are no waste water emissions
	EN22	Total weight of waste by type and disposal method.	◇	Due to the nature of the business, there are no waste materials disposal
	EN23	Total number and volume of significant spills.	◇	There is no case of significant spills.
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	◇	Due to the nature of the business, we do not deal with waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII.
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	◇	Due to the nature of the business, there are no direct impacts on biodiversity by the reporting organization's discharges of water and runoff.
Products and Services	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	◇	Due to the nature of the business, we do not produce directly products.
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	●	There is no monetary value of significant fines, and no case of non-monetary sanctions for noncompliance with environmental laws and regulations.
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	◇	Due to the nature of the business, there are no significant environmental impacts of transporting products.

GRI(G3) INDEX	Performance Indicator.	Description	Extent of reporting	Explanation
Diversity and Equal Opportunity	LA14	Ratio of basic salary of men to women by employee category.	○	Not reported due to the group-specific regulatory limitations and internal guidelines
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	●	Suppliers and contractors are selected based on observance of human rights principles. System is being prepared to determine percentage and total number of investment agreements that include human rights clauses or with content adhering to human rights principles; recording of corrective action for content not adhering to principles. Results will be reported.
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	●	
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	There is no case of incidents of violations involving rights of indigenous people and actions taken.
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	●	There is no monetary value of significant fines, and no case of non-monetary sanctions for noncompliance with laws and regulations.
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	◇	Due to the nature of the business, our business does characteristically entail health and safety impacts on customers
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.	◇	There is no case of incidents of noncompliance with regulations and voluntary codes concerning health and safety.
Product and Service Impact Section	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	○	System is being prepared to determine percentage and number of organizations in institution's portfolio that have interacted on environmental or social issues. Results will be reported.

**DRAWING
A SUSTAINABLE
FUTURE**

Corporate Social Responsibility Report 2009

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