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# Drawing a Sustainable Future

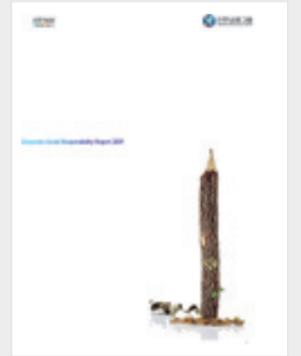
Shinhan Financial Group CSR Report 2011



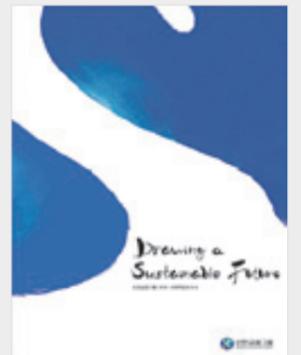


The History of Shinhan Financial Group's  
Corporate Social Responsibility Report

2009



2010



2011





## Shinhan's Promise for Social Responsibility

Since its foundation, Shinhan Financial Group has continuously carried out the corporate responsibilities and roles that customers, shareholders, and local communities demanded of us. We will create success stories together with our customers based on compassionate finance in the years to come as well.

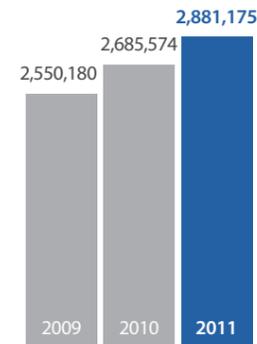


# 2011 Snapshot

## Financial performance

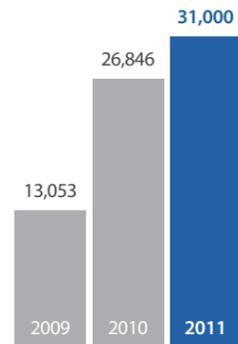
### Total assets

Unit: 100 million won



### Net profits\*

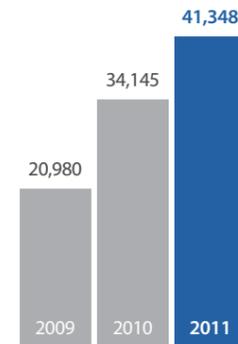
Unit: 100 million won



\* Dominated by business owners equity

### Business profits

Unit: 100 million won



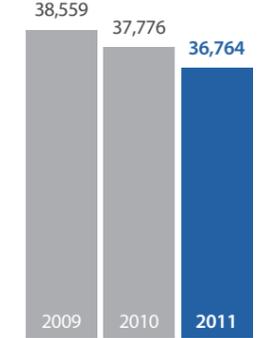
### Credit ratings

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

## Environmental & Social performance

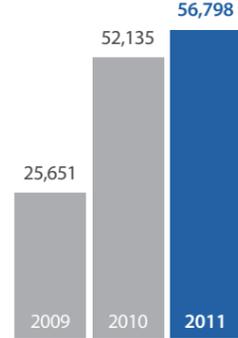
### Greenhouse gas emissions

Unit: tCO<sub>2</sub>eq



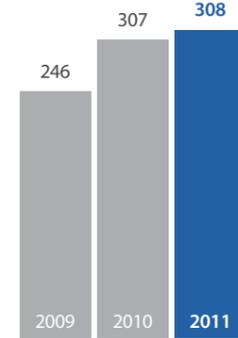
### Number of employees participating in social contribution

Unit: persons



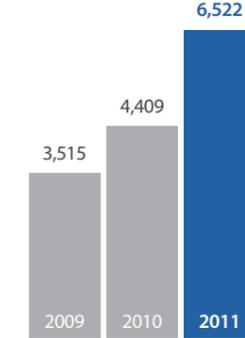
### Education & training investment expenses

Unit: 100 million won



### Cooperating companies' purchasing expenses

Unit: 100 million won



### DJSI Korea for 3 years in a row



SFG was designated as the most sustainable performer among Korean financial institutions by the Dow Jones Sustainability Korea Index(DJSI Korea) for 3 years in a row from 2009 to 2011, as well as becoming the first Korean financial institution to be included in the DJSI Asia Pacific for 3 years in a row.

### UN Global compact



SFG showed its will to comply with the 10 principles of human rights, labor, environment, and anticorruption that UNGC presented.

### Signatory of CDP

#### CARBON DISCLOSURE PROJECT

As a signatory of CDP(Carbon Disclosure Project), Shinhan Financial Group is encouraging listed companies in Korea to participate in the Carbon Disclosure Project.

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## CEO Message



Respected customers, shareholders, and citizens of the local communities, how do you do?

Thanks to your interest in and affection for our group, we have published our third social responsibility report.

Due to the global financial crises since 2008 which is leading to the recent European financial crises, market confidence in financial companies has fallen, and there were many changes in the management environment as well.

Shinhan Financial Group has been emphasizing social responsibilities and roles through 'compassionate finance' in order to restore the trust we had once lost and to create sustainable growth.

The recent crises have become an opportunity of reminding us once again that any growth that is not based on trust from customers and the society can fall like a sandcastle.

Shinhan Financial Group was established in 2001, as the first financial holding group in Korea to be launched by an investment of 100% private capital.

Since then, we grew steadily and stably despite various difficulties caused by foreign exchange crises, among others. In 2011, our net profit recorded 3100 billion won, achieving the highest business performance in the industry for 4 years in a row since 2008, and our income contribution from the non-banking sector reached 38%. We became a representative financial brand of Korea, also gaining world recognition based on our balanced growth in business areas. Furthermore, in order to carry out our roles in our clients' success and social development as well through finance, we declared our intention to promote 'compassionate finance' in September 2011.

We are providing group-wide support by establishing a 'Compassionate Finance Promotion Committee' in the holding company, and 'Compassionate Finance Promotion Groups' in all group companies. To this end, since our major subsidiaries in the banking, card, finance investment, and life insurance sectors declared their intention to promote 'compassionate finance' last September, we designated and promoted 33 priority promotion tasks.

Shinhan Bank is running the 'CSP: Corporate Success Program', a program for supporting some of the long-term client companies facing temporary difficulties, and Shinhan Card is issuing donation cards and strengthening services for the socially weak such as the blind, elderly, and patients. Shinhan Life also established measures to expand support for clients in unforeseen difficulties in accordance with the nature of its business.

Thus, in order to achieve a sustainable growth based on the realizations of 'compassionate finance', we would like to promise you the following three tasks.

*We will pursue social values and economic values in an integrated manner.*

Corporations that only pursue the creation of economic values can no longer gain confidence from clients and the market. We will carry out our social responsibilities as a financial company by considering customers first in the process of conducting financial business, considering social effects caused by corporate activities, and lead green growth of the society through green finance etc.

*We will revitalize social contribution which reflects the characteristics of the businesses.*

We will promote differentiated activities in three major areas: coexistence(welfare), sympathy(culture), symbiosis(environment) based on the merits of financial businesses. We will constantly seek measures in which we could grow together with the members of the society from a long-term perspective by looking back on the effects that we had on the local communities and the environment from the viewpoint of a responsible corporate citizen.

*We will develop world class sustainable management capabilities.*

In 2008, we joined the UN Global Compact, and promised to support the 10 major principles of human rights, labor, environment, and anticorruption and to proactively reflect those principles in our management. Later for three years in a row from 2009 to 2011, we were selected as the best corporation in the domestic banking sector in the Dow Jones Sustainability Index(DJSI Korea), and at the same time, we became the first Korean financial organization to be included in the DJSI Asia Pacific Index. Shinhan Financial Group will make every effort to expand our world class sustainable management capabilities based on compliance with such global standards and responsibilities and reliance with interested parties, and take on the role of leading the financial industry.

All the members of Shinhan Financial Group will consolidate the past merits of successful methods, while strengthening the functions which are in the interest of corporations and clients through drastic and prompt changes. We will also do our best to provide the benefits of financial services and products in a reasonable and fair manner to the low-income, underprivileged classes, and small and medium sized companies as well. Executives and staff members of Shinhan Financial Group, clients, stakeholders, and fellow citizens of local communities, we ask for your continued love and attention for Shinhan Financial Group, which is opening the future of sustainable management through 'compassionate finance'.

Thank you.

*D. W. Han*

Chairman & CEO of Shinhan Financial Group  
Dong Woo Han

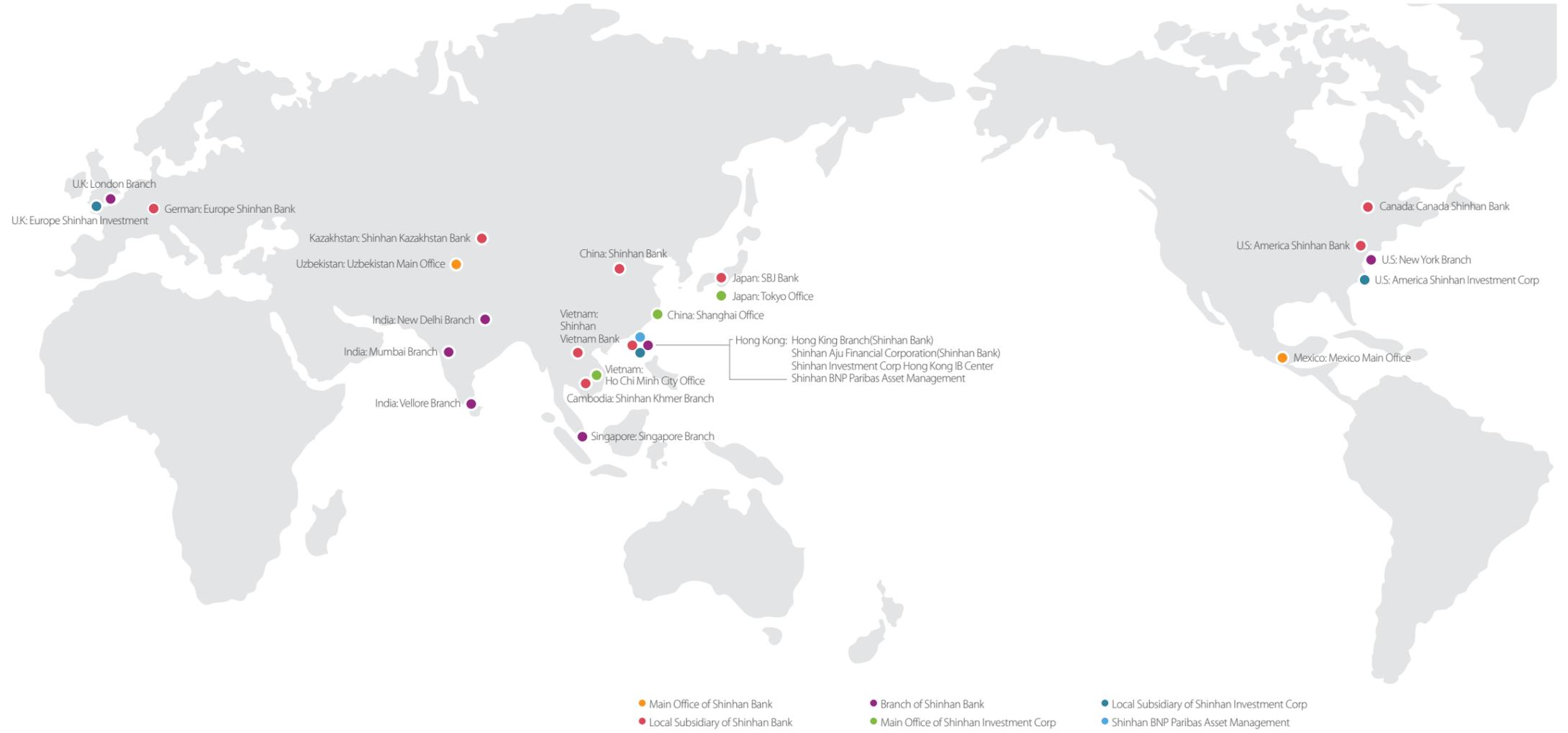
# Introduction to Shinhan Financial Group

## We are with you in the name of 'Shinhan'

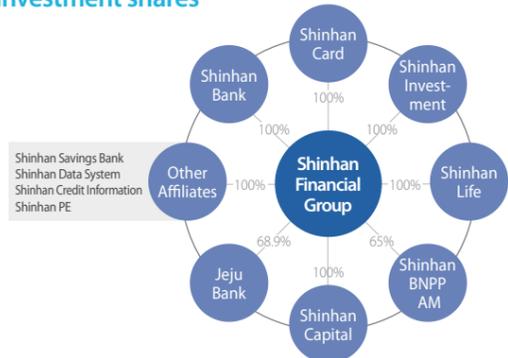
Founded in September 1, 2001, Shinhan Financial Group(SFG) is a financial holding company which consists of a total of 11 group companies including Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank. It is the first private capital financial group in Korea, and is listed in both the Korea Exchange KRX and New York Stock Exchange(NYSE). It is meeting the diverse needs of customers by providing various financial products and services such as retail finance, corporate finance, credit card, private banking(PB), investment banking(IB), asset management, securities, and insurance service, etc. through each subsidiary. Based on approximately 20,000 employees and 1,400 domestic networks, we will make organic synergy effects among our group companies, while creating new values of finance through convergence with green finance, communication, and distribution areas, thereby becoming the finance leader in Korea which continuously leads and changes the financial industry.

## Global Shinhan Financial Group

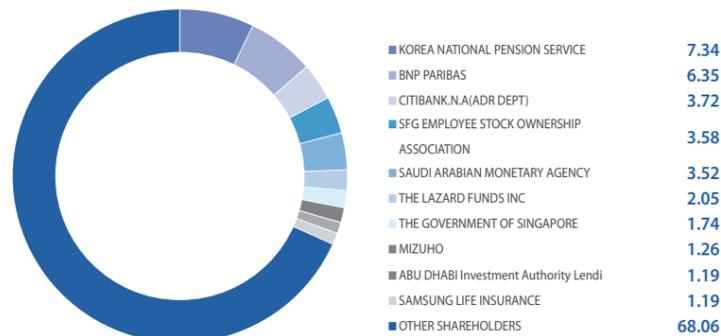
Shinhan Financial Group(SFG) has emerged as the representative financial group which provides various financial services to approximately 29 million domestic clients based on 1,400 networks. Furthermore, rather than remaining complacent about the success in the domestic market, SFG is making continuous efforts to expand its business areas overseas and grow into a global financial group. SFG has 66 overseas networks in a total of 14 countries such as Japan, China, Vietnam, USA, India, Great Britain, Germany, Hong Kong, and Singapore. SFG established 6 more local subsidiaries in China, Japan, Vietnam and Cambodia in 2011. In particular, Shinhan Bank now has 59 overseas operations in 14 countries, as of the end of 2011. Furthermore, SFG is continuing its efforts for the entering overseas market by non-banking financial industries such as financial investment, asset management, card, and life, etc. As of the end of 2011, Shinhan Investment has established local subsidiaries in 3 countries namely the USA, Great Britain, and Hong Kong, and opened 3 overseas offices in Tokyo, Shanghai, and Ho Chi Minh City. In addition, Shinhan BNP Paribas Asset Management established the Hong Kong local subsidiary in 2011, while Shinhan Card is supporting the business launching operations of bank cards in Vietnam.



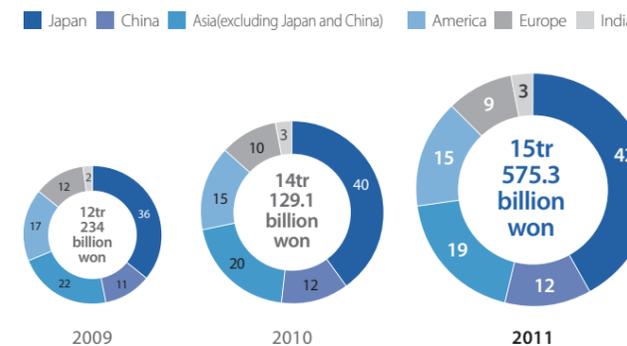
## Overview of major group companies and their investment shares



## Overview of shareholders



## Overview of assets of overseas networks



## Domestic & Overseas network

Company name	Shinhan Bank	Shinhan Card	Shinhan Investment Corp	Shinhan Life Insurance	Jeju Bank/ others	Sum
Number of domestic branches	970	41	104	199	85	1,399
Number of overseas branches	59	-	6	-	1	66
Total number of branches	1,029	41	110	199	86	1,465

# Social Responsibility in the Group

Shinhan Financial Group moves in the direction of people's hearts.  
We help out with the difficulties of our society with 'compassionate finance',  
and we help people's lives to become more beautiful through various social contribution activities.  
We open a bright future based on our responsibility and reliance that we grow together with the  
members of our society and with SFG's unique green management.



01 Compassionate Finance



02 Social Contribution



03 Green Management



04 Responsibility, Trust



# 01 Compassionate Finance

"We will enhance the values of customers and the society through compassionate finance"

Shinhan Financial Group is proactively promoting 'compassionate finance,' which realizes corporate profit and social values at the same time by utilizing the expertise of financial business. We will continue to fulfill our social responsibilities and grow by realizing our principle, "doing good for others is ultimately good for oneself".

101.3  
billion won

### Corporate success program(CSP)

Shinhan Bank is operating the 'Corporate Success Program (CSP),' which provides support to corporations having temporary difficulties among long-term customers, and took out a total of 101.3 billion won of new loans through 114 cases of programs in 2011.

14.9  
billion won

### Support for the recovery of long-term customers

This is a program for supporting interest rates and limits to customers having temporary difficulties among our long-term customers such as weak financial status. We provided interest deduction benefits amounting to a total of 1,734 cases, 14.9 billion won in 2011 only.

216.2  
billion won

### New hope spore loan

'The new hope spore loan' is a type of social responsibility joint banking product for expanding benefits to low-income and low-credit customers. We took out a total of 216.2 billion won worth of loans through 24,613 cases of loan consulting in 2011 only.

17,981  
cases

### Low-income class prime commission rates

This is a social contribution financial product for helping financially underprivileged classes such as the basic living expense beneficiaries and work encouraging grant beneficiaries. We provided 17,981 cases of low-income class prime commission rates in 2011, supporting financial transactions by low-income classes.

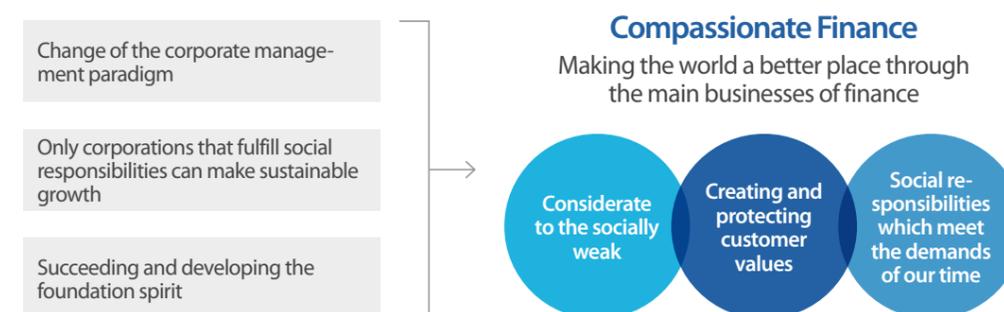


Announcement of 'Compassionate finance'

## Shinhan's Promise, Compassionate finance

'Compassionate finance' is a new management paradigm of Shinhan Financial Group which intends to continue to grow together with the society. We intend to seek measures to contribute to the society through finance, and through this, we intend to discover a new innovation, competitive advantage, and key to business success. So far, Shinhan Financial Group has been promoting innovative activities and sound growth. From now on, through 'compassionate finance,' we will grow to become a corporation that is loved by our stakeholders.

The essence of 'compassionate finance' lies in making the world a better place through the main businesses of finance. We intend to make every effort in creating customer values and protecting our customers, based on the consideration that each of our customers is our partner. In addition, 'compassionate finance' has the meaning of being considerate to the socially weak and fulfilling social responsibilities in accordance with the demands of our time. It doesn't indicate merely event activities for the streams of time, but our will to create customer values and protect customers in our daily business processes. Shinhan Financial Group not only reorganizes the business processes but also pursues changing the mindsets and behaviors of all our employees and executives in order to carry out authentic and 'compassionate finance' activities.



## Why Compassionate Finance

### The paradigm of corporate management is changing

As social & economic polarization deepens in our society, there is a growing awareness that sustainable growth is impossible without consideration for the weak. Furthermore, the values that our society demands of corporations are also changing, in a world where the polarization of large corporate against SMEs is worsening, youth unemployment is increasing, and the middle class is collapsing.

Not only that, the paradigm is changing from one that used to pursue maximizing shareholders' profits into one which can expect a corporation to grow when it resolves the problems of the members of the society together and proactively reflects the demands of stakeholders.

Based on this awareness, Shinhan Financial Group intended to create a compassionate connectedness with customers and the society through finance, our main business, and pursue changes in the management paradigm that we need to come up with as a basis for sustainable growth.

### Only corporations that fulfill their social responsibilities can achieve sustainable growth

Another change, that Shinhan Financial Group is recognizing the importance of, is the changes in customers. Customers expect a corporation to lead social and cultural development rather than just pursuing profits. They started to look carefully about how hard corporations try to resolve social problems and what values they are creating through corporate activities.

Shinhan Financial Group clearly understands these changes of awareness in our customers. We must try to resolve social problems through finance so that our customers could think of Shinhan Financial Group as their reliable partner. We will serve faithfully in social responsibilities and contribution through finance based on the belief that only corporations that fulfill social responsibilities can achieve sustainable growth.

### We start the changes to make the world a better place

The motto of Shinhan Bank when it was first established was 'new, fruitful, and compassionate'. Since its establishment, Shinhan Bank proceeded with sustainable growth while maintaining its management strategy of pursuing profitability and efficiency. This management strategy became the driving force that enabled Shinhan Bank to survive based on its excellent asset soundness amidst foreign exchange crises and financial crises. However, Shinhan Financial Group was also criticized as being 'cold-hearted' when it made assurances in risk management and put importance on preemptively responding.

Shinhan Financial group is planning to carry on its spirit of the early days while continuing to grow. It intends to change into a Shinhan Financial Group which pursues growing together with the nation and society, and which sincerely hopes for customers to succeed. Through this, we will make a financial group which delivers compassion to every corner of the society while maintaining efficiency and profitability.

## Ways to Practice Compassionate Finance

### Compassionate finance is embodied in our daily operations

The most important thing in realizing 'compassionate finance' is putting the meaning of 'making the world a better place through the main businesses of finance' into action.

That is because sustainable growth is possible while obtaining trust from our customers only when we change our daily operations into activities of making our customers and society better, rather than just spending time and money in social contribution activities besides our main business in order to resolve the difficulties of our society.

Shinhan Financial Group does not promote 'compassionate finance' separately from the existing business methods or organization operation methods. We will change our institutions, systems and thoughts of the employees so that even their attitudes and working methods reflect the philosophy of 'compassionate finance'.

### We do our best for our customers

Another principle of practicing 'compassionate finance' is to make every effort in customer value creation and customer protection based on the thought that customers are our partners. We don't think creating customer values is something very grandiose. We think customer value creation starts from thinking about what products our customers need, whether they are fit for our customers, and whether they are profitable to our customers, in the process of designing and selling the products. Furthermore, our work does not stop once a product is sold, but giving guidance and protecting the customers when they are in trouble is the starting point of customer protection.

If we make efforts based on these thoughts, we will be able to earn limitless trust and love from our customers, and it will become a driving force for Shinhan's sustainable growth.

In other words, creating customer values and creating customers is neither about giving up profits or growth nor paying less attention to risk management, which is the essence of financial business. We must place priority on customer values and customer protection, and under that principle, seek methods to pursue profits and manage risk efficiently. Through this, we will secure Shinhan Financial Group's competitive advantage.

### We consider the socially weak and put social responsibilities into action

The 'Compassionate finance' that Shinhan Financial Group practices is about promoting management activities of sharing the profits that we obtained through sound growth with stakeholders, and growing together with them. This includes laying the foundation for the socially weak to grow into big clients, by providing reasonable financial benefits (Smile Microcredit Bank, Hope Spore Loans, etc.).

Furthermore, we are carrying out social responsibilities that are responsive to the demands of our time. We will do our best in carrying out corporate social responsibilities through environmental protection, job creation, and scholarship programs, etc.

Shinhan Financial Group will create a healthy and perpetual relationship where the growth through the practicing of 'compassionate finance' could be shared with our society and that sharing could lead to growth of Shinhan Financial Group.

### CASE STUDY

#### Business processing from the perspective of customers

We once received a thank-you letter from a customer to whom we provided counseling on a fund resale when the economy was in a depression due to the foreign exchange crises. The customer had suffered a great loss from a fund, and unfortunately, her husband's business had also been hit hard, leaving the family in financial difficulties. The customer had decided to resell her fund because she was concerned that her funds might be affected due to the property attachment. However, the market was recovering at a rapid pace.

So our legal team informed her that since the fund was under her name and the source of the fund had not come from her husband, there was no possibility that the fund might be seized, and advised her to keep the fund.

The customer thanked me for taking care of her case from the customer's perspective. I also reorganized her asset portfolio hoping her situation would get better. I realized that my work could protect customers.

「From 'ShinhanIn' Shinhan Investment Corp Employee Cases」



### CASE STUDY

#### Supporting the normalization of corporations in temporary difficulties

H corporation which is a car body manufacturer located in Gunsan, Jeollabuk-do suffered a lack of management funds and repayment funds for facility loans due to a liquidity crisis caused by sales that lagged more than expected since its establishment in 2009.

Shinhan Bank conducted an objective inspection on the situation of H corporation, and determined that it is a corporation of 'great potential' based on its excellent technological power, if the liquidity crisis could be resolved.

Thus, Shinhan bank not only provided a grace period for redemption by installment for the facility loans but also provided new funds for revitalizing its business activities. As a result, H corporation overcame its temporary liquidity crisis and concentrated on its business. It became registered as the OEM company of TaTa Daewoo Ssangyong Automobile, and gained a foothold for recovering by improving its business environment.



## Starting Changes for Compassionate Finance

### All Shinhan people are with you always

In September 2011, since pronouncing 'compassionate finance', Shinhan Financial Group designated and promoted 33 priority tasks.

Shinhan Bank is operating the 'Corporate Success Program(CSP)' which provides support to companies facing temporary difficulties, Shinhan Card issued donation cards, and strengthened services for the socially weak such as the blind, elderly, and patients. Furthermore, Shinhan Investment Corp decided to expand various alternative investment and financial advisory services to vitalize green finance, and Shinhan Life Insurance supported low-income family children and supporters to subscribe to 'Shinhan Hope Love Insurance' which guarantees actual loss medical expenses and calamities and death accidents.

In 2012, we created a 'compassionate finance promotion group' in each of the group companies in order to make an example of 'compassionate finance' and to promote it in earnest, and the headquarters carried out an extensive inspection on whether or not the existing products, services and sales processes meet customers' values and profits.

The purpose of this was to look back on whether or not the products and services provided and sold to customers were suitable to the purpose and directions of 'compassionate finance', and to derive specific improvement measures.

Shinhan Bank derived a total of 21 improvement tasks after examining 248 types of products(investment products, saving/credit products etc.), services and related systems, sales processes, and after-service management systems. Regarding investment products, we are planning to strengthen notification on risks in investment proposals, and to expand the investor protecting system for gold seniors of 65 or older and smile call system which used to be applied to funds or banasurance etc.

In addition, we are changing the contents in loan application forms to avoid collecting unnecessary information that does not affect calculating credit ratings, and are changing the terms in various product introduction papers and clauses into easy terms for customers.

Shinhan Card examined the top 8 cards in terms of actual sales volume and specialized products. Shinhan Card is also planning to establish a 'customer-oriented benefit provision history management system' by the second half of 2012 in order to comprehensively manage information and benefits which are also currently being provided for each customer through the homepage, product guidance letter, and card bills. Shinhan Card is promoting 9 improvement tasks such as minimizing areas which customers couldn't use due to misunderstanding or areas which customers weren't aware of even though they already received benefits, and improving designs in order to make the contents of product guidance letters more noticeable.

Shinhan Life Insurance is planning to make a process which reminds customers of services of existing products after a certain period has passed from the date of contract, and which informs whether or not the receivable insurance premium has occurred. Shinhan BNP Asset Management is also planning to examine a total of 322 types of public offering and private funds to improve the contents of investment proposals sold to individuals based on public offering funds.

### We nurture the fruits of compassionate finance

Shinhan Financial Group has established a 'compassionate finance' corner in the intranet(Waf) site within the group for education and mutual communication to employees, and is collecting case studies and proposals by employees. Furthermore, in March 2012, the 'compassionate finance' promotion group of the holding company visited sales branches and made efforts for communicating with sales staff such as checking how much employees understand 'compassionate finance' and hearing about obstacles and errors in the field.

Furthermore, we Shinhan Financial Group incorporated 'compassionate finance' to the CEO strategy tasks of subsidiaries in order to emphasize the importance of 'compassionate finance' to employees who are used to the performance-based system.

## Resolution for Compassionate Finance

### We will put in authenticity

'Compassionate finance' is the promise Shinhan Financial Group makes to our customers and society. It is not a temporary measure to go along with the atmosphere but our authentic management philosophy.

We will change all our actions and mindsets so that we could sincerely perceive the fact that 'success of customers is success of the society, and that is the success of Shinhan' and that our customers could feel that as well.

### We learn diligently to strengthen our competitiveness

In order to practice 'compassionate finance', we need to know what our customers want and what is really helpful for our customers, and develop our professional capabilities. That is because Shinhan Financial Group needs to be smarter to develop values of our customers. Furthermore, we need to be the best expert in finance to protect our customers from danger. We will become a financial group which always learns to make the world a better place.

### We will steadily make efforts from a long-term perspective

We don't think 'compassionate finance' is easy to carry out. There may be times when Shinhan's effort for 'compassionate finance' does not fully live up to our customers' expectations and demands. However, Shinhan's employees will not be frustrated or give up just because the outcome does not come out in the short-term. By carrying out 'compassionate finance' from a long-term perspective, Shinhan's employees will proceed with systematic and cultural changes at the group level.



### Implementation system of compassionate finance

The holding company and each group company created its own 'compassionate finance promotion group' to select and implement promotion tasks suitable for each company's situation, and the 'compassionate finance promotion committee' consisting of executives of the holding company and group companies has a system which periodically inspects and evaluates activities. In addition, major activities include reporting and having discussions on major issues at 'group management meetings' every month.



### Priority tasks for compassionate finance

Examining products and services sold	HQ	Examines whether or not all circumstances provided to our customers such as the products and selling processes etc. are against customers' values and profits in our customers' perspective
	sales office	Examines whether or not the sold products are against our customers' values and adjusts those cases.
Adoption of customer evaluation group	We apply a process of collecting opinions of the customer evaluation group consisting of customers having high relevance to products and services to when adopting new products and services	
Adoption of risk review system in the customers' perspective	Manages items including review items regarding risks in the customers' perspective(risk elements etc.) besides the existing risk elements such as market/credit/operational risks etc. when adopting new products and services	
Examines evaluation system of sales offices/business groups	Comes up with improvement measures such as evaluation elements and campaign methods that may undermine customers' values, and realigns the evaluation system	
Adoption of 'compassionate finance' practice diagnosis system(supervised by the holding company)	-Internal diagnosis on how much the employees and executives understand 'compassionate finance' and their implementation efforts(once every half year) -Evaluates customers' satisfaction level of 'compassionate finance' when evaluating brand values on Shinhan Financial Group and major group companies(once a year)	

# 02 Social Contribution

"Makes the world a better place with the strength of finance"

In order to be more faithful to our mission of 'making the world a better place with the strength of finance', Shinhan Financial Group is searching for things that finance could do, such as providing support for the financially marginalized class and creating SME jobs etc., and is having various proactive activities. We are taking the initiative in creative thoughts and practices in order to create a healthy society such as investment in future generations and public interest product development etc. We continue to try to become a respectable financial leader that grows together with the society.

30.5 billion won

### Supporting the underprivileged to become economically independent

The accumulated support amount of smile microcredit finance in Shinhan Smile Microcredit Bank from 2009 to 2011, established for the economic independence of the financially marginalized class, was approximately 30.5 billion won in 1,685 support cases.

5,000 jobs

### Creating SME jobs

Created a total of 5,000 jobs by investing in hope saving funds for those newly employed in SMEs, and providing employment encouragement funds to SMEs.

4,000 employees

### Cultural asset love relay

Since 2008, 4,000 employees and executives participated in the 'Cultural Asset Love Relay', an event made for protecting our traditional cultures and demonstrating love for our cultural assets.

53,000 cases

### Attaching tree labels in national parks

Provided a total of 1.4 billion won(until 2011) of environment protection funds by manufacturing tree labels, donating labels, and providing nature protection activities in major national parks. Attached about 53,000 tree labels.



Removing weed at Changgyeong Palace

## Basic philosophy of Shinhan Financial Group's social contribution

Shinhan Financial Group designated 3 major promotion areas for social responsibility management: coexistence(welfare), sympathy(culture), and symbiosis(environment), in order to secure sustainable growth and to fulfill its social responsibilities as a corporate citizen, and is practicing differentiated social contribution activities.

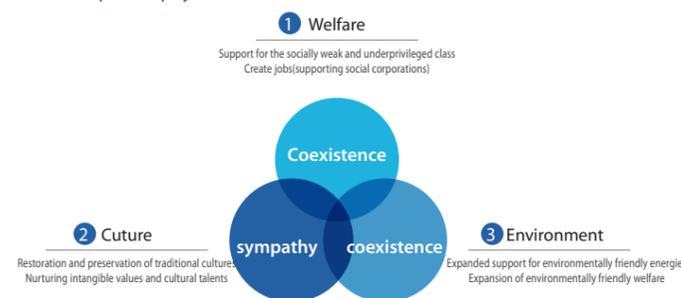
### Basic philosophy of social contribution

- 1 Coexistence: fulfilling corporate responsibilities through support for the socially weak and marginalized class
- 2 Sympathy: making social communication through the preservation of traditional values and cultures
- 3 Symbiosis: fulfilling the obligations of humanity through the awakening of the importance of the environment

### System of social contribution activities

In order to promote social contribution efficiently at the group level, we are operating a social contribution committee which is connected to the group executive meeting in which the CEOs of SFG's major companies participate in, and newly established a social contribution division inside the 'Shinhan Management Forum' which is our group's management strategy meeting, to create synergy among our companies and secure strong implementation power.

#### Basic philosophy of social contribution



#### System of social contribution activities

Social contribution committee
Structure: All CEOs of SFG
Role: Setting basic directions and goals of SFG's social contribution, discussing new projects and major issues etc.
Shinhan management forum social contribution division
Structure: Executives of SFG and each companies of SFG in charge of social contribution
Role: Reviewing the situations of SFG's social contribution activities and sharing information on project plans

## Welfare(Coexistence)

### We deliver hope through smile Microcredit Bank

In 2009, Shinhan Financial Group established Shinhan Smile Microcredit Bank for the first time in the financial sector, in order to help the financially marginalized class to become economically independent. Smile Microcredit Finance is a project for giving hope to the working class without any collateral. Shinhan Smile Microcredit Bank was established jointly by all subsidiaries of Shinhan including Shinhan Card, Shinhan Investment, and Shinhan Life, under the leadership of Shinhan Bank which is the operator of the foundation. There are 9 branches(Incheon, Busan, Anyang, Mangwu, Cheongju, Changwon, Yeongcheon, Gwangju, and Yangcheon(branch office)) nationwide, and the support amount since 2009 to the end of 2011 reached approximately 30.5 billion won(1,685 cases)

Shinhan Smile Microcredit Bank has been providing programs, such as 'Visiting Smile Microcredit Finance Explanatory Sessions' and 'Moving Counseling Booths' for potential applicants who are too busy to visit the foundation. Through these programs, we visited the potential applicants to provide information and recommend specific ways to use the service. In 2011, we held more than 50 explanatory sessions and moving booth services, and was well-received by our customers.

Not only that, we continued to expand the scope of benefit. We introduced new products including the 'FLY Multi-Child Family Support' and the 'Shinhan Freight Business Support', as well as expanding the scope of benefit to hairdressers, laundrymen, traditional market merchants, and people who hoped to buy vehicles for self-support, contributing to removing the dead zone of finance.

Shinhan Financial Group invested 50 billion won into Smile Microcredit Finance, and is planning to increase the amount of investment to 70 billion won by 2013.

(Shinhan Smile Microcredit Bank website: <http://www.shinhanmisoko.kr/>)

Support performance (as of the end of 2011, accumulated amount) (Unit: million won)

Classification	Loan types	Cases	Amount
Common	Franchise	18	832
	Lease for startups	205	3,951.5
	Operations	305	2,397
	Facilities	82	725
	Non registered businessmen	148	716
	Sum	758	8,621.5
Specialized	Freight operators	565	17,240.2
	Multi-children	21	147
	Delivery vans	122	1,508.3
	Traditional market merchants	131	1,000
	Self-support type	41	1,523.4
	Hairdressers	30	286.5
	Laundrying	2	15.5
	Men of national merits	11	68
	One parent families	4	44
		Sum	927
Sum		1,685	30,454.4



Visiting the smile microcredit loan explanatory session



'2011 Shinhan Hope Employment Expo'

### Shinhan takes the initiative in job creation

It is true that there are numerous job seekers still hesitating to work for SMEs even though the youth unemployment rate is extremely high. According to an employment portal site survey, the biggest reason that job seekers avoid SMEs is because of the 'gap of treatment(salaries and welfare policies etc.) between large companies and SMEs'. Shinhan Financial Group thought that the most important thing in achieving mutual growth with SMEs is to resolve the income gap and help SMEs in their public relations. Thus, Shinhan Financial Group carried out the 'Shinhan JOB S.O.S II project', an innovative job creation supporting program which helps seekers find jobs and have them open an installment savings account.

This project deposits hope savings for people who are newly employed in SMEs, with 56 billion won of resources raised from investments from subsidiaries of Shinhan Financial Group, while providing recruitment encouragement funds to those SMEs. The personnel manager of an SME, Dooha(located in Incheon), which recruited employees through this project said "we newly employed 5 people and applied for the 'Shinhan Installment Savings of Hope', and the new workers said they would definitely work for a long time in our company", and praised that "Shinhan Financial Group's job creation program is a program which actually helps SMEs". Thanks to such efforts and response, we were able to achieve a 5,000 new employments in SMEs in July 2011. We are so proud to have helped resolve the youth unemployment problem and laid the foundations for 5,000 people to find hope.

Along with financial support for people newly employed in SMEs and those SMEs, we held the 'Shinhan Hope Employment Expo', an SME employment exhibition, jointly with the Korea Federation of Small and Medium Business. The first expo was held in SETEC in November 2010, and the second expo was held in KINTEX, Ilsan, on the 26th and 27th of May, 2011. The '2011 Shinhan Hope Employment Expo' was the biggest employment expo in Korea, with 200 corporations and 10 thousand job seekers participating in the event. The employment expo has been successful in having contributed to providing practical support for SMEs securing customized talents and for job seekers to find jobs, and having contributed greatly in value creation for Shinhan Financial Group.



Created 5,000 SME job employment

### CASE STUDY

#### Having a new dream through smile microcredit

'Yakseon Samgyetang' in Bisan-dong, Anyang city, Gyeonggi province has become a specialty in Anyang. Last weekend, the owner lowered the prices especially for the weekend and sold 1,270 meals, thanks to various healthy medicine and seafood such as Jangnyoi ginseng, acanthopanax, and abalone included in Samgyetang. The restaurant has been so successful that it made profits since the first month of starting business last July, and its monthly sales revenue was so successful as to reach 20 million won.

However, actually the owner had much difficulties until then. Her husband who was the owner of the restaurant had a car accident in 2006, and to make matters worse, Ms. Kim was diagnosed with thyroid cancer in 2007. However, Ms. Kim had to put off getting treatment and worked in a restaurant near her house. Ms. Kim said "in 2009, I went to so many banks to ask for loans to open a restaurant of my own, but all I got was humiliation."

But it was Shinhan Smile Microcredit which helped her. One day Ms. Kim read about Smile Microcredit in the newspapers and called Shinhan, and got a hopeful message "why don't you visit us and get some counseling", and so she visited Shinhan Bank thinking she had nothing to lose. After consulting Shinhan Bank, Ms. Kim was able to loan 30 million won of guarantee money for lease at a low annual rate of 4.5%. Ms. Kim says "if it weren't for Shinhan Bank, I would still be suffering".

※ source: Korea Economy of September 9, 2011

### Shinhan scholarship foundation for nurturing young talents

Shinhan Financial Group is providing support for underprivileged students who cannot concentrate on studying due to difficult family situations. We established the Shinhan Scholarship Foundation to provide a scholarship project(general scholarships and mentoring scholarships), educational institution support project, and academic research support project.

At the beginning of each year, the Shinhan Scholarship Foundation selects junior high and high school, and college students, after a screening process based on their backgrounds and school grades, and provides support for their tuition and stipends to help with studying. In 2011, we provided 2,009 million won to a total of 480 students.

For the mentoring scholarship project, the foundation selects the beneficiaries for the scholarship program among underprivileged college students, who in exchange become mentors for high school students in their neighborhood. In 2011, 103 college students received 581 million won from the project, and these students conducted mentoring education in 67 high schools in Seoul.

Furthermore, as part of the educational institution support project, since 2008 to 2011, we have been providing 5~6 million won for after-school studying sessions in each of the 5~6 schools recommended by the Education Bureau of Seoul Metropolitan City.

Shinhan Financial Group contributed 50 billion won to the foundation when it was first established, and contributed an additional 30 billion won in 2009, to help provide more students with educational opportunities.



During a camp of Shinhan Scholarship Foundation

### We deliver compassion by developing public products

We are continuously developing public products to practice social responsibility management with the characteristics of the banking business. In particular, we are encouraging our customers to participate in social responsibility activities and as a result of our relentless effort, the number of social contribution type products is increasing.

Shinhan Bank issued the 'Hoguk fixed deposit' where a certain amount of the subscription amount is donated for the national defense contribution, and 'national pension assurance account' which is a foreclosure prevention account for guaranteeing pension receiving rights of national pension beneficiaries. Furthermore, along with the Smile

Microcredit Finance Project, Shinhan Bank is operating the Shinhan Hope Loan, Shinhan New Hope Spore Loan, and Shinhan Transfer Loan, and is also planning to contribute a certain amount to credit assurance funds and credit assurance foundations, and develop more various products for mutual growth with SMEs.

Shinhan Life Insurance newly developed 'Shinhan Hope Love Insurance' which is a petty insurance for people in the low-income class who are unable to receive insurance benefits, and through contributions in dormant insurance accounts, provides free-of-charge services for various illnesses, calamities, deaths and accidents. Furthermore, Shinhan Life concluded a donation agreement with World Vision, which is an international relief development organization, and Seoul Catholic Social Welfare Committee, and is sending 1% of the sales revenue from 'Shinhan Christian Insurance' to them. Not only that, Shinhan Life developed the 'Special Contract for the Disabled' which discounts insurance premiums to the disabled and their families, and this was selected as one of best case public products by the Financial Supervisory Service.

### We take the initiative in donation

Every year since 2002, SFG has made donations to our unfortunate neighbors through the Community Chest of Korea. In 2008, despite the global financial crisis, we donated 5 billion won, which was 2 billion won more than the previous year's donation amount, proactively showing to the society our will to practice our business philosophy to fulfill social responsibilities. Since 2008, we have been donating 5 billion won every year.

Shinhan Bank has been operating a year round donation system 'Love Click' through its social contribution homepage 'Beautiful Bank' since 2005, and is supporting local communities with its bank matching grant sponsor fund added to the funds raised by employees. In particular, Shinhan Bank has been developing and supporting various stories from around the nation in connection with Happy Bean since 2010, thereby contributing to settling and expanding the donation culture of employees. In addition, Shinhan Bank developed the 'Donation Angel Transfer menu' where customers can participate in donation on internet banking, in order to provide opportunities to participate in donation more easily, and furthermore, Shinhan Bank strengthened convenience through systemization so that annual income deduction is possible without additional procedures.



Meet Shinhan Family(Shinhan Employees' 10,000 won Donation)

Shinhan Card is leading the petty donation culture by raising a total of 4 billion won(accumulated amount) through 'Areumin site', smartphone

apps, and ARS, the first and the largest exclusive channels for donation in the financial industry. Shinhan Card also issues 'Beautiful Card' to increase awareness of the donating culture. This is the only exclusive donation card in Korea. This is a card made only for the purpose of donation, and thus subscribers are not given any additional services or benefits, but 0.5~0.8% of the credit sales usage amount is accumulated as donation exclusive 'Areum Points'.

### All our employees proactively support voluntary activities for local communities

In April 2010, Shinhan Financial Group launched the group-wide 'Shinhan Financial Group Volunteer Group' where all employees of the group participate, in order to create synergy effects of the group and to enhance contribution to local communities.

Every April and May, we hold the 'Shinhan Financial Group Volunteer Group Festival' where all subsidiaries participate to spread the culture of volunteer work. For a month from April 16 to May 21 in 2011, CEOs including chairman Dong Woo Han participated in the box vegetable garden sharing volunteer service, showing the management's initiative in the volunteer work.



Box vegetable garden sharing voluntary service

Besides these group-wide activities, each subsidiary is also conducting various activities.

Shinhan Bank organized volunteer groups in branch units and is providing volunteer work nationwide. In particular, led by the CEO and executives, Shinhan Bank is practicing its business ideology through sharing with local communities, and is taking the initiative as the leader of the organization in encouraging other employees to take part in the volunteer work.

Shinhan Card organized 93 voluntary groups and is providing active volunteer work nationwide. It is operating a donation system which provides funds needed in the voluntary activities so that the volunteer groups can concentrate on the activities. Furthermore, on every fourth Saturday, Shinhan Card is having volunteer activities with Shinhan Card customers to develop voluntary activities as a social culture together with customers.

In Shinhan Investment Corp., not only the employees but also the executives are taking the initiative in strengthening social contribution activities. In March 2009, it launched an 'Executive Practice of Social Contribution', and through this the CEO and executives are conducting voluntary work in groups.

Shinhan Life Insurance selected ON Love voluntary service leaders for each division and made 1 on 1 affiliations with welfare facilities of each area, to expand voluntary service, and is strengthening the importance of voluntary service by designating voluntary activity programs as mandatory courses in the training courses for new employees. It also conducted 'Building Love Houses' activities for low-income families with no houses, and is carrying out various social contribution activities such as support for child medical expenses and for seniors living alone.

### We realize welfare for the disabled

Since 2005, SFG has been proceeding with the 'Disabled Youth Dream Team-goes to 6 continents' jointly with the Korea Society for Rehabilitation of Persons with Disabilities, encouraging the disabled to overcome disabilities by visiting advanced countries and experiencing their welfare policies and to become a member of the society with confidence.



Overseas training for the Disabled Youth Dream Team(English team)

Shinhan Bank has been running sign language services for the first time in Korea since April 2011, and in August 2011, participated in constructing the 'Saejong Puremai Center', the first integrated type rehabilitation center in Korea, and donated 1 billion won, paying continuous interest and support in systematic rehabilitation of the disabled. In addition, Shinhan Bank developed ATMs for the disabled including various convenience facilities for the disabled in each branch, and is issuing braille security cards.

In 2009, Shinhan Card made sister ties with 'Basketball Team of Love', a basketball team consisting of intellectually disabled people, and since then has been providing support for sports items(uniforms, basketball shoes and balls etc.), training expense, and game entry fees.



Shinhan Warm Love Sharing Campaign

## Culture(Sympathy)



Sungnyemun Traditional Roof Tile Kiln Lighting Up Ceremony

### We see the future through traditional culture

Shinhan Financial Group is the financial company with the longest history in Korea. We place great importance in the values of the 'past', supporting traditional culture preservation activities and art activities by young and famous artists, and we make efforts to contribute to establishing a sound and healthy sports culture, thereby expanding a cultural consensus in our society.

### Traditional culture is an asset for all of us

Shinhan Bank is holding 'Cultural Asset Preservation Relay' events to help all its employees and their families preserve traditional culture and carry out cultural asset love campaigns. Since 2008, about 4,000 employees have been participating in the preservation campaign for 50 cultural assets nationwide. Shinhan Bank has joined hands with the Cultural Heritage Administration in the Sungnyemun restoration program to provide voluntary service in the restoration site since August 2009. In particular, in August 2011, Shinhan Bank sponsored manufacturing traditional apparatuses and kilns necessary for restoring Sungnyemun, and 1.2 billion won for installing night lightings.

Furthermore, Shinhan Card designated cultural asset love themes such as the restoration of Geongcheonggung, preservation of Namdoyeongwan, and traditional culture schools, and is having raising activities through Areumin(www.arumin.co.kr), which is Shinhan Card's social contribution site.

### We search for new sprouts of art

In 2009, Shinhan Bank created the 'Shinhan Music Award' to find and sponsor classical music talents. Furthermore in 1997, Shinhan Bank opened the Korean Financial History Museum and Shinhan Gallery, and is operating the museum and gallery for free of charge. The Korean Financial History Museum holds exhibitions and various educational programs to raise awareness of the history of Korean finance, and Shinhan Gallery provides various culture projects such as providing new artists with opportunities to exhibit their work for free-of-charge through 'Shinhan Young Artist Festa' and various special exhibitions etc.

Shinhan Card provides support to resolve cultural polarization and to develop talents of children and teenagers of low income families, through a special talent developing program 'Happy Club'. Shinhan Card is supporting virtuous cycle of social contribution activities through performances to patients in Yonsei Severance Hospital with the talents developed in the program.

### We nurture a bright and lively sports spirit

Furthermore, in order to contribute to the popularization of the sports and golf culture in Korea, Shinhan bank established the 'Shinhan Donghae Open Golf Competition' in 1981, and helped it to grow into a golf competition with the longest history and tradition. Especially in the 2010 and 2011 competitions, Shinhan Bank raised a total of 100 million won and delivered it to the unprivileged class to raise awareness of sharing.

For the development of sports and expansion of a healthy sports spirit in Korea, Shinhan Bank is sponsoring swim teams, and is also running a women's professional basketball team(S-birds) to take part in the development of women's basketball in Korea.



Delivery of the donation at the Shinhan East Sea Open Golf Competition

## Environment(Coexistence)



Winner of the 18th National Environment Photo Contest

### We heighten the importance of environmental protection

Shinhan Bank has been holding the National Environment Photo Contest every year since 1994, in order to heighten the awareness of the national environment and the importance of protecting Korea's mountains and rivers. This contest is sponsored by the Ministry of Environment, and is the largest photo contest in Korea. It is held under the themes 'Reporting on Environmentally Damaged Sites', 'Korea's Beautiful Natural Scenery', and the 'Harmony of Nature and Humans', and at the 18th contest held in 2011, about 1500 pieces were received. The winners of the contests are exhibited in major sales offices and public organizations in order to create a consensus on environmental protection.

### We give names to trees

Since 1992, Shinhan Bank has been attaching tree labels with environmentally friendly material in major national parks, Seoul University Park, and Yongsan War Memorial Hall, raising awareness of nature protection among hikers. Shinhan Bank provided a total of 1.4 billion won for manufacturing tree labels, label donation, and nature protection activities, and attached about 53,000 tree labels.

Since 2011, Shinhan Card has been conducting the 'Taking Care of Namsan' voluntary service every week together with Seoul citizens in order to make Namsan a popular tourism site.

### We become closer to nature by the environmental voluntary service camps

As part of an effort to "nurture future generations" in the Seojin River area, Gurye, Jeollanam province, we held '2011 Tops Love Youth

Environmental Voluntary Service Camp' where 372 college students and teenagers attended.

This event is an environmental voluntary service activity in affiliation with the Community Chest of Korea and Comprehensive Social Welfare Center of University of Seoul, which includes river purification activities where selected junior high and high school students participate, and mingles branch school students with local residents, and participate in ecology experience education, etc.

### We pursue the practice of green living

We conducted a 'practicing green living' questionnaire survey through the employee intranet, and provided pencils recycled from environmentally friendly newspaper as gifts to participating employees. In addition, we carried out a campaign to encourage practicing green living and provided information on green living through our homepage.

### We make low carbon communities

As part of our public project in the environment field, we are providing support for establishing solar power generation systems for welfare facilities jointly with the Korea Lohas Association. We supported the establishment of solar power generation systems for a total of 9 welfare facilities by 2011 including about a 150 million won donation for constructing solar power generation systems with 3 local welfare facilities including Hanam City in 2009. In addition, we also supported the adoption of roof garden facilities in 4 welfare facilities including 'Eden House' in Paju, Gyeonggi-do, obtaining not only the economic effect of improving fuel efficiency, but also transforming the local communities into low carbon communities.

## 03 Green Management

### "Taking the initiative in practicing low carbon green growth"

Performance in environmental management is being utilized as an important element in evaluating corporate values. Shinhan Financial Group is making proactive efforts in responding to the climate change problem, and from the mid- to long-term perspective, we will strengthen the responsiveness of green management such as developing green finance products, thereby developing it as the major competitiveness of the group and taking the initiative in practicing low carbon green growth.

**3.35**  
billion won

**Costs saved by environmentally friendly activities**  
Environmentally friendly activities of reducing energy use and improving productivity of business environments saved 3.35 billion won.

**1,613.6**  
billion won

**Performance of support for the green industry**  
Performance of support for green corporations including 39.1 billion won of 'Shinhan Solar Power loans' and 327.4 billion won of 'New Green Corporation Loans' which provide preferential interest rates to green corporations was 1,613.6 billion won as of the end of 2011.

**6,020**  
accounts

**Issuance of environment love cards**  
Performance of the issuance of Environment Love Cards which accumulate 0.1% of the card usage amount to the Environment Love Fund, and which provide a 20% discount on the participation fees of ecological tourism and ecosystem type tours was 6,020 accounts as of 2011.

**104.5**  
billion won

**SRI Fund holding amount**  
Holds 104.5 billion won of SRI funds which invest in corporations which practice social responsibility management and which are environmentally friendly through 'Shinhan BigLife Variable Life Insurance' etc, and promotes the realization of green finance.



## Integrated Green Management

Shinhan Financial Group pronounced 'Climate Change Response Strategies' in the foundation commemoration remarks, and derived major implementation tasks and established an integrated green management system to realize the strategies. Under the leadership of the holding company, Shinhan Financial Group established a climate change response organization, and introduced the 'integrated green management system' in 6 major subsidiaries including Shinhan Bank. In addition, we secured objectivity and reliability through verification from international verification organizations, and we are implementing carbon offset strategies such as purchasing green energy and measuring and minimizing greenhouse gases caused by corporate activities. In the years to come, we are planning to introduce in a phase-in manner by 2015 a monitoring and automatic control system for efficient management of buildings which use excessive energy such as sales offices and IDC(Internet Data Center) etc., in order to directly respond to the restrictions, and apply new renewable energy and high-efficient collaboration systems when remodeling and newly constructing our buildings.

### Basic directions of green management and 6 implementation tasks

SFG's role	Strategy directions	Implementation tasks
		1. Reducing greenhouse emissions through energy saving
Major player of greenhouse gas reduction	Minimizing environmentally negative elements caused by management activities	2. Introducing a group-wide greenhouse gas emissions management system
		3. Achieving 'Carbon Offset' in a long term perspective
Environment monitor	Focusing on distribution of funds for supporting low carbon green growth	4. Leading development of non-taxable green savings/loan products
Promoter of green management	Contributing to reforming of environmentally friendly green industry structures	5. Giving preferential treatment to environmentally friendly green corporations when screening for credits and investments
		6. Carbon emissions rights trading, CDM* projects etc.

#### \* Clean Development Mechanism

System for reducing greenhouse gases jointly promoted by advanced countries and developing countries with a purpose to alleviate global warming under Article 12 of the Kyoto Protocol adopted at the Climate Change Convention

## Response Measures Against Climate Change

Shinhan Financial Group is well aware of the regulatory, physical, and other risks and opportunities caused by climate change, and is proactively promoting the group's strategies for responding to climate change, and is doing its best in education and lecture activities. In addition, we are proactively responding to climate change by encouraging purchasing of environmentally friendly products and investing into green mileages and carbon offset projects etc.

### We analyze and control the risks and opportunities caused by climate change

Therefore, Shinhan Financial Group incorporates the physical effects due to climate change in selecting the areas in which to make business entrances, and has devised and is implementing calamity risk management guidelines in order to prevent the damages when natural calamities such as typhoons, heavy rain, heavy snow, and earthquakes that endanger safety occur, protect personnel and physical assets, and ensure continuous business activities.

#### Major risks and opportunity elements caused by climate change

Classification	Regulatory	Physical	Others	
Risk elements	International	Post Kyoto system	Employee health control and absence rate	
	Domestic	Greenhouse gas target management system		Information demand for climate change responsiveness
		Greenhouse emissions trading system		
Opportunity elements	Expansion of new renewable energy markets	Expansion of national infra investment(SOC) for environment improvement	Developing and operating new products related to programs such as carbon neutrality	



Shinhan Financial Group is not a mandatory corporation subject to the greenhouse gas target management system, but is preparing for the implementation of the carbon emissions trading system in 2015 through relevant learning organizations(CoP) starting from 2010, since it is expected to become a mandatory corporation soon. In the new renewable energy sector as well, SFG provided 618.8 billion won to the solar energy market before other financial companies, and is expanding the supporting areas to wind generation and waste development.

Major subsidiaries such as Shinhan Bank, Shinhan Card, Shinhan Investment Corp, and Shinhan Life Insurance are operating calamity recovery systems to make preparations against natural calamities. Shinhan FSB research center and Shinhan Investment Corp are analyzing physical risks and opportunity elements through environmental research. Furthermore, we hold green finance seminars every half year(Shinhan bank), operate cyber academy courses(Shinhan Card), and participate in green insurance expert training courses.

## Energy Saving

### We are reducing energy usage by improving productivity

We are trying to effectively reduce energy usage and improve work environment productivity. By adopting integrated transportation and management of currencies, sending internet newsletters, and web fax system and teleconference system, we can reduce redundancy, thereby creating environmentally friendly management performance.

### Cost saving due to environmentally friendly environment

Classification	Activities	Activity result
Integrated currency transportation management	Reducing ratio of vehicle operation by managing currency transportation from currency to integrated unit	Number of times of visits to sales branches decreased by 13%
Sending internet newsletter	Preventing work redundancy by checking whether or not guidance DM was received	Saving about 300 million won every year
Web fax system	Minimizing paper usage by sending and receiving faxes from executives' PCs	Saving about 800 million won every year
Local headquarters teleconference system	Two way teleconference of national RM conference to reduce carbon emissions from employees' transportation	Saving about 280 million won every year
Sales office teleconference system	Providing concentrated education according to individual times of executives without limitations and time or space	Saving about 1,970 million won every year
Total		Saving about 3,350 million won every year

### CASE STUDY

#### We reduce carbon emissions by using a teleconference system

We adopted the 'Local Headquarter Teleconference System' in 'nationwide conferences for heads of divisions' and 'national RM conferences' which used to be held in the grand hall on the 20th floor once or twice a month, to enable two way online teleconferences. Currently, 27 local headquarters and 2 head offices are using the teleconference system, reducing carbon emissions from employees' transportation and saving costs at the same time.

Furthermore, the "sales office teleconference system" which is currently in use in Korean and overseas sales offices are utilized in teleconferences and tele-education.

Recently, at the "proposed sales contest" supervised by WM business division, the preliminary contest was proceeded by proposing portfolios which had been recorded in advance and viewing and evaluating the proposals using the teleconference system, enabling efficient distribution of resources at the bank level.



## Greenhouse Gas Emissions Control

### We manage greenhouse gas emissions in a systematic manner

In 2010, Shinhan Financial Group established a greenhouse inventory to realize carbon neutrality from a long term perspective, and to promote greenhouse gas emissions management and reduction activities. The organization scope includes the 6 major subsidiaries, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management and Shinhan Capital, and the operational scope includes the direct greenhouse emissions amount(Scope 1) and indirect greenhouse emissions amount from purchased power or use of steam(Scope 2). By establishing the greenhouse inventory, we became able to lay the foundations for long-term carbon neutral management and make internal and external effects such as enhancing energy efficiency and providing climate change response information, at the same time.

Unit of emission source	2009	2010	2011
Scope 1 Direct emissions	4,279	4,298	3,868
Scope 2 Indirect emissions	34,280	33,939	32,897
Total amount of greenhouse gas emissions	38,559	38,237	36,764

\* Scope of data collection was restricted to 6 major subsidiaries: Shinhan Bank(head office, Ilsan IT center), Shinhan Card(head office), Shinhan Investment Corp.(main building, annexed building), Shinhan Life(head office), Shinhan Paribas Asset Management(head office), and Shinhan Capital(head office).

\*\* The Data of 2009 has been verified by DNV, and the data of 2010 to 2011 has been estimated by applying the same emission coefficient, formulas, and operational scopes of the Greenhouse Gas Inventory Report of 2007-2009.

## Carbon Neutrality Activities

### We hold internal events in a carbon neutral manner

Shinhan Bank held the comprehensive performance assessment contest which is the largest event in the company as a carbon neutral event through recycling of resources and using public transportation etc. In particular, Shinhan Bank reused the banners used in events and distributed pencil cases and bags made from the banners and received good feedback.

### We disclose carbon emissions information in a transparent manner

Shinhan Financial Group discloses current situations related to the greenhouse gas emissions amount and climate change to the public in a transparent manner through participation in the Carbon Disclosure Project(CDP) as part of an effort to establish a green management system to establish future response strategies against climate change. Furthermore, SFG has been selected as the 'corporation which achieved significant improvement compared to the previous year(2010)' and the 'Financial Industrial Leader Corporation', being recognized for its excellence in responding to climate change.

## Developing Green Financial Products

We are providing various green finance products and services which are in line with the actual environmentally friendly activities, beyond mere donation. We provide loan services to green building, green housing, and energy efficiency facilities, and are developing finance products and service so that environment related activities do not stop as a one time event but could have sustainability.

### Providing preferential interest rates to green corporations

We have developed and are operating green finance products in consideration of corporate business areas and activity region. We are also strengthening renewal processes and PR activities of existing products in supporting energy efficiency investment and green corporations where market expansion is expected.

In August 2011, **Shinhan Bank** renewed 'Green Growth Loans' and launched 'New Green Corporate Loans' which provide preferential interest rates to green corporations. We are concentrating on fund distribution for supporting low carbon green growth and achieved pre-tax profits of 560 million won(pre-exemption of business costs) through this product.

### We provide financial products having environmentally friendly functions

We are providing products with strengthened environmentally friendly functions and actual customer benefits which are different from existing products which used to go through formal procedures.

**Shinhan Bank** sells 'Hope Energy Installment Savings Account' which applies 0.3~0.5%p of preferential interest rates for those who sign Energy Love Practice Pledge. **Shinhan Card** adopted the 'Oil tax return card for light-weight vehicles' which aims at reducing air pollution and increasing energy efficiency due to the use of light-weight vehicles, providing practical benefits to consumers and increasing environmentally friendly values at the same time. **Shinhan Life Insurance** is providing 'Shinhan Child Love Insurance' which not only reduces greenhouse gases but also guarantee services for environment related illnesses.

## Supporting Environmentally Friendly Green Corporations

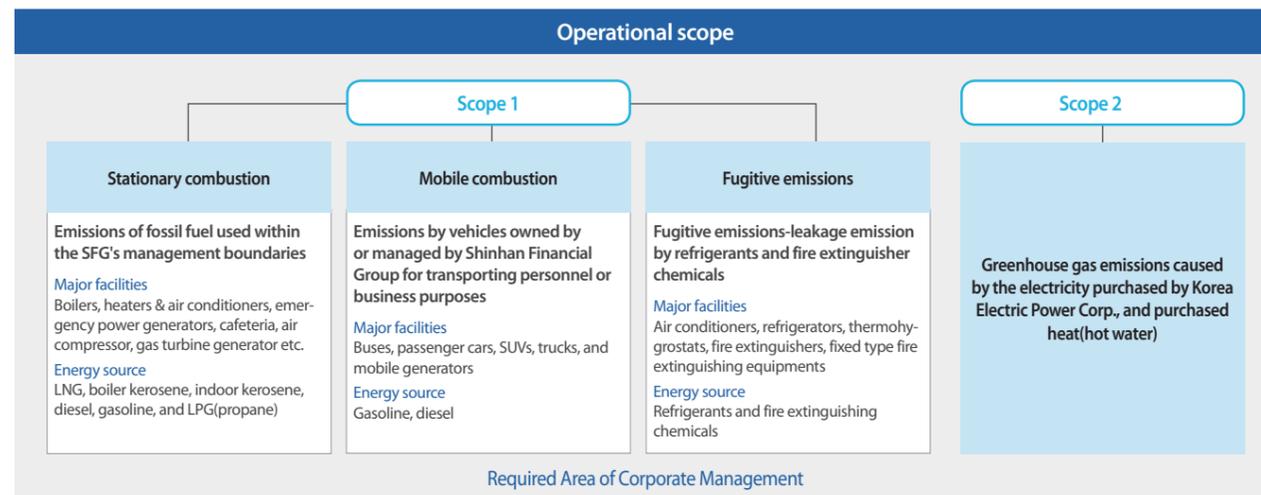
We are promoting green growth in the entire society through support for environmentally friendly corporations.

We reflect elements related to environment in the credit evaluation process and we are proactively expanding financial support for green corporations such as by providing practical benefits of reducing interest rates and offering preferential commission rates to new growth engine industry corporations of green energy or low carbon & high efficiency. Furthermore, we are expanding investment and support for the new renewable energy development area which has recently emerged as an alternative energy source together with the concern for nuclear power plant accidents, while providing construction funds for solar ray power plants, to support the development of green energy industry.

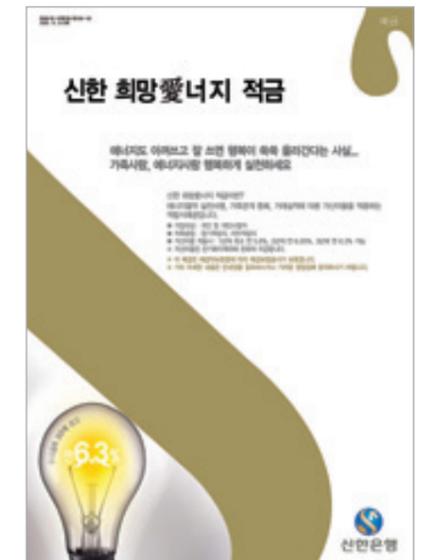
### We invest in environmentally friendly industries

It is expected that opportunities for financial organizations to participate in environmentally friendly investment will expand as corporate responsibilities and roles in the environment emerge. It would be possible to create profits through not only activation of alternative investment due to expansion of environment related asset products but also through national infra investment(SOC investment) for environmental improvement, business planning in CDM projects, fund introduction, and trading rights transfer etc. Thus, SFG will secure new growth engines through sustainable environmentally friendly investments.

### Shinhan Financial Group's Greenhouse Gas Inventory



※ Organizational scope: 6 major subsidiaries (Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital)



Hope Love Energy Savings Poster

# 04 Responsibility and Reliance

## "We protect our customers' precious information"

SFG establishes a group-wide information protection policy in order to protect important information of customers and companies. We will keep a safe control of personal information provided by customers, manage related information strictly and systematically so that customers can do financial transactions safely, and become a financial company that customers can rely on.

61  
items

### Development of the world class information protection standard framework

We developed a world class information protection framework in 5 areas, 26 departments and 61 items, to examine and improve the level of customer information protection.

80  
points or above

### Obtained 'Excellent' in fund sales mystery shopping by the Financial Supervisory Service

Shinhan Bank and Shinhan investment were selected as excellent corporations(80 points or above) in Insurance fund sales mystery shopping by Financial Supervisory Service.

90  
%

### Telephone finance fraud prevention rate

Shinhan Bank placed exclusive telephone fraud monitors to protect the assets of the working class. In 2011, this rate was 90% up by 11.1% from 78.9% in 2010.

ISO27001  
BS10012  
certification

### Obtained international standards for information protection

We obtained international standard certifications ISO27001 and BS10012 for the security of important information such as customers' personal information and financial information etc. to manage our customers' personal information and certification financial information in the manner of the international level.



Awarding ceremony for excellent consumer protection financial companies 2012

## Customer Information Protection

SFG is establishing information protection policies and systems at the group level in order to protect important information of our customers and the group. We established internal control plans for personal information protection based on related regulations including the Personal Information Protection Act and are promoting systematic and strict control of customers' personal information so as to make a company which "customers rely upon", "protect employees", and "supports corporate business".

Furthermore, we established processes for dealing with customers' opinions or complaints, so that complaints regarding personal information can be dealt immediately to put priority on our customers' assets and happiness.

### Shinhan Financial Group's information protection system

Common response	Subsidiary response	
Holding company IT security consultative body	<b>Establishing information protection policies</b> <ul style="list-style-type: none"> <li>· Modifying information protection systems and regulations</li> <li>· Establishing and publicizing information protection policies</li> <li>· Resolving information protection related issues</li> </ul>	<b>Examining internal process</b> <ul style="list-style-type: none"> <li>· Strengthening regular supervision on information protection</li> <li>· Supervising and improving information protection process</li> <li>· Deliberating on security adequacy of new project areas</li> </ul>
Group integrated security control center (6th floor of Ilsan Center)	<b>IT security solution/management</b> <ul style="list-style-type: none"> <li>· Establishing an external hacking prevention system</li> <li>· Establishing a data leak prevention system</li> <li>· Introduction of new technologies for information protection</li> </ul>	<b>Employee education/PR</b> <ul style="list-style-type: none"> <li>· Implementing education essential to employee information protection</li> <li>· Expanding and improving information protection mindsets</li> <li>· Making basic rules of information protection as our daily lives</li> </ul>
Joint promotion of receiving external organizations and IT protection related technologies under the common vision of the group.		

## Customer Information Protection

### We protect customers' rights and profits

The Personal Information Protection Act is an act devised to promote people's rights and profits by protecting privacy from being collected, leaked, and abused. We comply with the 'Personal Information Protection Act' and relevant regulations and guidelines in order to protect customers' personal information. Our website provides our Personal Information Process Policies so that customers could easily access and learn about the ways their information is collected and used and safety measures for protection of information. We also select divisions and staffs in charge of personal information protection so that they could promptly and precisely deal with all opinions and complaints related to personal information protection which may occur when customers use our services.

### We prevent customer information spills from hacking

We are strengthening rights control for those dealing with customer information in order to prevent security accidents such as leakage or damaging of customer information, and are preventing forgery and leakage of information through encryptions and access control on major information assets. Furthermore, in order to prevent customer information being leaked by insiders, we go through a user certification system when printing out customer information.

**Shinhan Card** developed a world class information protection standard framework in order to enhance the level of customer information protection. This framework is applied to a total of 5 areas, 26 divisions and 61 items, and we use this framework to examine and improve the level of customer information protection on a regular basis.

### We received International Standard Certificates for information protection

In order to protect customers' precious information assets such as personal information and financial information etc., we are establishing information protection system and processes thereof on a regular basis. All companies of the group obtained the international standard certificate ISO27001 and are operating world class security systems. We also obtained the personal information protection international standard certificate BS10012, and established control systems thereof to maintain a world class level of personal information protection as well.

Recently, as businesses which utilize customer information expands more and more, the risk of occurrence of financial accidents is also growing. In fact, numerous customer information leakage accidents are taking place in large volumes in financial organizations at home and abroad. Thus, SFG is establishing and implementing a systematic countermeasures to prevent the risk of information leakage.

## Prevention of Financial Incidents

### We prevent telephone finance fraud

**Shinhan Bank** tries to protect our customers' assets safely. In May 2009, we analyzed the fraud patterns and types used in past fraud crimes and established a computerized system for the prevention of telephone finance fraud for the first time in the banking sector. We also established practical response measures of monitoring employees to protect customer information. Since 2009, 700~850 cases of telephone finance fraud are taking place every year, and by preventing 5 billion won from a total of 5.6 billion won worth of attempts, we achieved a 90% prevention rate in 2011.

Date	2009	2010	2011	Total
Number of cases occurred	708	857	842	2,407
Amount of the cases occurred	2,747	4,947	5,618	13,312
Prevented amount	935	3,901	5,058	10,894
Damage amount	812	1,046	560	2,418
Prevention rate	70.4	78.9	90.0	81.8
Note	from 5.15		-	

### We prevent the occurrence of illegal transactions

**Shinhan Capital** monitors illegal financial transactions utilizing report staffs and exclusive departments. Shinhan Capital conducts risk management on potential money laundering criminals and terrorists utilizing anti-money laundering policies and systems, and manages risks exposed to those having possibilities to use our financial products and services illegally.



ISO27001/BS10012 certificate awarding ceremony

## Investor Protection

As the 'Capital Market Law' took effect on February 2009, a 'Standard Sales Manual' has been enacted which contains minimum conditions which must be complied with by financial investment product sellers selling products to investors. **Shinhan Investment Corp** is producing and distributing the 'Complete Sales Manual' and 'Complete Sales Script' to provide proper information to customers and to prevent illegal sales of financial products.

### Received the 'Excellent' rating in the mystery shopping

We changed the existing CS visit monitoring method into an expanded monitoring method which includes a process of confirming complete sales, to protect the rights of investors. **Shinhan Bank** and **Shinhan Investment Corp** were included among 25 companies which received 'Excellent' ratings(80 points or more) in the fund sales mystery shopping results conducted by the Financial Supervisory Service.

#### Complete sales manual

Classification	Procedure	Contents
Stage 1	Getting investor information	Identifying investors' purposes and their assets and experiences by interviewing and asking questions to general investors
Stage 2	Classifying investor type	Making points on investor information statements and interview results to classify investor types
Stage 3	Selecting products suitable for investors	Recommending products most suitable to investors
Stage 4	Explanation on products	Explaining in detail exact names and investment risks etc, using material(investment guide book, simple investment guide paper etc) regarding the recommended products.
Stage 5	Confirming investor's decision	Giving necessary documents only when the investor wants to buy the product
Stage 6	After service	Explaining about after services provided after the investor buys the product

### CASE STUDY

#### We will protect customers' assets

A homemaker in her 50s who lives in Ilsan once got a call from a con man saying that he had kidnapped her daughter who was overseas studying in January, 2012, so if she wanted her daughter back, she should send him ransom money. The woman sent 6 million won to the account that the con man had told her. However, Ms. Park, who was working in the consumer protection center and her team were watching the transfer trend and felt that something was suspicious since a large amount of money was deposited into an account where there usually weren't any transactions.

So Ms. Park called Ms. Kim and her husband to check if their daughter was ok. After seeing that their daughter was safe, Shinhan Bank suspended the payment of 6 million won and the balance 20 million won. Ms. Kim visited Shinhan Bank and thanked the employees and gave them gifts. The bank decided to donate the gift to low-income family children in need of tuition.



# Social Responsibility in Affiliates

Shinhan Financial Group's goal is not just becoming no. 1 in Korea.  
It is to fulfill social responsibilities responsive to the demands of our time through a sustainable growth which enhances the values of customers and society.  
All employees of Shinhan Financial Group try to protect interests of customers and society in every daily activity.



# Shinhan Financial Group



Chairman of Shinhan Financial Group  
Dong Woo Han

“ Shinhan Financial Group obtained differentiated results amidst various uncertain market situations and domestic & overseas confusion. Shinhan will put in action the customer-oriented culture based on its various experiences of achieving changes and success by overcoming crises and taking on new challenges, through a transparent and firm system, thereby further growing to become a world class financial group which represents Korea. ”

## Company Introduction

Shinhan Financial Group(SFG) was established on September 1, 2001, with the major purpose of governance and business management on financial subsidiaries and financial support for subsidiaries. SFG was established through a share transfer from shareholders of Shinhan Bank, Shinhan Securities, Shinhan Capital, and Shinhan BNP Paribas Asset Management, and was listed on the Korea Exchange in September 2001. In September 2003, SFG was listed on the New York Stock Exchange and took on aspects of a global financial corporation.

## Major Issues of 2011

Shinhan Financial Group conducted a materiality assessment to write a report based on areas of concern to various internal and outside interested parties. In 2011, ●Revitalizing communication among subsidiaries, and ●Improving employee values were identified as major issues, and we are planning to report on how SFG is responding to these issues.

### Major issues

Business & Employees	Revitalizing communication among subsidiaries
	Improving employee values

## Distribution of Economic Value

(Unit: 100 million won)

Employees	Salary/welfare expenses	305
Shareholders	Dividends	6,295
Local communities	Investments in social contribution	5.3
Government	Corporate tax expense	6,289
Cooperating companies	Purchase and services	0.5
Others	Other general management expenses	558



2012 Shinhan Economy Forum

## Business & Employees

### Revitalizing communication among subsidiaries

#### We open the culture of communication

With the launch of Shinhan Financial Holdings in 2011, the subsidiaries of Shinhan Financial Group were reorganized into a parent company and subsidiaries centered around the holding company. Due to changes of the governance structure, the decision making channels between the parent company and each of the subsidiaries became clear, and revitalizing communication such as practical communication and information sharing with in the entire group emerged to be of importance. Shinhan Financial Group establishes management plans every year and discusses directions for establishing strategies at working level and executive and CEO levels, and holds Shinhan management forums once every half year. Shinhan management forum shares major strategy directions and reaches a consensus of the entire group through discussions on major issues and special lectures presented by invited lecturers. Moreover, on every other week, a group executive meeting is held attended by the chairman and CEOs of 5 major group subsidiaries, where they deliberate on the overall issues of the group. Furthermore, when necessary, an expanded group executive meeting is held with the CEOs of each subsidiary. Furthermore, we vitalize communication among companies of the group so that various discussions and decision making could be made frequently among working level staff regarding major issues. In 2012, we are planning to adopt a process of sharing with the holding company mid- to long-term strategy directions and management principles of each subsidiary based on the company having major management issues such as appointing a new CEO etc.

## Enhancing subsidiary employee values

### We develop employee values

In order to promote growth and development of customer value and corporate value, priority must be placed on improving values of employees who are the source of growth and development of customer value and corporate value.

By developing and supporting such important employee values and creating excellent performance, we are maximizing customer values and seeking enhancement of the entire groups' corporate value. To this end, Shinhan Financial Holding Company is proceeding with a group-wise 'employee value research'.

The research on employee values included questionnaires on the overall organization such as organization culture, balance between work and life, discrimination, and personnel system etc., and is searching for items having big effects on the employees' perceptions and company image based on the research result analysis, and is deriving areas that need to be improved foremost.

For the derived priority improvement tasks, corresponding contents are delivered to each subsidiary which establishes and proceeds with individual improvement plans. In this way, the employee value improvement activities of Shinhan Financial Group are implemented.

Shinhan Financial Group monitors promotion tasks for improving employee values of each company of the group, and re-examines whether or not the improvements were made in the corresponding areas at the next examination. Through this, we will continue to contribute to raising values of all employees, customers, and corporate values.

# Shinhan Bank



“ Shinhan Bank is doing its best to create a bank which makes peoples' lives happy and develops a special relationship with our customers. We will become a bank which can be loved by all our customers and members of the society based on our mission to make the world a better place through the main businesses of finance. ”

CEO of Shinhan Bank  
Jin Won Seo

## Company Introduction

Shinhan Bank which has been presenting new standards of finance in Korea with progressive products and services and differentiated business models is realizing the most profits among peers through excellent finance knowhow and an optimized channel network. In addition, we are extending our internal growth based on excellent risk management capabilities amidst rapidly changing financial environments, and are laying a firm foundation for sustainable growth by developing and nurturing the future growth engines such as promotion of global business/smart banking/asset management. While leading Korean financial market based on such strong points, Shinhan Bank will make every effort in fulfilling the roles of corporate citizen and in developing a precious relationship with our customers.

## Major Issues of 2011

Shinhan Bank conducted a materiality assessment to write a report based on areas of concern to various internal and outside interested parties. In 2011, ●Strengthening brand communication, ●Strengthening equity capital ratio, ●Smart organization, ●Smart financial services, and ●Improving consumer satisfaction were identified as major issues, and we are planning to report on how Shinhan Bank is responding to these issues.

### Major issues

Business & Employees	Strengthening brand communication	Strengthening equity capital ratio
	Smart organization	
Product & Service	Smart financial services	
Customer & Society	Improving consumer satisfaction	

## Distribution of Economic Value

(Unit: 100 million won)

Employees	Salary/welfare expenses	12,763
Shareholders	Dividends	7,400
Local communities	Investments in social contribution	716
Government	Corporate tax expense	3,393
Cooperating companies	Purchase and services	3,033
Others	Other general management expenses	12,734



## Business & Employees

### Strengthening brand communication

#### We strengthen communication among brands through togetherness

Shinhan Bank established new brand strategies and modified the brand system in order to provide greater value to customers and to pursue partnered growth.

Under the mission 'making the world a better place with the strength of finance', Shinhan Bank conducted an awareness survey on employees and customers to embody images of Shinhan Bank and ideal banks. Through this process, Shinhan Bank derived the core value of brand called Togetherness.

Togetherness is a new term coined by combining Togetherness with customers and Leadership. Togetherness means that we grow together with customers hand in hand for the success of customers.

We intend to secure a strong brand competitiveness, stipulate 4 promises with customers: authenticity, intuition, innovation, and integration, and pursue togetherness with customers by putting those 4 promises into practice.

#### We utilize the Brand Management Index to promote a systematic brand management

For the first time in the banking sector, we established the brand strategy headquarters in 2011. For a systematic brand management, we developed the Shinhan Brand Management Index(SBMI) and are promoting a site-oriented brand management. Utilizing SBMI, we

measure the performances of brand management on a regular basis and are implementing brand strengthening activities of work-site departments.

For example, the SME Customer Department in Shinhan Bank utilizes SBMI to predict the necessity to strengthen sales activities of self-employed customers and to change credit policies, and as a response measure against these needs, the department is expanding credit support for self-employed customers and strengthening PR and marketing activities, improving brand management through SBMI management.

#### We encourage group-wide brand management activities of our employees and executives

Shinhan Bank which is promoting various internal and external campaigns under the brand slogan 'going together for a better tomorrow', is raising brand awareness of all the employees through lectures by invited brand experts.

We see brand as a long term growth engine and not from a short sighted approach which focuses on performance, and encourage group-wide brand activities by reflecting brand management activities on all business plans.

Shinhan Bank will not remain complacent with that fact it started brand management for the first time in the financial sector, but will make another leap towards a global power brand through systematic brand management.

Business & Employees

Strengthening equity capital ratio

We maintain an excellent level of equity capital ratio

Shinhan Bank maintains an excellent capital adequacy despite the global financial crisis. As financial institutions which had been believed to have strong capital adequacy had difficulties during the 2008 financial crisis, the need to strengthen the ratio of equity capital emerged.

Basel Committee on Banking Supervision(BCBS) under the BIS\* announced Basel III : A global regulatory framework for more resilient banks and banking system in December 2010, which is expected to be take effect from 2013. Basel III is demanding to upwardly adjusting the current ratio of equity capital such as the Common equity Tier1 Capital etc. as compared to the current Bazel II in order to strengthen the capital capability of financial companies and absorption force of losses when crises occur.

Shinhan Bank strengthened the good quality of capital by focusing on common share capital based on stable profitability management and is preemptively responding to changes of regulations and crises through stable management of risk-weighted assets.

We enhance transparency and reliability of accounting through world class level accounting reporting

As the capital market globalizes, there are increasing demands for an internationally unified accounting standard. Korea also introduced the International Accounting Standard(K-IFRS) in 2011 in line with this trend.

Shinhan Bank has been using both K-IFRS and K GAAP during settlement of accounts since August 2007, in preparation for the official adoption of IFRS, and is continuing its analysis on the differences of the two accounting standards and monitoring on the possibility of modification of the system.

As we implement world class accounting standards in our accounting reports, we expect that our reliance on accounting transparency will increase and will alleviate the burden of dual book-keeping.

Comparison of regulated ratio of equity capital (Basel II VS Basel III VS Shinhan Bank) (Unit: %)

Classification	Equity capital of common shares <sup>(note3)</sup>	Basic ratio	Total ratio of equity capital
Basel II	2.00	4.00	8.00
Basel III <sup>(note1)</sup>	4.50 %(9.50)	6.00 %(11.00)	8.00(13.00)
Shinhan's ratio <sup>(note2)</sup>	10.54	12.34	15.33

Note 1) (Including Capital Conservation Buffer Ratio 2.5%, Counter-cyclical Buffer Capital 2.5%)  
 Note 2) Shinhan Bank's BIS ratio for the 1st quarter of 2012(estimation)  
 Note 3) (Core capital-new capital securities)/risk-weighted assets

\* Banks for International Settlement

CASE STUDY

Resolving future employment insecurity, securing employment security

Shinhan Bank is implementing manager-exclusive contract and indefinite contract systems to improve the job security of employees and executives. Manager-exclusive contract system is a system which allows reemployment up until 2/3 of the total retirement age for manager level employees who had employment period left but voluntarily retired, and the indefinite contract system is a system of converting general contract employees of among employees who worked for 2 years or more into 'indefinite contract employees', a type which has no expiration of contract period. Furthermore, Shinhan bank held a large scale recruitment in 2011 and employed regular workers and tellers, and recruited high school graduates to practice our corporate social responsibilities. In 2011, we are planning to employ 126 more high school graduates, and in 2012, we are planning to increase the number. We are also planning to employ talented graduates from local universities for the development of local communities.

Recruitment of high school graduates (Unit: persons)

Classification	2009	2010	2011
Teller	1	3	20
Other	64	99	106
High school graduates	65	102	126

Smart organization

We spread a productive conference culture

As the administrative environment changes rapidly, conferences and meetings with employees are increasing for various decision making. We established a productive conference culture to prevent the decrease of work efficiency due to frequent meetings. We analyzed the fundamental problem of long meetings and designed a reasonable meeting culture, and is spreading the culture to all Shinhan employees.

We maintain the balance of life and work of employees

We support employees to have balance in life and work to prevent fatigue and inefficient workload. In 2011, the labor union and management agreed to normalize the working hours, and proceeded TFT activities. We conducted a survey on 40 branches where employees had been working long hours. We found out that stores with employees working til late at night had a high ratio of new employees and that they were not used to the work. Thus, we adopted a system of circulating new employees and veteran employees among branches and were able to shorten the working hours.

We expand women employment and capability development

Shinhan Bank has been increasing the ratio of women workers since 2007. We treat our employees based on equality and human respect, and implement a fair employment and personnel evaluation system. The ratio of women employees of managerial level or above is rising continuously due to sex equality, and in 2010, a woman head of headquarters was appointed for the first time.

There is a possibility that women employees may be isolated from developing their careers while concentrating on child raising during the maternity leave. Thus, Shinhan Bank implementing a flexible work system(Shinhan Mom-Pro) to support developing capabilities of women workers. This system helps women workers who are in maternity leaves to strike a balance between work and housework(child raising) by working according to the selective hour system, and provides various support to develop capabilities during the maternity leave. In 2011, 52 women workers were beneficiaries of the Mom-Pro system.

Ratio of regular job women (Unit: persons)

	2009	2010	2011
Number of general executives	10,265	10,762	11,151
Number of women general executives	3,018	3,211	3,369
Ratio of women	29.4%	29.8%	30.2%

Ratio of manager job women (Unit: persons)

	2009	2010	2011
Number of 4 <sup>th</sup> grade employees in charge	7,175	7,224	7,384
Number of women among 4 <sup>th</sup> grade employees in charge	1,408	1,440	1,517
Ratio of women	19.6%	19.9%	20.5%

CASE STUDY

We operate financial education programs for a better tomorrow

Shinhan Bank is providing various finance education programs to stop the inheritance of poverty and to help future generations to prepare for a better future.

'Shinhan Economy Academy' which is an exclusive place for economic education in the Shinhan Museum for financial history is holding experience type financial education programs at least 2 times a month, and is proactively participating in "Youth Financial Education Network" supervised by Financial Supervisory Service.

We also provide education programs for helping low-income classes to set up businesses(Making Hope Stores), and provide financial education twice a month on a regular basis for North Korean defectors in Hanawon, Anseong, in order to increase their understanding of the capitalist market and to prevent them from suffering from financial frauds, so that they could start new lives.

We also operate scholarship projects for the underprivileged class in Korea through Shinhan Hope Foundation, Shinhan Bank Chungbuk Scholarship Association, and Shinhan Bank Gangwon Scholarship Association; overseas scholarship projects in China, Kazakhstan, Uzbekistan, Mongolia, Cambodia, Vietnam, and India; and an academic support project for overseas financial and personnel organization associations.



Children's Finance Education Program run by Shinhan Bank

Products & Services

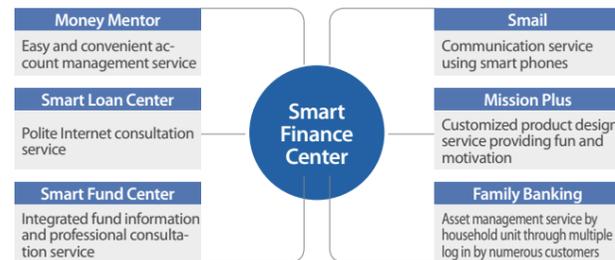
Smart financial services

We provide information and services on financial products anytime, anywhere

The term "smart" which used to be associated to new types of mobile phones is now a generally used term having a greater meaning in the finance industry as well. As the IT technologies developed and smart devices are widespread, customers have become able to use information and services of financial products anytime, anywhere.

Shinhan Bank has been expanding various non face-to-face channels using the internet and smart phones besides the sales branches, and is operating a smart finance center which provides services from tele-counseling to product purchasing. The smart finance center provides information on funds and loans equivalent to the services of sales branches through the smart fund center and smart loan center, 'money mentor' which is a comprehensive asset management service, 'family banking' where customers can manage accounts all in one, and 'Smile' which provides customized financial information, providing optimized products and services in line with the smart financial environment and convenience and stability of financial service at the same time. The smart finance center will take the initiative in providing innovative financial services by continuing to expand the service areas.

Smart Finance Center & Services



Introducing the new financial industry, green finance

As the importance of climate change and environment increases, the need for the financial industry to adopt environmental friendly methods is increasing as well. Shinhan Bank is developing green finance products, securing environmental risk management capabilities within the company, promoting green management, and is making preparations for the greenhouse gas target management system and the introduction of the carbon emissions trading system.

In 2011, Shinhan Bank introduced 'New Green Corporate Loan': which provides preferential interest rates and commissions to excellent green corporations, and provided 327.4 billion won through the program, and contributed to 'New Renewable Energy Mutual Growth Guarantee Fund' to provide guarantee support for new renewable energy corporations. We published '10 Green Industries Guide Book' to raise understanding and expertise in green growth for our employees, and are holding green finance seminars on a regular basis, taking the initiative in supporting the development of green finance.

Shinhan Bank is managing data on electricity and oil in each branch, and introduced the paperless private teleconference system to reduce carbon emissions, and planted trees in the Forest of Hope in Andong, and Pureum Arboretum in Guro, trying to offset carbon emissions.

As a result of these activities, we won the Prime Minister Award at the 2011 Korea Green Management Competition, and the Environment Minister Award, in the excellent greenhouse gas reduction organization category.



Customers & Society

Improving customer satisfaction

We provide customer satisfaction and consumer protection activities

Since the global financial crises, the importance of financial consumer protection has been increasing worldwide. At the 2011 G20 summit, OECD's '10 Principles on Strengthening Protection of Finance Consumers' were adopted, due to the fact that protecting finance consumers is widely perceived as a necessary element in stability and sustainability in the financial systems.

Shinhan Bank recognized the changes and importance of consumer protection policies being introduced domestically and overseas, and started to operate a consumer protection system which encompasses customer satisfaction and consumer protection activities. The purpose of the consumer protection system is to implement activities of resolving disputes which may occur afterwards and preliminary protection activities which include protecting rights of the consumers, thereby minimizing financial damages to customers. And as a result of recognizing the importance of consumer protection and operating major activities, we became the only financial company to be selected as the '2012 Financial Company for Consumer Protection' by the Financial Supervisory Service.

In 2012, we will expand the 6 major improvement tasks to 8, and adopt the recent policies of the financial authority, to take the initiative in consumer protection.

CASE STUDY

We listen to various opinions of our customers through the 'Customer Evaluation Group'

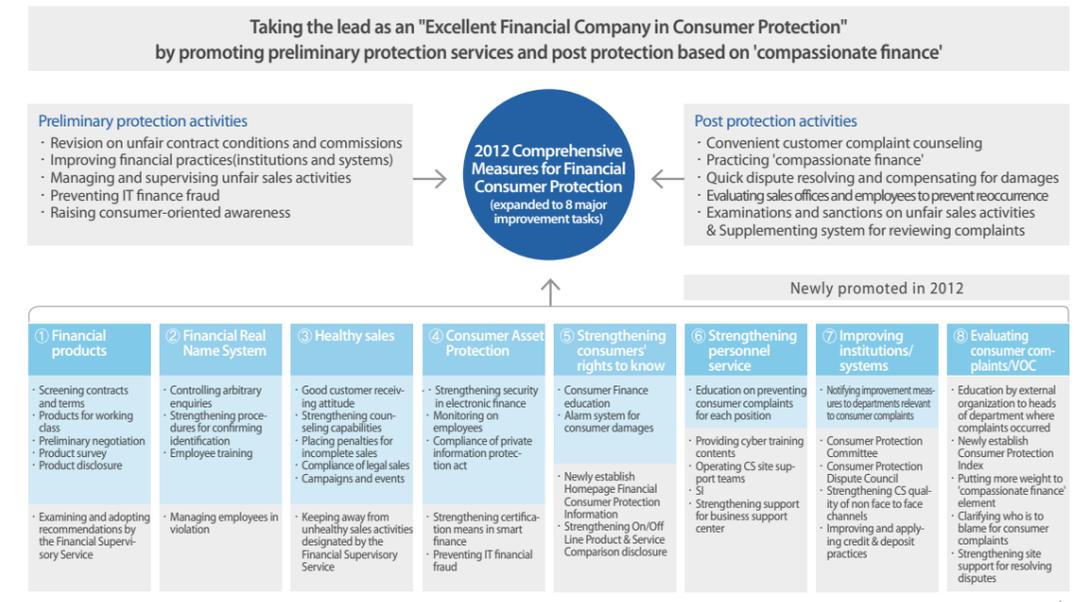
Since 2012, Shinhan Bank has been operating the 'Customer Evaluation Group System' in order to practice 'Compassionate Finance' and to create and protect customer values.

Customer Evaluation Group System is a system of gathering customers' opinions on our products and services. We have 350 thousand research panels and 2,000 consumer panels to understand the exact needs of our customers from the development stages of financial products and services, using various methods such as online survey, email, telephone, and written survey.

Shinhan Bank will make the Customer Evaluation Group System a mandatory process and take the lead in providing products and services for mutual growth with the customers.



8 improvement tasks for customer protection activities



# Shinhan Card



“ Shinhan Card thinks about the 'way of the card' for customers, and tries to come closer to customers. We try to become your true life partner by providing products that meet the needs of our customers through not only discounts and benefits but through processes of sincere love and attention to our customers. ”

CEO of Shinhan Card  
Jae Woo Lee

## Company Introduction

Shinhan Card is Korea's representative card company and 12th largest card company in the world based on credit purchase volume, with the no. 1 market penetration rate and 19.2 trillion won worth of sales assets. Shinhan Card newly launched with the integration of LG Card in 2007 selecting customer satisfaction as the top management value and is making every effort to improve customer satisfaction.

We provide customized services suitable for customers' lifestyles such as auto finance related to purchasing cars and other IT sales, oriented around card business projects which support credit purchase and cash loans. In 2011, we successfully launched the Shinhan Vietnam Bank Global Card Project, and revitalized mobile apps, proactively responding to the new markets and future trends.

## Distribution of Economic Value

(Unit: 100 million won)

Employees	Salary/welfare expenses	2,585
Shareholders	Dividends	6,000
Local communities	Investments in social contribution	406.6
Government	Corporate tax expense	2,135
Cooperating companies	Purchase and services	2,455
Others	Other general management expenses	3,610

## Major Issues of 2011

Shinhan Card conducted a materiality assessment to write a report based on areas of concern to various internal and outside interested parties. In 2011, ● Brand management, ● Employee satisfaction, ● Developing market leading products, ● Products encouraging the donation culture, and ● Placing importance in customers and the market were identified as major issues, and we are planning to report on how Shinhan Card is responding to these issues.

### Major issues

Business & Employees	Brand management	Employee satisfaction
Product & Service	Developing market leading products	Products encouraging the donation culture
	Placing importance in customers and the market	



2011 Love Concert

## Business & Employees

### Brand management

#### Creating Shinhan Card's unique creative brand

We are practicing customer moving services through differentiated brand marketing and product development, and is strengthening its brand competitiveness as a life partner.

Shinhan Card is a No. 1 credit card brand which has an overwhelming market penetration rate in Korea, and is providing special experiences and new images through various cultural performance programs with the keyword 'LOVE'. We are creating our unique creative brand differentiated with other competitors through these brand activities.

Furthermore, in order to practice 'compassionate finance' as a social corporate responsibility corporation, we are proactively practicing 'compassionate finance' of Shinhan Financial Group and are strengthening our position as the representative credit card brand. In order to resolve the education gap among local communities, we are focusing on the project of constructing 'Areumin Library', and are providing social contribution activities in various areas such as Areumin voluntary activities participated by employees, executives and customers, and supporting NGO activities etc.

Furthermore, we are making relentless efforts to receive continuous love from our customers as a 'Customers' true life partner which leads the future of the card industry' through various card product portfolios customized to customers' consuming trends, sustainable changes and innovation, and CS management.

### Systematic brand asset management

Shinhan Card developed Shinhan Card BPI(Brand Power Index) in 2008 and is implementing the measurement method for 2 consecutive years for systematic brand management.

Based on the measured results, we have been managing brand assets such as brand reputation, brand preference, and brand image etc. Shinhan Card BPI has continued to improve, and in 2011 achieved the great result of becoming no. 1 in the credit card sector.

Furthermore, we have been recognized by overseas organizations, achieving the most number of awards in the industry with 14 awards in brand survey and customer satisfaction.

Brand marketing	Social contribution
<p>'LOVE' series of culture/sports marketing brand</p> <ul style="list-style-type: none"> <li>· LOVE Concert(concerts)</li> <li>· LOVE Classic(music performances)</li> <li>· LOVE Day(sports games)</li> <li>· LOVE Culture(plays and musicals)</li> <li>· LOVE Square(space marketing)</li> </ul> <p>Other culture, arts sponsorship and customer experience programs</p>	<p>Representative social contribution brand 'Areumin'</p> <ul style="list-style-type: none"> <li>· &lt;Areumin Library&gt; construction project</li> <li>· Donation portal &lt;Areumin site&gt;</li> <li>· Areumin voluntary activities</li> </ul>

**Employee satisfaction**

**We take the initiative in practicing family love**

Shinhan Card is taking the initiative in creating a culture and environment where all our employees could feel satisfaction through a pleasant working life. We operate a cafeteria system to provide various benefits in their daily lives. This system provides points every year to employees of Shinhan Card so that they can use their points in various items such as self-development, promoting health, childraising, leisure, and cultural activities.

Furthermore, we expanded the scope of employee satisfaction and are operating the 'Employee Assistance Program(EAP)' where their families could also participate. The bulletin board in EAP homepage provides information on various events, such as the weekend farm program, college entrance explanatory sessions, summer vacation camps, family marathon and recreations etc. We support the employees to practice family love and strike a balance between work and families through these programs.

**We practice self-initiated career developing**

We established a systematic Career Development Program(CDP) so that our employees could grow in the organization by taking the initiative in working. We help them measure their capabilities through self-diagnosis, set goals according to their capabilities, and provide Community of Practice(CoP) and licenses necessary to accomplish those goals. In 2011 we opened an additional CDP portal site and strengthened access and participation of employees by providing HR services for each employee.

Furthermore, we are operating an information material library for the employees to develop their management and humanities knowledge through reading books. The information material library opened in October 2007, and is visited by a monthly average of 800 employees. There are about 12,000 books and 2,000 image materials on recent management and humanities studies. Employees can also ask for the purchase of new books, and thus about 60 books and 30 image material are being added every month.

**We make a workplace where employees can work better**

Shinhan Card continuously tries to make a workplace where employees want to work, and as a result, Shinhan Card was selected by GWP Korea as one of "top 100 good workplaces for employees" for 3 consecutive years.



Employee culture center



**Products & Services**

**Developing market leading products**

**We create a new rule of competition in the card industry**

Korea's credit card market which has grown significantly since the early 1990s is now in a maturing stage with 50% of private consumption being made by credit cards. As the competition is becoming so fierce that the market is full of so many similar services and products are being issued, Shinhan is strengthening the competitiveness of its values by creating a wide range of product portfolios consisting of premium products for VIPs, general products for general consumers, and specialized products for oil, airline, and differentiated point services.

**We provide customer satisfaction with a wide range of services**

**Platinum# service** We are trying to help more customers to enjoy more benefits more frequently through our open premium service, Platinum#. Open premium service is a new concept of premium service icon of Shinhan Card which hopes to practice love for our customers by providing practical products and improved benefits to numerous customers not like other existing premium services of other credit card companies which provide services for only a minority of customers. We are providing benefits to more customers through this upgraded Platinum# service which requires the same subscription conditions but provides more benefits, and strengthening the premium product system of Shinhan Card.

**S-more CARD** S-more card has been created thanks to a change of thought from regarding points as not only consuming measures but also as a financial asset which can be saved in savings accounts. This is a differentiated product in that if customers deposit the accumulated points in the S-more account, they can earn interest as well.

The good thing about S-more card is that there is no expiration for customers to use the points transferred to their accounts, and that interest rates are applied to the accumulated points. Customers can easily see the increased points through ATMs and internet banking. Furthermore, we are planning to issue an integrated S-more card which accumulates points from other subsidiaries in one S-more account.

It has become possible to expect integrated products where points from other business types could be accumulated in the S-more account utilizing characteristics of a financial group. Shinhan Card will further develop into the core brand of Shinhan Financial Group by strengthening its competitiveness through integration of the S-more card with other business types.

**CASE STUDY**

**We invite you to the wide world of Shinhan Card**

Shinhan Card as a wide range of product groups to respond to the needs of various customers. We will increase the convenience of living by providing practical benefits in the right places, through premium cards to general use cards.



## Products encouraging the donation culture

### The donation culture makes everyone happy

Shinhan Card is issuing the first donation exclusive cards in Korea, 'Beautiful Cards,' to expand the culture of the petty donation culture by a majority of people. Beautiful Card is a card for the sole purpose of donation and does not provide additional services or benefits to the card owners. 0.5~0.8% of the amount used is accumulated as 'Arum Points,' and the accumulated points can be donated to places that the card owners select among 400 donations places through the donation exclusive website 'Areumin' site. We are increasing the participation rate by making it possible to make donations by credit cards besides the Arum points, allowing various ways of donation: partial donation, donation on a regular basis, lumpsum and regular donations. The donation fund raised in this way is used in various areas such as environment, disabled, women, children & teenagers, elderly, and cultures & arts etc.

#### Areumin donation overview

(Unit: 100 million won)

Number of participants	Areumin donations amount	Shinhan Card donations amount	Total donations amount(2005~2011.10)
177,823 persons	38.5	437.5	476

### Join in the sharing with just a click

'Areumin' is the one and only donation website in the financial sector, operated in line with the Beautiful Card. Thanks to participation by not only customers but also our employees, we are contributing to settling the culture of petty donation by a majority of people, and are providing

opportunities for customers to easily join in the donation culture through various networks connected to about 170 public groups. In addition, through internet bulletin boards such as 'Areumin Participation place' and 'Donation,' we are supporting sharing of information and activities on social contribution activities.

Furthermore, in order to expand the online donation culture, we issued the Smart phone App 'Smart Shinhan' for the first time in the financial sector, so that people could join in the donation easily and quickly. Furthermore, based on the fact that customers aged 60 or more have a lower usage rate of Areumin compared to other age groups, we are planning to introduce a donation channel through the ARS service starting from 2012. Through this, we are planning to create a culture environment where people who are not used to smart phones can also join in the donation culture.

#### Other public interest products

National pension certificate card	Functions as an ID for confirming that the person is a beneficiary of the national pension, and provides rich and pleasant lives of national pension beneficiaries through health care services and cultural benefits
Electronic national defense card	Functions as a military service certificate and discharge certificate for military service workers, and provides subscription to accident insurance
Disabled/men of merits welfare card	Provides discounts when the disabled or men of merits charge LPG vehicles, and provides free pass services for public transportation
Freight drivers/private taxi drivers welfare card	Provides the convenience of discounting oil subsidy automatically without the inconvenience of submitting an application and necessary documents to city or county offices
Child love card	Provides the service of automatically deducting government support fund when paying day care fees using Child Love Cards

## Customers & Society

### Placing importance in customers and the market

#### We listen to the voices of customers

Shinhan Card listens to the voice of customer(VOC) and shares it group-wide. Through a systematic management on VOC, we intend to improve the customer-oriented mindsets of our employees and to develop ideas for providing differential products and services. VOC received through various channels including the homepage and call center etc. is divided by type and is posted on the Consumer Protection Bulletin Board for all employees to refer to. It is possible to make an inquiry for each work or type, and each department is having VOC inquiry and listening time according to a certain theme selected each month. Through this, we are trying our best to improve the quality of our services and customer complaints by suggesting ideas and coming up with improvement tasks through discussions on the selected themes.

**Customer panel system** In order to come up with differentiated customer satisfaction management strategies and implementation measures, without remaining complacent to the current achievements we have been operating the 'customer panel system' since 2008. The customer panel consisting of 50 customers using other company cards or multiple cards evaluate service qualities through various activities such as monitoring, sessions, and online communities, and provides improvement ideas. Furthermore, the customer panel participates in interviews when developing new core products and services and reflecting customers' opinions in the process, contributing to improving the qualities of products and services to meet the needs of customers.

#### We put our love for customers in our products and services

<b>Card matching rule by need of customers</b>	The further refined 'card matching rule for each customer' provides the optimal card suitable for characteristics of each customer based on the customers' needs which have been further classified. It provides a guideline for establishing a card portfolio which comprehensively considers various elements such as lifestyles and card usage pattern etc. of customers, so that customers could select the most suitable card in their interests.
<b>Excellent customer management system, 'Tops Club'</b>	Top Club is a differentiated program for managing best customers from which customers can receive preferential services according to their ratings from all subsidiaries besides Shinhan Card. Shinhan Card selects the best customers based on their closeness such as annual use performance, continuity of using the card, and credit ratings, to provide benefits such as exemption of annual fee, commission, provision of premium coupons, cultural performances/travel discounts etc.
<b>Convenient card using environment</b>	Shinhan Card always think about ways to make a better environment where customers could easily use cards regardless of place, time and situation, and is providing various services to support in that manner.

## CASE STUDY

### We provide an environmentally friendly reading environment for the youth

Shinhan Card is providing support for creating an environmentally friendly reading environment for development of future generations through the Areumin Library Project. This project which was launched in November 2010 is supporting 231 local children centers nationwide, and has a meaning to provide an environmentally friendly reading environment to underprivileged children and teenagers so that they could live better lives through reading. We are helping them have future dreams by providing economic education and knowledge on economy, finance, and credit.

#### Supporting improvement of an environmentally friendly learning environment

We are providing sight protection lights, harmless wall papers and floors etc. along with environmentally friendly interior, for the creation of a pleasant and safe reading environment using environmentally friendly material. Furthermore, we are supporting campaigns for improving the environment of local children centers by exchanging old learning devices.

#### Providing books recommended for children and teenagers

We supported establishing the Book Computerization System, to seek qualitative improvement of reading programs and systematic management of reading, and encouraged online community activities, promoting activity sharing and communication among centers.

#### Library computerization system and online community are supported

We supported establishing a library computerization system thereby seeking a systematic library management and improvement of quality of reading programs, and encouraged online community activities and promoted communication and activity sharing among centers.



### Introduction to major services

#### 24 clearing service for the first time in the industry

Our real time withdrawal system prevents overdue payments for customers, and supported 145 thousand normal clearings a month.

#### Grace period for overdue interests of the deceased

When a customer who uses our card dies, we exempt overdue interests which may occur while the families of the deceased have time to repay the liability, alleviating the burden on the family economy.

#### Delivery of card to a 3<sup>rd</sup> place

We make it possible for customers to receive cards in a 3<sup>rd</sup> place other than their homes or workplaces, for their convenience.

#### Customized ARS

We make it possible for customers to select and register the ARS menu that they frequently use, so that they could use the ARS service more easily.

#### Operating exclusive consultant group for the elderly(65 or more)

We connect them to the consultants before other customers during ARS connection, and explain to them until they understand.

#### Chatting counseling for the hearing-impaired customers

We provide an average of 1,400 special counseling cases a month for those who have difficulty using the phone due to hearing disabilities.

# Shinhan Investment Corp.



CEO of Shinhan Investment Corp.  
Dae Seok Kang

“ As the leader of the financial investment industry, Shinhan Investment Corp. places top priority in our partnership role in successful investments in order to create values that our customers want and to design a better future for our customers. We will take the initiative in becoming the leader of financial investment based on our transparent management already recognized by various domestic and overseas institutions and our differentiated financial services. ”

## Company Introduction

Shinhan Investment Corp. started off from a merger of Shinhan Securities and Goodmorning securities which had inherited the capabilities of Ssangyong Securities, dubbed the 'military academy of securities' and ranked no. 1 in international sales sector.

We are leading the domestic securities industry by combining stable and strong corporate governance structure, financial structure, and advanced management methods. Shinhan Investment Corp. is growing further based on global derivative sales capability, thorough research functions, stable product operation and an advanced risk management system.

## Distribution of Economic Value

(Unit: 100 million won)

Employees	Salary/welfare expenses	1,814
Shareholders	Dividends	200
Local communities	Investments in social contribution	22.1
Government	Corporate tax expense	540
Cooperating companies	Purchase and services	64
Others	Other general management expenses	1,698

## Major Issues of 2011

Shinhan Investment Corp. conducted a materiality assessment to write a report based on areas of concern to various internal and outside interested parties. In 2011, ●Smart organization, ●Managing net capital ratio, ●Employee satisfaction and job security, ●Safe product sales, and ●Improving legal convenience were identified as major issues, and we are planning to report on how Shinhan Investment Corp. is responding to these issues.

### Major issues

Business & Employees	Smart organization	Managing net capital ratio
	Employee satisfaction and job security	
Product & Service	Safe product sales	
Customer & Society	Improving legal convenience	



Winner branch of 2011 Business Evaluation Contest

## Business & Employees

### Smart organization

#### We lead the mobile financial environment

As the mobile financial environment changes and smart devices evolve, Shinhan Investment Corp. is settling the BYOD(Bring Your Own Device) system which utilizes various smart devices of employees and executives to strengthen business productivity.

BYOD is a concept of utilizing tablet PCs and smart phones as a subsidiary means while using PCs as main terminals, and this concept is utilized as a new profit creating means which go beyond reducing expenses but also changing the business processes.

Shinhan Financial Investment formed a smart network IT cooperative body with other subsidiaries in the group, and in 2011, Shinhan Investment Corp. started to improve mobile office support systems by introducing SNS marketing, and launching mobile office, expanding the infra for establishing an integrated mobile management system.

#### We strengthen cost efficiency by improving operational systems

Shinhan Investment Corp. is improving its operational systems which could optimize the company's capability in order to respond to the customers' needs and rapidly changing market.

In order to efficiently use the expenses which incur as we implement our projects, we are improving the profit & loss structure, and activities to improve cost efficiency in consideration of management environment. In a long-term perspective, we improved our activities in order to increase the efficiency of investment input, and issued cost efficiency items. Furthermore, we modified the budget management system to establish an adequate budget for our management plans and company volume.

#### We go ahead of others based on a smart & green corporate culture

Due to characteristics of the financial business, we have to use a lot of paper. Thus, in 2011, the government requested that the financial sector reduce paper use by 50% by 2015 as part of the green economy revitalization effort, and Shinhan Investment Corp. has been proceeding with paperless movement to minimize the use of paper since 2010.

In 2011, Shinhan Investment Corp organized a TFT to develop a business process which uses electronic documents, computerizing the process within the company. Furthermore, we are taking the initiative in saving resources and preserving the environment based on the thought that a smart & green corporate culture is one of the major elements, and we are planning to expand the ratio of using electronic documents to 50% by 2015.

### Managing net capital ratio

#### We maintain financial soundness

In order to pursue the financial soundness of financial investors, the government has calculated the Net Capital Ratio(NCR) to use as the regulatory ratio. Shinhan Investment Corp. is calculating daily NCR through risk management systems and is monitoring the changes of ratios according to positions. Furthermore, we set Early Alarm Indexes and maintain a preliminary monitoring system so that NCR could maintain a certain level. In addition, we calculate NCR at the end of each month and report to the Financial Supervisory Service, and get reviews by outside auditors on every end of quarters and disclose the results on the homepage.

#### We disclose risk management information in a transparent manner

Shinhan Investment Corp. provides risk management information every quarter. By disclosing risk management information, we let people see our risk management capabilities and soundness. Risk information is reported in terms of credit risk, market risk, and liquidity risk.

### Employee satisfaction and job security

#### We pursue a corporation that is pleasant to work for

Shinhan Investment Corp. is implementing an ES program(Employee Satisfaction program) to make a pleasant workplace. This program provides employee counseling, employee satisfaction events, and differentiated welfare systems etc., which have been well received by our employees. In 2011, we newly adopted the funeral support service.

#### We open a fun organization culture

We are operating divisional programs for better understanding of our team members. Through this program, employees can speak freely and alleviate stress and conflicts in the workplace. The program received great feedback in the survey conducted to employees.

#### We create a stable employment environment

Mutual trust and shared profits can be pursued only when job security is guaranteed. As the market fluctuates since the financial crises, employees feel pressure about the future, and thus we introduced a consultancy system to contribute to job security of senior employees, trying to alleviate the stress about the future so that they could concentrate on their work.

### CASE STUDY

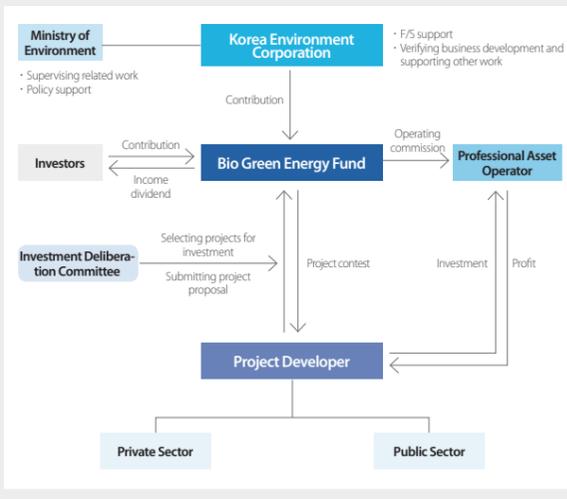
#### Green wave of fund, we introduce Bio Green Energy Fund

There is increasing demand for waste resources and biomass energy projects as part of an effort to reduce greenhouse gases for the prevention of global warming under the UN Climate Change Agreement.

Shinhan Investment Corp. intends to contribute to revitalization of green finance and green growth through investments into new renewable energies and environmental corporations. We are planning to participate in the Bio Green Energy Fund of the Environment Corporation under the Ministry of Environment led by PE department in the Investment Finance Headquarters, in order to take the initiative in developing green products that could be developed as national growth engines.

In addition, we are presenting various financial product ideas in the process of the bio green projects, and are inducing support and interest from various investors in the process of materializing the fund.

Shinhan Investment will grow into an environmentally friendly corporation as a center of revitalizing green finance based on sustainable investment including Bio Green Energy Fund.



### Products & Services

### Safe product sales

#### We minimize risks that may occur to our customers

Shinhan Investment Corp. is implementing 'Risk Review in the Customers' perspectives' in order to minimize the risk factors that may occur due to purchase and investment into financial investment products.

We are trying to minimize the risks that may occur to our customers by expanding the review process which used to examine new products and new projects based on the risks that the company faced to an area in the perspective of customers.

Furthermore, we set product sales guidelines regarding construction industries and savings banks considering the recent depression in the construction and real estate industries and savings bank crises, so that customers can be provided with adequate and stable financial investment products and services.



#### Customer perspective checklist(example)

Classification	Checklist	Checkpoints
Group general questions	Did products, services, and policies etc. clearly select the customer groups that they take into consideration?	Examining whether or not appropriate goal groups were selected according to the complexity and risks of products
		Examining whether or not defining the customers and considering the standpoints of the customers have been omitted in advance
Shinhan Financial Investment questions	Does the launch period of the products and services correspond to the current market situation in terms of securing stable profits for the customers?  Are there sufficient explanations on the core risk matters of the corresponding product such as product proposals provided to the seller?	Examining whether or not the launch period of corresponding products is appropriate in the current market situation
		Examining whether or not there is notification of core risks inside the supplementary documents related to sales besides the documents provided as prerequisite documents such as proposal

### Customers & Society

### Improving legal convenience

#### We make every effort to resolve financial incidents that happen to customers

Every time a large scale economic crisis such as the recent business suspension of insolvent savings banks or 2007 US subprime mortgage loan crisis occurs, 'mental hazard' has been mentioned as the reason.

Every employee in Shinhan Investment Corp. complies with all the legal regulations based on its core asset of Shinhan Group's 'ethical reputation'. We pursue fair and ethical business performance, and in 2011, we established the Compliance & Ethics portal site to provide activities including legal counseling and tax consultation, and investor lawsuits relevant to investment into financial investment products.

We post legal and tax consultation opinions in the Compliance & Ethics portal site on a regular basis, and encourage employees to explain it to the customers in person, in order to prevent any violation of regulations in financial investment products.

When the customer suffers financial loss due to a financial incident which is not the customer's fault, we provide information on the legal procedures. Furthermore, we carry out voice phishing prevention activities and support lawsuits against the person who committed voice phishing.

# Shinhan Life Insurance



“ Shinhan Life Insurance provides advanced insurance services which meet the needs of our customers, to realize the dreams and happiness of our customers and create values beyond insurance. Based on our excellent financial network, we present new insurance products, and make every effort to become the most reliable insurance service company in Korea. ”

CEO of Shinhan Life Insurance Ltd.  
Jeom Ju Kwon

## Company Introduction

Shinhan Life Insurance was established in March 1990 and was incorporated into Shinhan Financial Group in December 2005. It achieved remarkable growth in profits every year, based on profit-oriented management of internal stability since then. We provide various insurance products and services optimized to the customers' needs such as saving type insurances and guarantee type insurances, health insurance and retirement pensions etc. based on the total finance network of Shinhan Financial Group. Related products are sold through various sales channels such as FC channel, AM channel, and Bancassurance channel etc. Shinhan Life insurance is making every effort to develop customer-oriented products and to improve customer satisfaction in order to establish and practice 'BIG SHINHAN 2015' as the mid-to-long term strategies under the vision that it is a new leader in life insurance.

\* FC:Financial Consultant, TCM:Tele-Marketing/Cyber-Marketing, AM:Agency Marketing

## Distribution of Economic Value

(Unit: 100 million won)

Employees	Salary/welfare expenses	930
Shareholders	Dividends	60
Local communities	Investments in social contribution	57.2
Government	Corporate tax expense	727
Cooperating companies	Purchase and services	892
Others	Other general management expenses	1,432

## Major Issues of 2011

Shinhan Life Insurance conducted a materiality assessment to write a report based on areas of concern to various internal and outside interested parties. In 2011, ●Securing job security, ●Work-life balance, ●Obtaining asset soundness, and ●Products that think about customers and the society were identified as major issues, and we are planning to report on how Shinhan Life Insurance is responding to these issues.

### Major issues

Business & Employees	Securing job security	Work-life balance
	Obtaining asset soundness	
Product & Service	Products that think about customers and the society	



## Business & Employees

### Securing job security

#### We create a stable employment environment

Recently, non regular workers have rapidly increased and there is widespread concern for job security in our society. Shinhan Life Insurance intends to fulfill its corporate social responsibilities and roles on job security by converting non regular jobs into regular jobs, and presenting clear career visions to employees and executives, thereby securing a sound and healthy employment system.

We carried out systematic job group conversion and revitalized conversion of contract workers into regular workers, and as a result, achieved a regular conversion rate of 90% during the recent 3 years. In addition, we established a conversion system of contract worker-regular worker(SO) and general worker(office jobs)-professional worker in order to provide equal growth opportunities within the organization, and improved the existing personnel system and expanded the subjects for promotion and conversion scale, to clarify the screening requirements of job promotion.

We devised guidelines such as performance assessment, self-career management plan statement, self-development evaluation, and job capacity evaluation etc. to establish the screening requirements, to create a long term and stable employment environment by providing employees opportunities to develop themselves.

## Work-life balance

### Happiness of families is the happiness of Shinhan Life Insurance

The happiness of families is regarded as the core value of Shinhan Life Insurance as well as an important element in the lives of our employees. Shinhan Life Insurance helps our employees strike a balance between work and life so that each of them can exert their best capabilities through a sound working life. We intend to achieve the vision of Shinhan life where the dreams and happiness of our customers can grow together with the company and employees.

Shinhan Life Insurance provides health management programs such as counseling, non-smoking programs to realize a balance between work and life, and is planning to adopt the Big Dream Card which will provide vacation expenses from 2012. We will try to improve the quality of lives, not only the employees and executives but also of their families by operating an employee satisfaction program where their families can also participate.

### CASE STUDY

#### Preschooler camp event for the month of family "Going on a picnic to mom and dad's workplace"

The workplace visiting program provided for preschoolers "going on a picnic to mom and dad's workplace" was developed to provide opportunities for children to visit the workplaces of their moms and dads and create a consensus on their parents' jobs. We provided various physical activities in the eye-level of our children and parent lecture programs, to present the best month of family to our employees.

### Obtaining asset soundness

#### A strong asset soundness protects our customers

An insurance product has a long term contractual characteristic of providing the agreed amount based on the previously paid insurance premium to customers when an accident occurs. Therefore, asset management which has its basis on a stable portfolio and asset soundness is an important element in increasing customer reliance and achieving sustainable growth.

Shinhan Life Insurance is making every effort to prevent decrease of profit rates caused by insolvency of investment assets by implementing risk management on insolvent investment assets in order to provide stable insurance services to customers.

We established a balanced risk management system which has its basis on profitability and soundness in order to sense the insolvency at an early stage, and are conducting risk reviews and various monitoring, so that in case of something happens in the indexes, the risk management system could analyze the effects of the risks and come up with countermeasures.

When promoting new projects such as changing major policies or developing new products, we review the risk factors in a preliminary manner, and prevent reckless promotion of businesses for which determining the risk is not easy, and when screening credit cases, we carry out financial and non financial analyses to minimize the possibility of insolvency.

Through such efforts, Shinhan Life's asset soundness indexes maintain the best level in the industry. We will secure asset soundness, and preemptively respond to insolvency of investment assets that may occur in the future, and try to become a sound financial insurance company.



#### Asset soundness overview (as of Dec., 2011)

Classification	Ratio of risk weighted assets	Ratio of insolvent assets	Bad debt allowance accumulation rate
Ratio	31.0%	0.14%	279%
Management situation evaluation	1 <sup>st</sup> grade	1 <sup>st</sup> grade	1 <sup>st</sup> grade

### CASE STUDY

#### We invest in public interests

Shinhan Life Insurance hopes to grow together with the society through proactive social investment utilizing the characteristics of financial business. We make investments for various social purposes such as SRI fund which invests in corporations which fulfill corporate social responsibilities, SOC investment fund which invests in social infrastructure facilities such as roads, ports and railways, and BTL investment fund which invests in private-invested public facilities. We made social investments in a positive manner based on strict evaluation standards, our investment accounting for 5.5% of total investment and fund. The investment amount is continuously increasing.

In 2011, we invested a total of 104.5 billion won in SRI, an increase of 12.6 billion won from the previous amount. We are promoting the SOC investment through the investment in Eulsukdo Bridge, The Second Seohaean Expressway, Seoul Metro Line 9 and Seoul Outer Beltway. Our investment for society is being extended to investments in other areas as well including renewable energy which is recently emerging.

#### Social investment overview (Unit: 100 million won)

Classification	2009	2010	2011
SRI Fund	666	919	1,045
BTL Investment	1,309	2,045	2,678
SOC Investment	1,146	957	4,224

### Products & Services

#### Products which think about customers and the society

##### We become closer to customers through compassionate insurance

We are trying to help customers in need and growth together with the society based on the definition of 'compassionate insurance' which combines the meaning of insurance with SFG's compassionate insurance which pursues helping out customers in difficulties and creating compassionate ties with them through the major business of finance.

As part of such effort, we expanded financial support for the working class and are practicing compassionate insurance. We intend to deliver the true meaning of insurance in that we create safety devices for the happiness of each and every individual beyond merely selling insurance products.

##### Compassionate insurance products and related activities

Support for the socially weak	We provide discount benefits to low income customers, disabled, multi-children and multi-culture families etc., and promote preferential interest rates for saving type insurances.
Supporting social righteous persons' social insurance products	We select social righteous people among police officers and firemen who had been restricted from getting insurances, and recommend insurance products to them.
Supporting customers in difficulties	For customers who lost their jobs, temporarily or permanently closed their businesses against their will, we let extend their loan contracts for 1 year without having to repay the principle, minimizing their interest burden.
Connecting insurances with donation	We try to create a social donation culture by connecting insurance products with donation. We accumulate certain amount from cancer insurance profits and send it to cancer groups, and certain amount from dementia & funeral insurance profits to groups for home alone senior citizens.
Supporting future generations	We are providing Children Insurance Matching Grant** project for providing support for treating incurable diseases such as childhood cancer etc., by accumulating 1% of sales profits from Shinhan Child Love Insurance, and we are also providing education for children safety prevention by accumulating 1,000 won per sales case of children insurance. *Matching Grant: A system where the corporation pays the same amount of subsidy as the amount paid by its employees

#### Financial products having social values (Unit: cases / 100 million won)

Product	2009	2010	2011	Total
Shinhan Child love Insurance	175,176	291,626	320,695	787,497
1% of the initial insurance amount is donated to children related groups	67	132	167	366
Shinhan Hope and Love Insurance	350	318	473	1,141
provides insurance services to low income families difficult to buy insurances	4	3	4	11

#### Discounts for multi-children/disabled/low income class insurances (Unit: cases / thousand won)

Classification	2009	2010	2011	Aggregated amount
Discounts for families with multi-children	Number of cases	829	38,139	85,206
	Discount amount	1,135	13,439	29,271
Discount for families with the disabled	Number of cases	1,245	2,047	2,700
	Discount amount	3,875	7,184	9,953
Discounts for low income class	Number of cases	-	-	51
	Discount amount	-	-	142
Total	Number of cases	2,074	40,186	87,957
	Discount amount	5,010	20,623	39,366

※ Multi-children discount implemented in Apr. 2007/ Disabled discount implemented in Nov. 2007/ Low income class discount implemented in May. 2011

### CASE STUDY

#### Reliable insurance that become a fence for customers

At around 1995, Mun Suk Jeong FC's husband who was operating a small motor reduction gear factory was financially well off. He didn't feel the need to have an insurance. However, when he saw his elder brother suffer brain hemorrhage, we changed his mind and took out a Shinhan Life Insurance. And after 10 years, he was diagnosed with 1st stage in Lung Cancer.

"It was really hard. I was in a panic, and I was really worried about my family if something would happen to me. I was in such a pain and despair, and so the insurance of Shinhan Life Insurance was a great help to me. It was a stream of light to me at that time. FCs of Shinhan Life were very helpful and told me not to worry about the treatment expenses and to concentrate on the treatment. Thanks to them, I got healthy again and now I'm living a new life."

Today, Mun Suk Jeong FC's husband is healthy again and is living happily with his family, and his wife Mun Suk Jeong became an FC and is busy spreading the joy of life to people.



Mun Suk Jeong FC and her husband

# Shinhan BNP Paribas Asset Management



“ Shinhan BNP Paribas Asset Management which is at a new starting point maximizes customers' asset value based on various investment solutions and expertise. We intend to become a long-term partner which can be relied upon by customers based on differentiated and stable operation in line with customers' objectives beyond mere external growth. ”

CEO of Shinhan BNP Paribas Asset Management  
Bang Gil Choi

## Company Introduction

The asset management businesses of Shinhan Financial Group is under taken by Shinhan BNP Asset Management. Through the successful merger of Shinhan BNP Paribas Asset Management and SH Asset Management in January 2009, Shinhan BNP Asset Management was newly launched. Shinhan BNP Paribas Asset Management is growing as a leader of the asset management market based on the international asset management knowhow of BNP Paribas and the strong sales network of Shinhan Financial Group. Shinhan Financial Group which is the domestic leader in finance has 65% of the equity, while the world renowned financial group, BNP Paribas Group has 35% of the equity of Shinhan BNP Paribas Asset Management. The asset volume currently under management is more than 32 trillion won. Shinhan BNP Paribas Asset Management is the third largest company among the 83 asset management companies doing business in the Korean market.

## Major Issues of 2011

Shinhan BNP Paribas Asset Management conducted a materiality assessment to write a report based on areas of concern to various internal and outside interested parties. In 2011, ●Stable profit creation, and ●Providing financial information were identified as major issues, and we are planning to report on how Shinhan BNP Paribas Asset Management is responding to these issues.

### Major issues

Business & Employees	Stable profit creation
Product & Service	Providing financial information

## Distribution of Economic Value

(Unit: 100 million won)

Employees	Salary/welfare expenses	231
Shareholders	Dividends	357
Local communities	Investments in social contribution	20.2
Government	Corporate tax expense	119
Cooperating companies	Purchase and services	5.9
Others	Other general management expenses	147



## Business & Employees

### Stable profit creation

#### We create stable profit from a long-term perspective

Shinhan BNP Paribas Asset Management is trying its best to achieve reasonable operating performance by putting in practice sound management philosophy and investment principles. We are practicing asset management from a mid- to long-term perspective in consideration of various risk elements in order to maintain stable profit rates, and are focusing on in-depth analysis of individual corporations without being obsessed with short-term performance caused by market changes. Such management philosophy is realized through a reasonable and systematic asset management process, and a competent research team conducts in-depth research and analyses utilizing corporate analysis and value evaluation models, and fund managers establish the best management strategies. These two elements are combined organically for the decision making of investors, and continuity and unity of management is obtained at the company level, to achieve continuous profit from a mid- to long-term perspective.

## Products & Services

### Providing financial information

#### We provide financial information framed from a customer perspective

In order to provide financial information suitable to customers' convenience and to increase accessibility of financial information, we are producing and issuing various materials by content. On a regular basis, we issue briefings on a daily, weekly, and monthly basis, and provide information on domestic and overseas situations, stocks and bonds, and funds etc. In addition, we prepare asset management reports that can be read easily by customers and include information on funds and investment columns etc., to help customers' understanding of the situation of the market and asset management. Besides this, we provide in-depth analysis reports on a regular basis under different themes, meeting demand for diverse and in-depth financial information.

In addition, in order to help customers who are new to finance understand it, we provide fund school services and tests on customer investment patterns. We are planning to provide additional research reports and contents on market situations that are easy for customers to read, when we update the homepage of Shinhan BNP Paribas Asset Management.

## CASE STUDY

### We nurture talents who have future intelligence and sentiment

Shinhan BNP Paribas Asset Management hold youth arts economy camps every summer and winter vacation. We are providing opportunities to develop young people's sensibility through art and culture, so that they can become talents having both intelligence and sentiment.

"The 3 nights and 4 days of worry and expectation has passed. It felt as if I was in the event as well due to real time text messages and video clips. Just looking at the images and photos was such fun so when I imagine what fun it must have been for the children who attended the camps, I really feel grateful for all the staff who worked hard for a successful event and the mentors who had to take good care of the children. I hope the children will all return safely with precious memories. I also hope that our second child could also have this opportunity as well."



「From the parent bulletin board」

Shinhan BNP Mother Love Children Arts Economy Camp

# Shinhan Capital



“ Shinhan Capital provides competitive credit financial services based on its excellent financial soundness. We will develop financial products which meet the financial needs of our customers so as to become the best finance partner that our customers can rely upon and stay together for a long time. Furthermore, we will take the initiative in social responsibility management by practicing sustainable ethical management. ”

CEO of Shinhan Capital  
Young Sup Hwang

## Company Introduction

Shinhan Capital provides stable lease products mainly consisting of facilities with high generality such as ships, printers, automobiles, and medical devices. We also steadily promote developing new areas such as monthly installment finance for automobiles and machine facilities, real estate project finance, corporate restructuring business, venture investment, factoring, etc.

We made various business ties with other subsidiaries, expanding customer contact points and providing competitive interest rate conditions and customized financial services, thereby growing into a comprehensive credit financial company which promotes corporate finance most proactively.

## Distribution of Economic Value

(Unit: 100 million won)

Employees	Salary/welfare expenses	138
Shareholders	Dividends	50
Local communities	Investments in social contribution	12.3
Government	Corporate tax expense	147
Cooperating companies	Purchase and services	19
Others	Other general management expenses	53

## Major Issues of 2011

Shinhan Capital conducted a materiality assessment to write a report based on areas of concern to various internal and outside interested parties. In 2011, ●Securing job security, ●Work-life balance, ●Revitalizing SMEs, ●Preventing financial incidents, and ●Customer information protection were identified as major issues, and we are planning to report on how Shinhan Capital is responding to these issues.

### Major issues

Business & Employees	Securing job security	Work-life balance
Product & Service	Revitalizing SMEs	
Customer & Society	Preventing financial incidents	
	Customer information protection	



## Business & Employees

### Securing job security

#### We take the initiative in job creation and job security

Shinhan Capital guarantees 3 labor rights(right to organize, negotiate, and collective action) for job security.

We established internal policies to prevent giving disadvantages in personnel affairs in conducting collective actions such as joining the labor union.

Furthermore, we operated a labor-management dialogue channel such as the labor-management association, and the consultative body consisting of representatives of each job position, and achieved wage increase in 2011.

Furthermore, we are taking the initiative in job creation by recruiting new employees every year despite the difficult management conditions since the global financial crises.

We maintain a new recruitment ratio above 5% of the total number of employees every year, contributing to job creation which is a big issue socially.

### Work-life balance

#### We create a proud workplace for employees

Shinhan Capital conducts surveys on all our employees to create a proud working place for our employees. The result of the survey is incorporated in the results of the final discussion at the TFT, and are reflected in the business environment improvement tasks to enhance employee satisfaction.

Furthermore, we improved the welfare systems to provide a maternity leave system to encourage childbirth, and encouraged employees to have annual paid vacations and health examinations, so that our employees can strike a balance between work and life.

#### Overview of new recruits

(Unit: person)

Year	2009	2010	2011
New recruits	10	18	8
Total number of employees	114	126	142
Ratio of new recruits to the total number of employees	8.8%	14.3%	5.6%

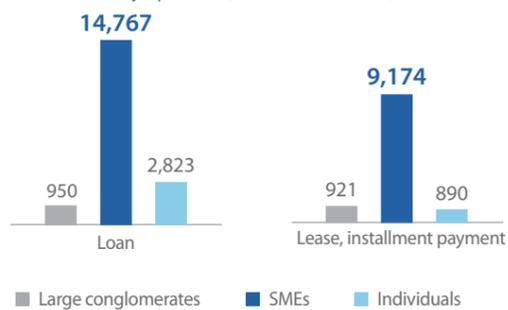
Products & Services

Revitalizing SMEs

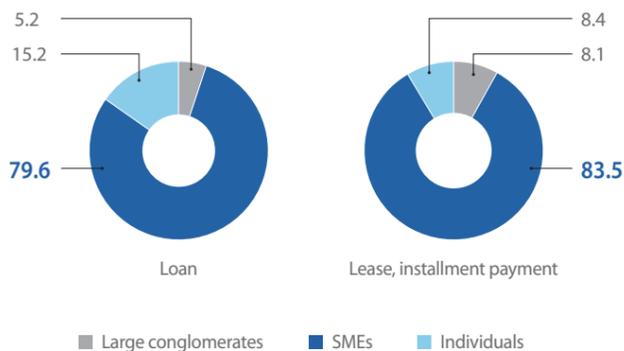
We provide financial services to revitalize small and medium sized companies

We provide financial services to revitalize small and medium sized companies. Shinhan Capital is contributing to turning around SMEs through various financial services specialized in the SME sector. We are increasing the ratio of credit to SMEs thinking their perspective and helping them overcome difficulties such as financial problems etc., and as a result the ratio of SME customers in total increased to 79.6% and lease & installment increased to 83.5% in 2011. Furthermore, we are supporting SMEs effectively by using finance specialized in the credit industry. We are contributing to resolving the financial difficulties of SMEs by investing in and providing consultation to venture capital, and new technology operators based on new technology finance, and are supporting efficient operation of funds through long term procurement of funding for facilities such as industrial machinery and equipment lease, thereby alleviating the burden of initial facility funds.

Sales revenue of the major products(as of the end of 2011) (Unit: 100 million won)



Customer distribution overview of major products(as of end of 2011) (Unit: %)



CASE STUDY

We develop financial products customized to SMEs

Lease(Facility rent)

We enable SMEs to newly acquire or rent certain items in various areas such as heavy equipment and medical devices designated by the presidential decree Lease(facility rent) system through the lease(facility rent) system. Customers may make installment payments for the lease for the lease period and utilize the necessary facilities when needed. Furthermore, we have the concerned parties determine matters such as disposal of facilities after the lease period in the contracts.

Ship finance

We have been serving marine operators through ship finance where the expertise and knowledge of the marine industry are necessary and the volume is large. We provide ship finance through ship lease, ship purchase and shipbuilding fund loans through international networks.



Customers & Society

Preventing financial incidents

We create a transparent financial transaction culture.

Shinhan Capital has legal and practical measures in place to prevent the risk of money laundering by 3rd parties through our company. That is because the operation of all loan products except for household funds is based on actual transactions of credit products, thereby preventing the risk of money laundering at source. Shinhan Capital establishes counter money laundering policies and systems to monitor money laundering risks. We established an independent internal report system and monitor suspicious transactions. We conduct money laundering prevention education sessions once a year to raise employees' awareness on prevention of money laundering, and we try to provide safe financial products and services.

Customer information protection

We strictly manage customers' credit information

Shinhan Capital protects customers' credit information to prevent any exposure of customer information. Employees who do not belong to sales departments do not have access to customers' information, and we provide information protection education to all employees to increase the effectiveness of customers' credit information protection policies. Furthermore, we made it mandatory for all emails to be verified

by a supervisor or 3rd person, in order to prevent any leakage of information online. We will continue to do our best to protect customers' credit information through strict management.

Overview of education on credit information protection (Unit: hour / persons)

	2009		2010		2011	
	Hrs of education	Number of listeners	Hrs of education	Number of listeners	Hrs of education	Number of listeners
Education on money laundering and compliance supervision	1	117	1	120	1	132
Education on private information protection	3	117	3	120	3	132

CASE STUDY

We will become SMEs' growth partner

New Technology Finance(Venture Investment)

We invest funds(acquisition of shares, corporate bonds etc.) in corporations with high growth potential to provide operation funds, facility investments, and also, management consulting, and IPO etc., to become the growth partner in venture investment success.

Mezzanine investment

We support SMEs' self-motivation through acquisitions of convertible bonds (CB), bonds with warrants(BW), and exchangeable bonds(EB), which are half share and half bond products.



# Jeju Bank



CEO of Jeju Bank  
Chang Ki Heo

“ Jeju Bank set the goal of a becoming a Local Top Bank and focused on customer value creation, sound internal management, and preemptive risk management etc. in order to develop as a small but strong bank. As a result, we are achieving qualitative growth despite difficult economic conditions. Jeju Bank will not be afraid of new challenges and will prepare for the changes and the future. ”

## Company Introduction

Jeju Bank was established in 1969 by local businessmen with the support from the government with the purpose to provide finance convenience to local citizens and to revitalize local economies. For 43 years since then, Jeju Bank achieved steady growth while contributing to the development of the local economy of Jeju. Although we had difficult times of foreign exchange crises etc., we are facing a new age for another leap as we were incorporated into Shinhan Financial Group in 2002. We consolidated our position in the local market by combining the retail business which is based on close local information with the risk management system and customer management methods of Shinhan Financial Group, to become the Local Top Bank. We have the largest local sales network consisting of 36 sales offices and 98 365 corners, based on which we take to role of a local bank which communicates with the customers and supports the foundation of local economy.

## Major Issues of 2011

Jeju Bank conducted a materiality assessment to write a report based on areas of concern to various internal and outside interested parties. In 2011, ●Indigenous management, and ●Promotion of the local commercial districts were identified as major issues, and we are planning to report on how Jeju Bank is responding to these issues.

### Major issues

Business & Employees	Indigenous management
Customer & Society	Promotion of the local commercial districts

## Distribution of Economic Value

(Unit: 100 million won)

Employees	Salary/welfare expenses	350
Shareholders	Dividends	-
Local communities	Investments in social contribution	18.1
Government	Corporate tax expense	74
Cooperating companies	Purchase and services	53
Others	Other general management expenses	129



## Business & Employees

### Indigenous management

#### It is a family-like bank that is helpful for Jeju

Jeju Bank which was established with the purpose of revitalizing the neglected local financial industry, has been implementing site-oriented business activities based on compassion and understanding of the local community for the last 43 years. We have been performing the role of an intimate financial partner to local corporations, and tried to become a 'family-like bank' of the local community which performs the public role of returning the profits created in the region back to the region. Furthermore, Jeju Bank is a reliable finance partner which understands local characteristics and situations the best based on information on the area accumulated through a long period of monitoring and a dense branch network.

The ratio of loans to local SMEs to total loans was 70.1%(as of Dec.2011) exceeding that of nationwide commercial banks, 40%, and that of other local banks, 60%. In addition, considering that the total population of Jeju Island is only 583 thousand, the fact that 363 thousand customers use Jeju Bank shows that it is the flagship bank of Jeju Island. We intend to develop products and services that meet the needs of local customers on a timely basis, and provide them flexibly, and become a bank which can be of great help to Jeju citizens.

## CASE STUDY

### We are always with clean Jeju

Jeju's Shinyangli beach has become a tourism site which tourists must visit in Jeju, but since several years ago, every year an enormous amount of green laver has come ashore, damaging the appearance of Shinyangli beach and producing bad smells and creating an unpleasant impression for tourists.

Thus, Jeju Bank Voluntary Service Group has been removing green laver in the sands and stones on the beach along with the Red Cross Volunteer Group since 2009 as part of an effort of 'Jeju Bank Purmi Movement', and the collected green laver is used on farms as fertilizer.

The volume of collected green laver was large enough to fill 130 bulk burlap bags weighing 60 tons, but our employees worked very hard in the removing green laver for our home, clean Jeju.

\*Jeju Bank Purmi Movement: Jeju Bank's sustainable environment purification activity to make a cleaner Jeju.



Green laver removing operation(Jeju Purmi Movement)

## Customers & Society

### Promotion of the local commercial districts

#### Jeju Love Gift Certificate revives the local commercial district

Since September 2006, we have been supporting the issuance and sales of Jeju Love Gift Certificates in connection with Jeju Self-Governing Province, based on the belief that the development of all local citizens and businessmen is the development of Jeju Bank.

Jeju Love Gift certificate, which employees of Jeju Bank also purchase, is now the region's representative gift certificate and cornerstone of the local economy, and in 2011, a total of 13.7 billion worth of certificates were sold thanks to the proactive support and participation by the citizens of Jeju.

Jeju Bank is in charge of all processes related to the sales and delivery of the Jeju Love Gift Certificates, and is proactively participating in revitalizing the use of the certificates by adopting automatic certificate vending machines so that payment can be made quickly to merchants of traditional markets and to increase the efficiency of the certificate process.

# Sustainable Governance

- ShinhanWAY
- Stakeholder communication
- Governance structure
- Ethical management
- Risk management



## ShinhanWAY

ShinhanWAY is a group-wide value system which makes all members of Shinhan think and behave as 'One Shinhan' with confidence and passion. It consists of three elements: management principle(WAY of management), core values(WAY of thinking), and behavioral standards(WAY of behavior).

### Logo and elements of ShinhanWAY



### Five major core values of ShinhanWAY

Five major core values	Introduction of values
Customer-oriented	In order to grow together with customers, we think and behave in a customer-oriented way based on honesty and trust, and fulfill social responsibilities to all members of the society and not just to customers.
Mutual respect	We pursue joint development by respecting others' positions among groups, departments, and individuals, while maximizing the cohesiveness of the organization.
Leading change	We make attempts for creative approaches rather than remaining complacent in practice to secure differentiated competitiveness which can lead the future market.
Pursuing the best	We set challenging goals always to become the best, and obtain the expertise to accomplish those goals, and promptly executes them.
Sense of ownership	We take the initiative in promoting business based on a strong sense of responsibility and belief that the development of the organization is the development of myself.

### Way towards customers

Since 2011, we have been strengthening the practical capabilities of ShinhanWAY and providing various activities to establish it as the organizational culture of Shinhan. We make ShinhanWAY awards at a group level, to proactively encourage practicing ShinhanWAY by awarding employees who shows great performance in practicing it and by spreading the best cases. In addition, we reformed Waf, a sensitivity communication site, so that employees can communicate and reach a consensus.

ShinhanWAY of 'Way to customers' will continue to become a firm basis in the leap to becoming a World Class Financial Group which is the vision of the group.

### ShinhanWAY award

ShinhanWAY award was created in 2011 to encourage practicing ShinhanWAY in appreciation of the efforts by employees who contributed to the development of the group. ShinhanWAY award will become a great driving force to spread widely the best cases of the award winners and to pass on and develop the success DNA of Shinhan Financial Group.

### Major ShinhanWAY plans for 2012

Along with a sustainable and systematic promotion of ShinhanWAY, we are planning to spread understanding and consensus on 'compassionate finance' and heighten our practice will so that 'compassionate finance' which was announced in September 2011 can become deeply rooted as part of Shinhan culture and become absorbed into the work, and working methods of all employees.

Major plans	Detailed introduction
Spread and expand 'compassionate finance'	<ul style="list-style-type: none"> <li>Increasing understanding and practice will Utilizing various internal channels(newsletter,Waf, GoldWing etc.) and joint training</li> <li>Settling as the framework of Shinhan culture through group-wide practice</li> </ul>
ShinhanWAY training upgrade	<ul style="list-style-type: none"> <li>Strengthening training to heads of departments (6 companies under SFG and Shinhan Capital)</li> <li>Improving the group's joint training program for new employees and establishing identity</li> <li>Expanded implementation of change promotion organization joint training and allied activities</li> <li>Implementing joint culture training to all employees (6 companies under SFG and Shinhan Capital)</li> </ul>
Forming sense of unity of the group by strengthening internal communication	<ul style="list-style-type: none"> <li>Upgrading sensitivity exchange program among group subsidiaries(Group journalists group, Cyber mentoring, group union club, group CoP)</li> <li>Revitalization of Waf site(Strengthening PR and implementing various employee participating program)</li> </ul>

# Stakeholder Communication

Shinhan Financial Group includes a stakeholder interest area in the report. The result of the survey on stakeholder interests shows various risks and opportunities related to SFG's sustainability, and increases understanding of stakeholders through detailed guidelines.



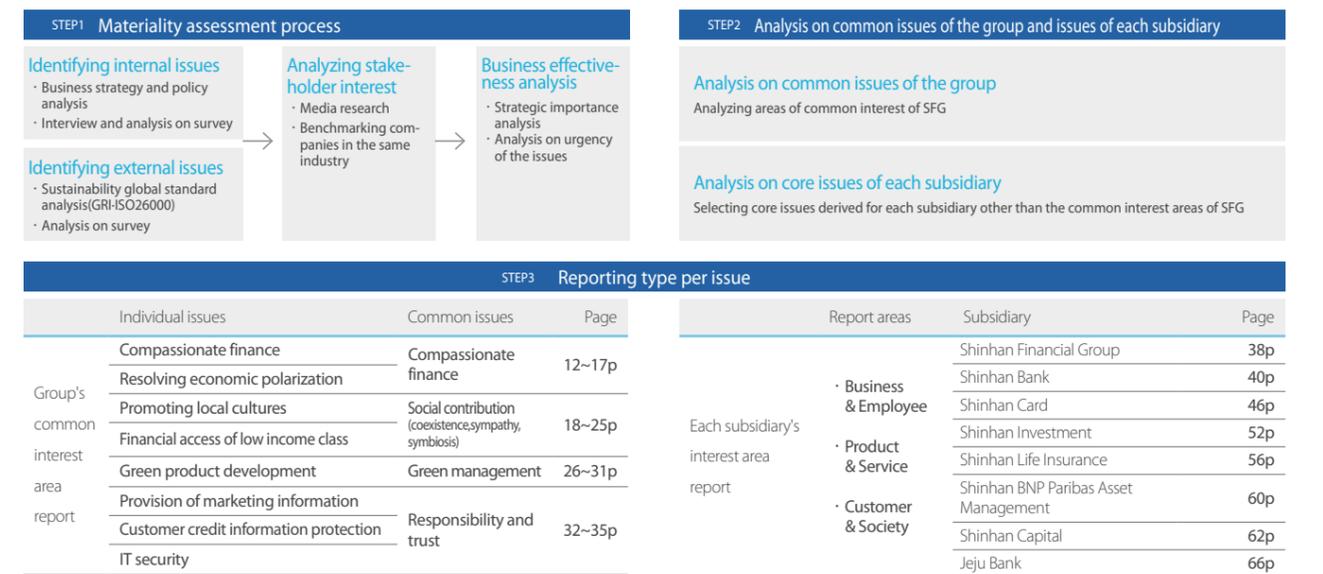
## Social responsibility management that we create together

Shinhan Financial Group is making efforts to listen to the voices of stakeholders and reflect those voices in the process of promoting management activities. We established a stakeholder participation system last 2009 centered around various stakeholders such as shareholders, customers and local communities, and based on this system, we developed communication methods such as stakeholder surveys and telephone interviews etc.

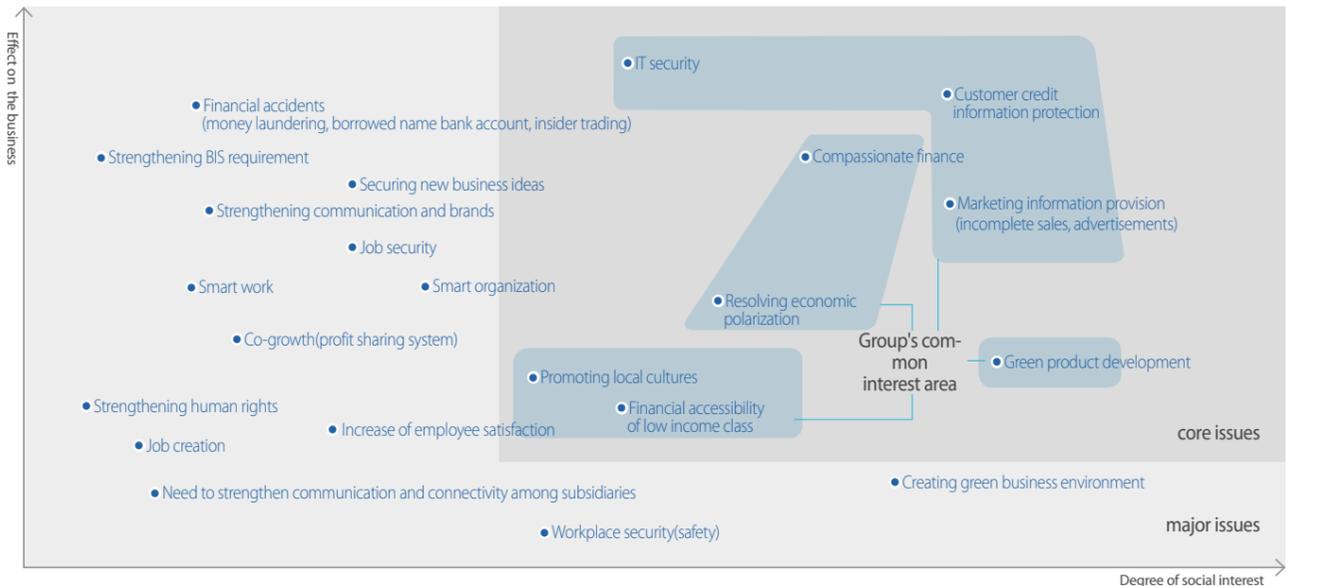
Stakeholders	Communication channels	Communication methods
Employees	<ul style="list-style-type: none"> <li>Employee survey</li> <li>Employee session</li> <li>Shinhan In(company newsletter)</li> <li>Labor management council</li> </ul>	We confirm the reputation and values of SFG among employees. We monitor employee satisfaction and expectations. We measure changes of employees' awareness of external effects. We evaluate employee's awareness of internal sustainability.
Customers	<ul style="list-style-type: none"> <li>Customer satisfaction center</li> <li>Customer satisfaction survey</li> <li>Homepage</li> <li>Customer evaluation group</li> </ul>	We evaluate customer awareness and expectations of products and services. We evaluate brand recognition of SFG. We confirm SFG's reputation and core values among customers. We create opportunities for dialogue based on the understanding of customers.
Shareholders and investors	<ul style="list-style-type: none"> <li>General meeting of shareholders</li> <li>Investment explanatory session</li> <li>Business report</li> </ul>	We participate in strategic decision making processes. We participate in collecting opinions in the process of developing projects and markets.
Local communities	<ul style="list-style-type: none"> <li>Local community contribution activities</li> <li>Local community session</li> <li>Social contribution satisfactio survey</li> <li>Sports sponsorship</li> </ul>	We confirm SFG's reputation and its core values in local communities. We evaluate SFG's sustainability and promote improvement of awareness related thereto.
Government, academia	<ul style="list-style-type: none"> <li>Press release</li> <li>Academic support activities</li> </ul>	We carry out social verification of business activities. We compare and evaluate SFG's sustainability in the perspective of outside experts. We derive potential risk elements and future priorities related to SFG's activities. We share awareness among citizen groups and media representatives through online communication methods.
Cooperating companies	<ul style="list-style-type: none"> <li>Regular session</li> <li>Cooperating company workshop</li> <li>Social responsibility support</li> </ul>	We evaluate practical values at the cooperating company level in partnered growth and cooperating relationships. We evaluate influence in the cooperating relationships with the subsidiaries. We evaluate the reputation of SFG and its core values among cooperating companies. We create opportunities for dialogue based on the understanding of mutual cooperation of cooperating companies and SFG.

## Stakeholder interest analysis process

Shinhan Financial Group conducted an assessment 'Process for Analyzing Degree of Interest of Stakeholders' to understand and report on actual of areas of stakeholders' interest from the perspective of sustainable management. We conducted an analysis on the degree of social interest through surveys and interviews with major stakeholders in order to collect their diverse opinions, and determined the order of priority of reported themes through analyses on business effectiveness where strategic importance and urgency of issues are taken into account. Then, we selected themes that SFG is interested in and divided them into groups, and then selected core issues for each subsidiary other than common themes at the group level, and reported them separately, thereby disclosing specialized values of each subsidiary and the groups' core values in a balanced manner.



## Results of analysis on stakeholders' degree of interest



# Governance Structure

## Structure of the board of directors

The board of directors consists of 10 outside directors, including the CEO and one non-executive director, who have extensive relevant knowledge and experience in finance, the economy, management, law, and accounting. The chairman of the BOD is to be appointed from among the outside directors so that the BOD can have an independent and transparent governance structure, and decision making on managing company may proceed from an objective and reasonable point of view.

## Operation of the board of directors

SFG's board of directors approves management strategies and goals of the holding company and subsidiaries, supervises implementation of the approved strategies and goals, and has environment and system for risk management suitable for the management strategies of the company.

## BOD operational regulations

BOD is convened by the chairman of the BOD as either regular or ad-hoc BOD meetings, and a regular meeting is held once a quarter, while an ad-hoc meeting is convened whenever deemed necessary by the chairman. Voting in the BOD requires the meeting be quorate with the attendance of a majority of directors and is by simple majority of those attending directors. It is permissible for the directors to take part in voting through communications media that allows the simultaneous transmitting and receiving of sound. Those who have special interests in an issue do not have voting rights.

## Performance of the board of directors

In 2011, the BOD held a total of four regular meetings and eight ad-hoc meetings to vote on key management issues, to discuss key management issues, and to receive reports on major issues.

Overview of the board of directors			
Classification	2009	2010	2011
Number of BOD operations	8	8	12
Number of issues discussed	57	58	76
Deliberation & voting	34	32	35
Reports	23	26	41
Participation rate of executive directors	100	100	100
Participation rate of outside directors	88.5	96.8	92.6

(Unit: cases / %)

## Compensation system

The compensation for outside directors is within the limit approved by the general shareholders' meeting. The total amount of compensation is calculated based on the number of BOD meetings held in the previous year, and can be changed when there has been a change in the number of BOD meetings. Compensation for the management consists of basic salaries and long term and short term incentives, and the basic salary is determined by the compensation committee consisting of outside directors only. Incentives are calculated according to additional standards determined by the compensation committee. Short-term incentives are associated with the management performance of the company, and long-term incentives are granted in units of three years, and payment is determined based on the management performance during the past four years.

## Overview of the board of directors

Classification	Name	Profile
Internal directors	Dong Woo Han	Vice president of Shinhan Bank, president and vice chairman of Shinhan Life Insurance, CEO of Shinhan Financial Group(present)
Other Non-standing director	Jin Won Seo	Vice president of Shinhan Bank, vice president of Shinhan Financial Group, president of Shinhan Life Insurance, CEO of Shinhan Bank(present)
	Hoon Namgoong(Chairman of BOD)	Chairman of Life Insurance Association, president of Korea Deposit Insurance Corporation
	Tae Eun Kwon	CEO of Nambu Ham Professor at Nagoya University of Foreign Studies(present)
	Kee Young Kim	President of Yonsei University, president of Gwangwoon university(present)
Outside directors	Seok Won Kim	Head of Korea OECD-multilateral Tax Center, chairman of credit Information Association(present)
	Jae Keun Yu	Non-executive director of Shinhan Bank, chairman of Samgyeong
	Ke Sop Yoon	Dean of College of Business Administration, Seoul University Honorary professor of Seoul University(present)
	Sang Kyeong Lee	Judge at Korea's Constitutional Court General attorney at Wonjun Law Firm(present)
	Jung Il Lee	Executive at Kanagawa Korean Chamber of Commerce, CEO of Pyeongcheon Corp(present)
	Hirakawa Haruki	CEO of International Development, CEO of Pyeongcheon Corp(present)
	Phillipe Aguiñer	Head of BNP Paribas China, Retail Banking Head of BNP Paribas Asia Retail division(present)

## Committees under the BOD

Currently, the BOD operates seven 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.

### Board Steering Committee

The Board Steering Committee consists of four directors who deliberate on its efficient steering of the board, and recommend members of the committee. It determines 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

The Risk Management Committee consists of three directors and formulates basic risk management guidelines in line with management strategies, and also determines appropriate risk tolerance limits for the Group and its subsidiaries, including the limits of capital investments or losses taken.

### Compensation Committee

The Compensation Committee consists of four directors and is responsible for approving evaluation and compensation programs for the top managements of the entire group, as well as setting compensation levels.

## Audit Committee

The Audit Committee consists of four directors including an accounting expert and maintains objectivity and independence from the BOD and the management, and audits the performance of the directors by overseeing the Group's accounting and deliberating on other matters.

## Outside Director Recommendation Committee

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

## Audit Committee Member Recommendation Committee

The Audit Committee Member Recommendation Committee consists of all outside directors and deliberates and makes all relevant decision on recommending candidates for the Audit Committee.

## Governance Structure and Chairman Recommendation Committee

Governance Structure and Chairman Recommendation Committee consists of six directors and deliberates on matters related to the company's governance structure, establishes and reviews management succession plans, and evaluates CEO candidate pool and recommends CEO candidates.

## Committees under the BOD

Classification	Governance Structure and Chairman Recommendation Committee	Board Steering Committee	Risk Management Committee	Compensation Committee
Internal	Dong Woo Han	Dong Woo Han		
Members	Tae Eun Kwon, Kee Young Kim, Hoon Namgoong, Jae Geun Yoo, Philippe Aguiñer	Hoon Namgoong, Ke Sop Yoon, Jung Il Lee	Kee Young Kim, Hoon Namgoong, Philippe Aguiñer	Kee Young Kim, Seok Won Kim, Sang Kyeong Lee, Hirakawa Haruki
Classification	Audit Committee	Outside Director Recommendation Committee	Audit Committee Member Recommendation Committee	
Internal	-	※ Formed when outside directors are recommended at the beginning of each year, and operated provisionally until the general shareholders' meeting in March	※ Formed when auditors are recommended in the beginning of each year, and operated provisionally until the general shareholders' meeting in March, and consists of all outside directors	
Members	Tae Eun Kwon, Seok Won Kim, Sang Kyeong Lee, Ke Sup Yoon			

# Ethical Management

## Ethical transparency

Shinhan Financial Group puts great importance on its ethical reputation as its core asset, and to this end, has all its employees regard ethical values as standards for desirable decision making and take part in activities to raise awareness in their importance.

## 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.

## Enactment and implementation of ethical codes

In order to achieve a unified enhancement of ethical awareness of employees, we operate a 'Group Ethical Management CoP', which officers in charge of ethical management in each subsidiary attend, and in June 2011, we enacted and started to operate the 'Shinhan Finance Group Ethical Code'. Each subsidiary, as a good corporate citizen, has enacted ethical regulations in line with its business characteristics for prevention of bribery and corruption, and information protection, and with the ethical values and virtues that each employee should abide by.

## Ethical management programs

Our group encourages all employees to sign the 'ethical practice pledge' each year covering core matters that employees must comply with extracted from the detailed contents of ethical regulations. Through this pledge, we provide the opportunity for group employees to reconfirm their will to practice ethical practice.

We operate the 'finance transaction report system' to prevent disputes related to interests of transaction companies and have adopted a self-compliance program for fair transactions to prevent unfair competition. Since 2011, Shinhan Bank has been providing education to 107 employees in departments with a high risks of unfair trading every half year.

In addition, we enacted 'insider trading control guidelines' and a manual to prevent unfair trading(funds, assets, personal trading by employees etc.), and we have each subsidiary review the adequacy of insider trading and report on it every quarter, improving transparency and fairness of group administration.

## Ethical management education

Shinhan Financial Group strengthens ethical standards and legal compliance related to management activities of the group through sustainable ethical education and training programs and establishes a basis for employees' practice. To this end, we demand our employees attend trainings, cyber training, and management strategy meetings at least once a year. The following are major examples of education provided by the group.

**Shinhan Bank** has designated every 3rd week as 'Compliance Surveillance Education Week(ABC week)', and provides timely ethical and compliance education through the 'Compliance Letter' which contains baseline cases of compliance and recent examples of financial incidents. Furthermore, we opened a cyber training course 'ethical management and compliance of regulations' and made it mandatory for all employees to take the course. Especially, we provide customized education to new employees and promoted employees.

**Shinhan Card** provided 'Shinhan In Compliance Practice Guidelines' which aims at compliance, mindset enhancement, and prevention of financial accidents etc. to all employees through online education once a year. In 2011, 3,060 employees(including contract workers) took the course. We also provide self-evaluation on compliance once a year.

**Shinhan Investment Insurance** also conducts a survey on compliance indexes for all employees, in order to grasp the level of awareness of employees on ethical management and compliance, and to seek the right ethical management directions. Furthermore, we are trying to increase awareness of compliance by providing related regulations and system changes, major compliance surveillance work, and incident prevention through site survey in sales offices.

## Strengthening internal ethical regulation compliance

We are implementing the 'Financial Incident Illegitimacy Report System' where a customer can report on any violation of regulation or unreasonable business process, and the 'Internal Report System' where an employee may report any violation of law, internal regulations, ethical code, to prevent the possibility of financial incidents within the group. We are also providing on and offline education on a sound promotion culture, proper share transactions, sound investment culture, and ban on receiving gifts or money on national holidays etc., to raise awareness of employees, and are trying to spread a righteous ethical practice culture by strictly prohibiting political activities or joining political parties.

# Risk Management

## Risk management

SFG has been converting risk management from a 'functional' perspective to a 'cultural' perspective through the establishment of risk management system projects since the global financial crisis. In addition, we enacted 'group risk philosophy' to increase the risk ownership of all employees and to make risk management part of our daily lives, and are utilizing these philosophies as standards when making all business decisions.

### Key risks facing the Shinhan Financial Group

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

## Integrated risk management

The risk management committee reporting to BOD of SFG sets the policy directions for establishing basic policies for integrated risk management in the group. This is a committee participated in by risk management personnel from each subsidiary, where discussions are held and policies are made regarding risk related policies. In addition, we operate a comprehensive monitoring system for the current situation of risk management of the group, to identify potential risks and core issues in a timely manner. We analyze the level of risk influence for each potential risk and issue, establishing preemptive countermeasures at a group level.

### Group risk management committee

This is the highest decision making body consisting of outside directors of BOD of SFG, which establishes basic policies and strategies on risk management.

It determines the adequate level of risk for each subsidiary, approves adequate investment amounts and loss tolerance limits, and enacts

and revises risk management regulations and the group's risk association regulations.

### Group risk association

This is the body which discusses risk policies and strategies for each subsidiary, and votes on matters necessary for implementing the policies decided in the the risk management committee. It consists of personnel in charge of the risk management, and personnel in charge of risk management in each subsidiary.

### Group risk management executive(group CRO)

Supports the Group Risk Management Committee and ensures that the risk policies and strategies decided in the committee are implemented consistently. In addition, CRO assigns a certain weight on the risk management officers in each subsidiary, and conducts examination on the risk management situation of each subsidiary. It also has a group risk management team which assists risk management personnel in the group.

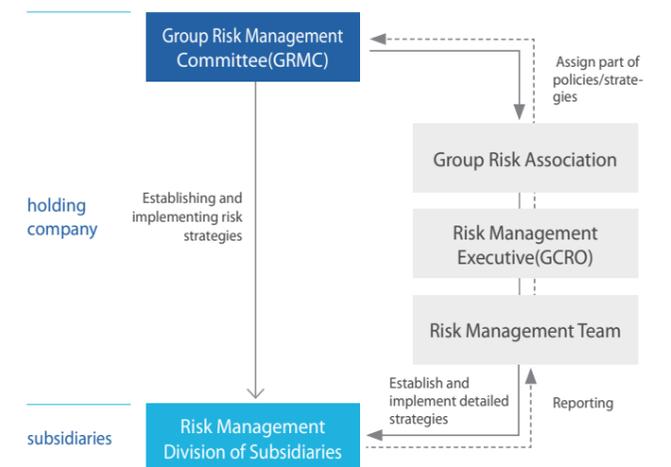
### Risk management division of subsidiaries(committee and exclusive organization)

Each of the risk related committees and internal organizations of subsidiaries realize the risk policies and strategies of the group. They report on the risk management situation to the holding company, control the risks that may occur in the subsidiaries, and improve the risk management system of each company.

### Network of risk management experts

We created a risk expert group in the group based on business areas, work experience, and knowledge capabilities. Risk management experts identify potential risks through group meetings and derive solutions. In addition, we conduct activities such as risk education and workshops etc. to expand the risk culture and nurture experts.

### Integrated risk management chart



# Sustainable Key Figures

Economic Performance

Environment Performance

Social Performance



## Economic Performance

Shinhan Financial Group creates sound and transparent economic value on 'compassionate finance' to invest in social values. We intend to serve the public interest through social contribution activities which make the most of the characteristics of the financial business.

### EC1. Creation and distribution of economic values

The economic value created is distributed by various methods including salaries, tax, and investment to local communities embracing the six stakeholder areas of employees, shareholders and investors, local communities, government and cooperating companies.

#### Overview on economic value creation

(Unit: 100 million won)

Classification	Amount
Business profits	41,347
Net profits	31,000

#### Distribution of economic values]

(Unit: 100 million won)

Stakeholders	Items	Amount
Employees and executives	Salary/welfare expenses	19,116
Shareholders and investors	Dividends	6,295
Local communities	Investment in social contribution	1,258
Government	Corporate tax expense	13,424
Cooperating companies	Purchase and services	6,522
Others	Other general management expenses	20,361

### EC3. Scope of pension support

In order to respond to the aging population and to stabilize living after retirement, we adopted and are operating the retirement pension system through labor-management negotiations held in 2006.

#### Overview of retirement pension system

Classification	Description
The year of initial adoption in the group	2006
Adoption type	Defined benefit retirement type(DB) system, defined contribution retirement type(DC) system
Subjects	All employees in the head office of subsidiaries and sales offices
Operating organizations	14 operators including Shinhan Bank
Operated amount	659.1 billion won
Number of subscribers	19,251(DB : 17,005, DC : 2,246)

### EC5. Ratio of wages of entry level employees to the local minimum wages

Continued service year: We provide fair wages based on relevant standards such as continued service year, and job and business performance etc. The wage of entry level employees of Shinhan Group exceeds 2.4 times of the minimum wage.

\*2011 legal minimum wage: 902, 880 won

### EC6. Local purchasing policies and ratios

We give preferential treatment to suppliers or cooperating companies located where the business is in under operation when selecting local based supply or cooperating companies, and we are gradually increasing the ratio.

#### Amount and ratio of local purchase

(Unit: million won)

Classification	2010	2011
Amount of items and equipments purchased through all suppliers	31,848	44,893
Amount of items and equipments purchased through local suppliers	4,176	8,309
Ratio of local purchase(%)	13.1%	18.5%

\* source: Shinhan Bank

### EC7. Employing local workers first and the ratio of managers

Led by Shinhan Bank, Shinhan Financial Group is pioneering overseas branches and expanding markets. We classify host country workers into manager candidate group, next generation leader group, and potential talent group, and provide support for the growth of core staff by selecting/educating and treating them as members of a core pool of local talent.

#### Employing local workers and the ratio of managers

(Unit: persons / %)

Classification	2009	2010	2011	
Total number of employees overseas	Number of local workers dispatched	151	172	173
	Number of local workers employed at the local place	949	1,116	1,247
	Ratio of local worker employment	86.3%	86.6%	87.8%
Number of local managers	204	238	253	
Ratio of managers from the locality	18.5%	18.5%	17.8%	

\* source: Shinhan Bank

### EC8. Overview of social contribution activities

We operate various programs that may be of practical help to the development of local communities based on the three social contribution principles of coexistence, sympathy, and symbiosis.

#### Overview of social contribution activities

(Unit: 100 million won / persons)

Subsidiary	Social contribution Investment amount	Social contribution Annual number of participants
Shinhan Financial Group	5.3	
Shinhan Bank	716	
Shinhan Card	406.6	
Shinhan Investment Corp	22.1	
Shinhan Life Insurance	57.2	
Shinhan BNP Paribas Asset Management	20.2	56,798
Shinhan Capital	12.3	
Jeju Bank	18.1	
Total	1,258	

# Environmental Performance

Shinhan Financial Group came up with a systematic and comprehensive green management response system for the promotion of green finance. We established a greenhouse inventory for realization of carbon neutrality to manage and reduce greenhouse gas emissions amounts, and expanded support for developing green finance products and for green corporations, developing environment friendly green finance.

## EN1. Raw material usage

We use paper for various receipts, documents and contracts in the working process, but do not use recyclable paper for the sake of customer information protection due to the characteristics of our business environment. However, we have adopted online conference systems and web fax systems for an environmentally friendly business process, reducing the usage of paper in all subsidiaries.

Scope of data collection	2009	2010	2011
Shinhan Financial Group Head office			
Shinhan Bank Head office, Gwanggyo bldg, Gangnam annexed bldg.			
Shinhan Card Yeoksam bldg, Dongsan bldg.			
Shinhan Investment Corp Head office			
Shinhan Life Insurance Training center	1,599.3	1,628.3	1,660.3
Shinhan BNP Paribas Asset Management Head office			
Shinhan Capital Head office			
Jeju Bank Head office and sales offices			

## EN3 / EN4 Energy usage

The total amount of electricity, heating fuel and the like used in the head office and branches of subsidiaries, and energy used in personnel transportation has been on a gradual decrease since 2009.

Source of emission	2009	2010	2011
Electricity usage	258,557	255,456	251,016
City gas usage	25,909	28,118	25,438
Gasoline usage	37,410	35,739	39,146
Diesel usage	1,932	2,095	1,759
Total energy usage	323,808	321,408	317,359

## EN8 / EN9 / EN10 / EN21 Water usage and waste management

All the water used in the buildings of subsidiaries comes from the water supply service, and is finally sewage treated through the city sewage treatment facilities. We do not use groundwater or recycled water, and do not discharge any harmful material which may affect the environment.

Scope of data collection	2009	2010	2011
Shinhan Financial Group Head office			
Shinhan Bank Head office Gwanggyo bldg, Gangnam annexed bldg.			
Shinhan Card Yeoksam bldg, Dongsan bldg.			
Shinhan Investment Corp Head office			
Shinhan Life Insurance Training center	239,907	257,528	250,762
Shinhan BNP Paribas Asset Management Head office			
Shinhan Capital Head office			
Jeju Bank Head office and sales offices			

## EN22 Waste emission management

Waste paper and other wastes used in the buildings of subsidiaries is processed by authorized consigned companies. We prevent external pollution through a transparent management on the consigned company.

Scope of data collection	2009	2010	2011
Shinhan Financial Group Head office			
Shinhan Bank Head office, Gwanggyo bldg, Gangnam annexed bldg.			
Shinhan Card Head office(except for leased bldgs)			
Shinhan Investment Corp Head office			
Shinhan Life Insurance Head office and all sales offices	2	1	2
Shinhan BNP Paribas Asset Management Head office			
Shinhan Capital Head office			
Jeju Bank Head office			
<b>Total waste</b>	<b>308</b>	<b>330</b>	<b>338</b>

## FS8. Values of each type of green finance product

Product name	Description	Description	2009	2010	2011
Environment Love Card	Accumulates 0.1% of card usage amount to Environment Love Fund	Number of cards	11,830	8,178	6,020
Shinhan Child Love Insurance	Provides guarantees in case of environmental disease or traffic accidents during using bicycles	Insurance premium at the beginning of month	67	132	167
Shinhan Variable Insurance	Invested in corporations which are environmentally friendly and practice social responsibility management, through SRI fund	Insurance premium at the beginning of month	125	123	145

## FS4. Strengthening capabilities of employees for implementing environmental and social policies

Shinhan Card opened a cyber academy course under the title 'Environment Management for Low Carbon Green Growth' in 2011, and held 3 seasons of education, and Shinhan Life participated in the course for nurturing green insurance experts. Meanwhile, Shinhan Bank held green finance seminars, and published and distributed '10 major green industry guidebook' and 'green certification guidebook' for the financial sector, in an effort to strengthen the environmental and social capability of employees.

## FS5. Stakeholders' participation in the environmentally friendly product development process

Shinhan Bank shared stakeholders' opinions for developing environmentally friendly products through the 'Greenbank Idea Contest', awarded selected pieces of work, and then published them as actual products.

# Social Performance

Shinhan Financial Group is strengthening internal transparent management based on the ethical code, and is thoroughly protecting customer information and the human rights of stakeholders. In addition, we take into consideration whether or not companies which need our support have in place and implement human rights policies, when deciding whether or not to provide support to them.

## A. Human rights indexes

### HR2. Human rights screening ratio of major suppliers/ contract companies

When screening and selecting cooperating companies, we make a comprehensive deliberation on credit ratings and quality of the subject companies, and their environment protection capabilities, in parallel with a consideration of human rights of employees. We continue monitoring the selected companies as well.

### HR3. Employee education situation on work related human policies

Due to the characteristics of the business, the ratio of women workers is high, and thus we guarantee opportunities for development and growth accordingly. We allocate work in consideration of gender characteristics, and prohibit gender discrimination and provide sexual harassment education for all employees at the head office and sales offices at least once a year.

#### Education related to ethical management

Classification	2009		2010		2011	
	Total education time (hours)	Number of applicants (persons)	Total education time (hours)	Number of applicants (persons)	Total education time (hours)	Number of applicants (persons)
Education on fair trade regulations	9,720	6,315	11,669	6,257	17,281	6,662
Education on ethical compliance and prevention on sexual harassment	2,645	1,736	5,148	2,241	4,912	2,513
Ethical compliance online education (including prevention education on sexual harassment)	84,126	12,034	185,505	13,373	156,612	13,263
Ethical compliance education	-	2,625	48	7,019	-	8,028
Seoul metropolitan compliance monitor group training	1,005	490	1,130	536	1,349	660
Local sales office business circulation tour	350	175	441	213	492	246
Accident prevention education	2,506	179	22,239	1,059	377,916	5,726
Private information protection education	-	117	-	120	396	132

### HR4. Total differentiated cases and related measures

We are working on active implementation of guidelines for a ban on discriminative action against employees for fair personnel evaluation. Establishing organisation to prevent discrimination, we operate sexual harassment prevention department, help desk, and internal report system, and reflect performance in personnel evaluation.

Classification	2009	2010	2011
Sexual discrimination	7	8	7

### HR5. Freedom of association and collective bargaining

We have labor unions and labor management associations, and employees can join or opt out of them freely. Furthermore, we joined the national financial industry union and guarantee union education, various facilities and provision of materials, union activities and promotion activities.

### HR6 / HR7. Child labor and abolition of forced labor

We comply with the human rights and labor principles of the ten principles of UN global compact and the labor act, and strictly ban forced labor and child labor.

### HR8. Ratio of security personnel trained for human rights policies and procedures

Classification	Ratio of human rights education	
Shinhan Bank Prevention	Visit education and internal email education once every half year or more	100
Jeju Bank Human rights	Humans rights education once every half year, and work education and CS education	100

## B. Labor indexes

### LA1 / LA13. Overview of employees

Configuration of employees	2009	2010	2011
Executives			
30-50	Male 5	7	7
	Female 0	0	1
Over 50	Male 72	68	78
	female 0	0	0
Employees			
Less than 29	Male 858	1,111	1,369
	Female 2,895	3,267	3,521
30-50	Male 9,846	9,926	9,866
	Female 5,138	5,526	5,827
Over 50	Male 797	1,043	1,279
	Female 23	52	67
Employment type			
Regular	16,316	16,969	17,404
Temporary	945	1,483	1,584
Non regular	11,321	2,485	2,983

### LA2. Cases/ratio of employee transfer

We try to reduce the employee turnover rate by providing various welfare benefits such as the improvement of the employee welfare system, leisure support, and free vacation culture, and medical support, and transparent and fair compensation on evaluation.

2009		2010		2011	
Number of employees	Number of transferers	Turnover rate(%)	Number of employees	Number of transferers	Turnover rate(%)
16,411	1,226	7%	17,061	613	4%
			17,484	710	4%

### LA4. Employee ratio subject to collective bargaining

SFG guarantees the freedom to unite, collective bargaining, and collective action, and does not interrupt employees from joining or withdrawing from the unions. We operate various communication channels such as employee meeting sessions and labor and management associations etc.

Classification	2009	2010	2011
Shinhan Financial Group	57	57	59
Shinhan Bank	100	100	100
Shinhan Card	81	81	83
Shinhan Investment Corp	73	75	72
Shinhan Life Insurance	100	100	100
Shinhan BNP Paribas Asset Management	100	100	100
Shinhan Capital	100	100	100
Jeju Bank	100	100	100
Total	94	94	94

### LA5. Minimum notification period for changes in major businesses

Through labor unions and labor management associations we prevent disputes and conflicts in advance, and gather employees opinions on sharing issues and welfare related policies. When changes occur in major businesses, we make it mandatory to give notice of them 60 days beforehand to improve the stability of working and labor management cooperation.

### LA6. Ratio of employees represented by the Labor Management Common Health Safety Committee

The labor union and labor management association are the main decision making bodies related to employee safety and health matters.

### LA7. Ratio of work related health problems such as injuries and work related disease

2009		2010		2011	
Number of industrial victims	Industrial calamity ratio	Number of industrial calamity victims	Industrial calamity ratio	Number of industrial calamity victims	Industrial calamity ratio
4	0.025	4	0.024	3	0.017

### LA8 / LA9. Health control programs

The labor management association provides various ideas and opinions to support the maintenance of the health of employees and families, and shares the results.

#### Health control programs

Program name	Subjects	Description
Health control program		-Provides various health examination material and information -Consulting doctors and nurses
Vaccination	Employees and families	-Vaccination A type hepatitis -Flu and swine flu vaccination -Cervical cancer vaccination
Diet campaign		-Healthy companionship campaign -Health related lectures and diet hiking -Events participating with families
Nonsmoking programs		-Consulting by internal employee having counseling license -Connecting with outside center for consulting
Nonsmoking campaigns		-Nonsmoking campaign for employees -Providing nonsmoking patches to participating employees -Operating nonsmoking funds and CoP
Shoulder-arm-neck syndrome	Employees	-Examination on elements affecting orthopaedic system -Education on orthopaedic related disabilities
Special examination		-Special examination on branches with poor working conditions(lung, liver)
Partnership diet		-Overcoming metabolism syndrome through weight loss
Full course marathon		-Marathon club newly Improved -Confidence and work performance

### LA10. Overview of employee education

The core of talent nurturing is nurturing strong Shinhan people. We operate various education programs such as global education and leadership education so that employees can become leaders of Shinhan, and provide quality education opportunities by investing through a top level education budget.

Education training cost per person			Education time per person		
2009	2010	2011	2009	2010	2011
0.9	1.5	1.4	164.9	145.8	163.3

### LA11. Sustainable employment and employment of retired workers

To provide steady retirement benefits to our retirees, we offer a retirement plan that complies with the Retirement Wage Guarantee Act. Retirement pensions for employees who have worked for more than a year are calculated in accordance to the retirement payment provision regulations and the executive retirement severance. The total estimate of the pension, included in the budget, is calculated as the retirement appropriation debt and the total payable retirement funds are deducted from the retirement appropriation debt.

### LA12. Performance evaluation and career development

We conduct performance evaluation once a year on all employees below heads of departments. Performance evaluation is divided into work performance and multi-lateral evaluation, and is conducted as 1st or 2nd evaluation according to business characteristics of each department. The final confirmer checks the adequacy of the evaluation.

2009	2010	2011
95	94	94

### LA14. Ratio of basic wages between men and women

There is no discrimination on basic wages based on the gender of employees. Basic wages are calculated based on related regulations according to continued years of work and work.

2009	2010	2011
2,007,349	1,896,325	2,201,966

### LA15. Return ratio after maternity leave

		2009	2010	2011
Ratio of return to work after vacation	Male	100	100	100
	Female	92	91	90
Ratio of work for at least 12 months after returning to work	Male	90	97	95
	Female	95	91	84

## C. Product responsibility indexes

### PR3 / PR6. Types of necessary product and service information

We enacted 'financial product disclosure guidelines' and are operating supervisory procedures on finance product disclosure, and regarding the PR material of financial products provided by subsidiaries, we implement preliminary screening so that contract terms can be disclosed.

At the same time, in order to effectively prevent consumer complaints, we operate preliminary discussion system so that opinions from consumer complaint related divisions can be reflected. No violation of advertisements or marketing related regulations occurred during the reporting period.

Detaild items	2009	2010	2011
Cases of preliminary examination on financial product disclosures	1,214	2,078	2,857

## D. Social performance index

### SO2 / SO4 / SO8. Anticorruption analysis and number of violation cases

In order to prevent corrupt activities related to unfair trading and to maintain a transparent management environment, we manage and supervise corruption risks for each business site. Through a dual insider trading monitoring system by the compliance team of each subsidiary and the audit team of the holding company, we imposed a transparent fair trading management system, and are trying to prevent corruption related risks by implementing integrated self-diagnosis for employees.

	2009	2010	2011
Total offices	1,387	1,421	1,433
Number of offices which received corruption risk analysis(diagnosis)	712	595	814

Detaild units	2009	2010	2011
Cases of financial sanctions	4	0	4
Amount of fines	101.4	0	10.5
Cases of non financial sanctions	5	14	1
Cases pressed through dispute reconciliation means	0	0	0

# Stakeholder Information

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## UN Global Compact



Shinhan Financial Group joined the UN Global Compact in May 2008 in order to reflect the international standards on sustainable management and to let the world know about its will to promote social responsibility management. Shinhan Financial Group is promoting climate change response and stable labor management relations based on green finance leading a sound finance culture through compliance with ten principles in the four areas of human rights, labor, environment, and anticorruption, and discloses the results, fulfilling its social responsibilities as a pace-setting global finance leader.

Classification	Principles	Indexes on activities and performances	GRI Indexes	Page
Human rights	1. We support and respect internationally pronounced human rights	Employee education, Human rights education, Implementation of ethical management education, Implementation of employee education, Implementation of sexual harassment prevention education	HR1, HR2, HR3, HR4, HR5, HR6, HR7	39, 48
	2. We do not participate in human rights violation activities	Total number of discrimination cases	HR4, HR8	79
Labor	3. We admit the right to organize and to collective bargaining	Number of members in the labor union, Whether or not labor disputes occurred	HR5, LA5, LA4	79 ~ 80
	4. We abolish all types of forced labor	Compliance with Labor Standards Act and International Labor Organization, Compliance with group agreements	HR7	54, 57, 63
	5. We abolish child labor in an effective manner	Compliance with Labor Standards Act and International Labor Organization, Compliance with group agreements	HR6	79
	6. We abolish discrimination in employment and business	Ratio of disabled employees, Ratio of women employees	HR4, LA2, LA10, LA13, LA14	79 ~ 81
Environment	7. We support preventive approaches to environmental problems	UNEP FI Carbon neutrality program	4.11	27 ~ 28
	8. We take the lead in taking greater environmental responsibilities	Carbon neutrality program, Environmental performance management, Green finance product development	EN12, EN13, EN14, EN18, EN21, EN22, EN26, EN30	25 28 ~ 31
	9. We support environmentally friendly technology development and supply	Support for green corporations, Investment into environmental development, Green finance products and services	EN5, EN6, EN7, EN10, EN18, EN26	31
Anticorruption	10. We make efforts to eliminate all types of corruption including unfair profits and bribery etc.	Shinhan ethical codes Strengthening self-diagnosing of ethical codes	SO2, SO3, SO4	69, 74

# Independent Assurance Statement

## To the '2011 Shinhan Financial Group Social Responsibility Report' management.

### Independent assurance statement on the social responsibility report

BSI Group Korea Limited(hereinafter, BSI) was requested to conduct an independent assurance on the '2011 Shinhan Financial Group Social Responsibility Report'(hereinafter 'report').

This report reflects the performances from January 1, 2011 to December 31, 2011.

#### Scope of assurance

The report deals with social responsibility management activities and performances of eight major subsidiaries of the group including Shinhan Holdings, and the scope of assurance is limited to domestic offices.

The following are not included in the assurance.

- Financial information
- In cases of environmental data, the scope of reporting is limited to major real estate directly owned by Shinhan Financial Group
- Additional information included in other homepages other than the report

#### Responsibilities and independence

The responsibility for writing the social responsibility report lies in Shinhan Financial Group. The responsibility of assurance is providing an independent assurance statement which contains professional opinions obtained after applying verification methods on the stated scope to the management of Shinhan Financial Group, and providing that information to all stakeholders of Shinhan Financial Group.

The assurance team has no interest relationship with Shinhan Financial Group, was not involved in writing any reports other than providing the assurance statement on the report. Furthermore, the assurance process has been performed by the BSI assurance team consisting of experts of each area who have extensive and in depth technical skill and experience to exert high level capability.

#### Assurance standard

Assurance of this report has been performed based on the following standard.

- AA1000 Assurance Standard(2008) assurance standard
- GRI G3.1 Sustainable Management Reporting Guidelines

The assurance team applied type 1, Moderate level of AA1000 AS(2008) standard, and identified compliance of comprehensiveness, significance, and responsiveness principles, and did not include reliability assessment on sustainable performance information in this assurance process. As for GRI index regulation, we applied application level A.

#### Assurance method

The assurance team complied with the assurance standards, utilized methodologies developed for collecting related evidence so as to lower error on the reported contents.

- Reviewing SFG's significance determining process and checking appropriateness to determine order of priority of assurance
- Reviewing sustainability strategy implement process and the system for implementation thereof
- Interviewing high level managers and executives who are responsible for managing sustainability issues, and selecting grounds and appropriateness which support the discussed issues
- Generating, collecting, and checking the report processes of data in each performance area
- Independent evaluation on SFG's report in preparation for applicability level of GRI guidelines

#### Assurance opinions

This assurance team reviewed the draft report and provided its opinions, and revisions were made to the report when necessary. Based on the assurance activities performed, the assurance team confirmed that Shinhan Financial Group complied with the reporting principles and wrote sustainability performances appropriately.

This Assurance team confirmed that the GRI indexes stated in the GRI index were being reported either completely or partially as a result of the significance assessment process.

This assurance team confirmed that the report satisfies the A+ applicability level of GRI guideline G3.1.

This assurance result was based on comprehensiveness, significance, and responsiveness, which are the three principles of AA1000 AS, and the opinions on this report is as follows:

This social responsibility report which has been issued as an integrated report of each subsidiary's social sustainability management activities, showed that Shinhan Financial Group has developed an integrated structure for building and performing sustainable management strategies and implements inspections to improve them under the leadership of the group and not at the individual subsidiary level. Such efforts by Shinhan Financial Group are meaningful in that they present advanced and developed ways for sustainable management to corporations at home and abroad.

**Comprehensiveness is a principle guaranteeing participation of stakeholders in order to develop and achieve strategic and responsible response measures to sustainability.**

The assurance team confirmed that Shinhan Financial Group is implementing a participation process for stakeholders, and is collecting stakeholders' opinions, and making efforts to reflect the opinions in sustainable policies. It is also establishing a regular channel for communicating with each stakeholder group, and determining the order of priority of reporting stakeholder questionnaire and feedback became helpful in determining the contents of the report.

Each subsidiary of Shinhan Financial Group has stakeholders according to its characteristics. The assurance team noted that this report understood the major common issues of the group by selecting and participating stakeholders based on the interest areas of stakeholders at the group level, while understanding the special issues of each subsidiary and stating those issues on the allocated pages for each subsidiary.

It seems that a comprehensive report which covers important responsibility issues has been issued.

More than just reporting on the performances on issues that stakeholders are interested in, it is necessary to enable effective participation by stakeholders in the process of establishing and promoting strategic response measures for sustainability.

**Significance in determining of issues by stakeholders that are necessary in making decisions based on information on Shinhan Financial Group and its effects.**

The assurance team identified that there has been much improvement compared to previous social responsibility reports in systematic review on important issues identified from the stakeholder participation process.

Shinhan Financial Group is deriving 58 issues related to the group of among social responsibility issues from various stakeholders according to corporate significance assessment process, and is deriving general issues that apply to the group in consideration of common values and influence of the holding company and subsidiaries based on the 58 issues. Furthermore, it contains the major issues where characteristics of subsidiaries have been taken into account effectively through the pages of each subsidiary.

In order to consolidate and develop the sustainability issues identified from stakeholders, it is recommended to form a supreme organization system such as a sustainability management committee under the board of directors or to deal with the sustainability issues in the existing committee(risk management committee etc.). Through this, if it is possible to identify that the strategies established for sustainability management are connected with stakeholder issues and if it is possible to identify SFG's will and effort for sustainability, it will become a company more relied upon and loved by people.

**Responsiveness is a principle of the scope by which an organization responds to a stakeholder issue.**

The assurance team identified that SFG responded appropriately against the issues according to the business effects and degree of social interests. Strengthening such comprehensiveness and responsiveness will become important motivations for strengthening core capabilities of sustainability of SFG.

However, it is recommended to include not only performance information of the past but also strategies and goals so as to predict short term performances of the group and policy directions on sustainability issues of each sector.

Each business sector reflects positive aspects of the performance that the company achieved regarding the sustainability issue. However, in order to maintain balance in reporting, it is recommended to derive issues with poor performance and include efforts to resolve those issues.

#### Performance information

It is recommended to devise a system which integrates and manages performance data of each area of economy, society, and environment, and establishes a system which manages performances to goal on a regular basis, and to connect it with internal audit process for data reliability management.



**AA1000**  
Licensed Assurance Provider  
000-47

June 22, 2012

CEO of BSI Group **Jeong Ki Cheon**

## GRI Application Statement



### Statement GRI Application Level Check

GRI hereby states that **Shinhan Financial Group** has presented its report "2011 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 26 June 2012



**Nelmara Arbex**  
Deputy Chief Executive  
Global Reporting Initiative



The "+" has been added to this Application Level because **Shinhan Financial Group** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 June 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

Shinhan Financial Group's "Corporate Social Responsibility Report 2011" fulfills all the requirement of Application Level A+ of the GRI G3.1 Guidelines.  
(The "+" on the logo confirms that Shinhan Financial Group has submitted this report for external assurance.)

## GRI 3.1 Index

Index	explanation	ISO 26000	Extent of reporting	Page
<b>Common</b>				
<b>I . Visions and strategies</b>				
1.1	CEO message	6.2	Fully	6 ~ 7
1.2	Opportunities and challenges	6.2	Fully	6 ~ 7
<b>II . Organization profile</b>				
2.1	Corporation name		Fully	8
2.2	Major products and brands		Fully	8
2.3	Operational structure	6.2	Fully	9
2.4	Location of main office		Fully	92
2.5	Country where major business place is located		Fully	8 ~ 9
2.6	Ownership structure and legal format		Fully	8 ~ 9
2.7	Sales market		Fully	9
2.8	Corporation volume		Fully	9
2.9	Major changes of corporation volume, organization structure, and ownership structure		Fully	8
2.10	Awards		Fully	4
<b>III . Report medium variances</b>				
3.1	Report period		Fully	91
3.2	Recent report date		Fully	91
3.3	Report cycle		Fully	91
3.4	Contact for questions related to the report		Fully	93
3.5	Process for determining report matters		Fully	71
3.6	Report boundaries		Fully	91
3.7	Limiting reporting scope and boundaries		Fully	91
3.8	Report boundaries that can have significant effect on comparability of information		Fully	91
3.9	Data measurement technologies and ground for calculation		Fully	91
3.10	Readjusting information provided in the previous report		Fully	91
3.11	Major changes of report scope, boundaries or measuring method etc.		Fully	No major changes in report scope
3.12	GRI Content Index		Fully	87 ~ 90
3.13	Policies on independent assurance and recent practices		Fully	84 ~ 85
<b>IV . Governance structure, responsibilities, participation</b>				
4.1	Corporate governance structure	6.2	Fully	72
4.2	Whether CEO and chairman of BOD can be the same person	6.2	Fully	72
4.3	Structure of BOD	6.2	Fully	72
4.4	Mechanism where shareholders and employees can present opinions in the BOD	6.2	Fully	70
4.5	Connecting corporate performance and compensation to executives and management	6.2	Fully	72
4.6	Process at the BOD level to avoid conflict among stakeholders	6.2	Fully	73
4.7	Process for determining professionalism of executives leading economic, environmental, social strategies	6.2	Fully	73
4.8	Management principles	6.2	Fully	69
4.9	Procedures that BOD use in supervising the economic, environmental, social performances	6.2	Fully	73
4.10	Processes for evaluating performances of BOD, especially, economy, environmental, and social performances	6.2	Partially	73
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	6.2	Fully	75
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	6.2	Fully	4
4.13	Memberships in associations(such as industry associations) and/or national/international advocacy organizations	6.2	Fully	4
4.14	List of stakeholder groups engaged by the organization	6.2	Fully	70
4.15	Basis for identification and selection of stakeholders with whom to engage	6.2	Fully	70
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	6.2	Fully	70
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	6.2	Fully	71

Index	explanation	ISO 26000	Extent of reporting	Page
<b>1. Economic performance</b>				
EC1	Direct economic value generated and distributed	6.8, 6.8.3	6.8.7 6.8.9	Fully 77
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.5.5		Fully 28 ~ 29
EC3	Coverage of pension support			Fully 77
EC4	Significant financial assistance received from government			N/A None
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	6.4.4	6.8	Fully 77
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	6.6.6	6.8 6.8.5 6.8.7	Fully 77
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	6.8	6.8.5 6.8.7	Fully 77
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial in-kind, or pro bono engagement	6.3.9 6.8 6.8.3 6.8.4	6.8.5 6.8.6 6.8.7 6.8.9	Fully 77
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	6.3.9 6.6.6 6.6.7 6.7.8	6.8 6.8.5 6.8.6 6.8.7 6.8.9	Fully 20 ~ 25
<b>2. Environmental performance</b>				
EN1	Materials used by weight or volume	6.5	6.5.4	Fully 78
EN2	Percentage of materials used that are recycled input materials	6.5	6.5.4	N/A No recycled paper used do to information security problems
EN3	Direct energy consumption by primary energy source	6.5	6.5.4	Fully 78
EN4	Indirect energy consumption by primary source	6.5	6.5.4	Fully 78
EN5	Energy saved due to conservation and efficiency improvements	6.5	6.5.4	Fully 29
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	6.5	6.5.4	Fully 31
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	6.5	6.5.4	Fully 29
EN8	Total water withdrawal by source	6.5	6.5.4	Fully 78
EN9	Water sources significantly affected by withdrawal of water	6.5	6.5.4	Fully 78
EN10	Percentage and total volume of water recycled and reused	6.5	6.5.4	Fully 78
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity N/A value outside protected areas	6.5	6.5.6	N/A
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas N/A and areas of high biodiversity value outside protected areas	6.5	6.5.6	N/A
EN13	Habitats protected or restored	6.5	6.5.6	N/A None
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	6.5	6.5.6	N/A
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, N/A by level of extinction risk	6.5	6.5.6	N/A
EN16	Total direct and indirect greenhouse gas emissions by weight	6.5	6.5.5	Fully 30
EN17	Other relevant indirect greenhouse gas emissions by weight	6.5	6.5.5	N/A None
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	6.5	6.5.5	Fully 30
EN19	Emissions of ozone-depleting substances by weight	6.5	6.5.3	N/A None
EN20	NOx, SOx, and other significant air emissions by type and weight	6.5	6.5.3	N/A
EN21	Total water discharge by quality and destination	6.5	6.5.3	Fully 78
EN22	Total weight of waste by type and disposal method	6.5	6.5.3	Fully 78
EN23	Total number and volume of significant spills	6.5	6.5.3	N/A
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	6.5	6.5.3	N/A None
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	6.5	6.5.4 6.5.6	N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	6.5	6.5.4 6.6.6 6.7.5	Fully 31
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	6.5	6.5.4 6.7.5	N/A None
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental	6.5		Fully No case of violation of environmental regulations
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	6.5	6.5.4 6.6.6	Fully 29
EN30	Total environmental protection expenditures and investments by type	6.5		Fully 31

Index	explanation	ISO 26000	Level of Reporting	Page
<b>3. Social Performances</b>				
<b>Labor</b>				
LA1	Total workforce by employment type, employment contract, and region	6.4	6.4.3	Fully 80
LA2	Total number and rate of employee turnover by age group, gender, and region	6.4	6.4.3	Fully 80
LA3	Benefits provided to full-time employees	6.4	6.4.3 6.4.4	Fully 39, 43, 48
LA4	Percentage of employees covered by collective bargaining agreements	6.4	6.4.3 6.4.4 6.4.5 6.3.10	Fully 80
LA5	Minimum notice period(s) regarding significant operational changes	6.4	6.4.3 6.4.4 6.4.5	Fully 80
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	6.4	6.4.6	Fully 80
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	6.4	6.4.6	Fully 80
LA8	Programs in place to assist workforce members, or community members regarding diseases	6.4	6.4.6 6.8 6.8.3 6.8.4 6.8.8	Fully 80
LA9	Health and safety topics covered in formal agreements with trade unions	6.4	6.4.6	Fully 80
LA10	Average hours of training per year per employee by employee category	6.4	6.4.7	Fully 80
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4	6.4.7 6.8.5	Fully 81
LA12	Percentage of employees receiving regular performance and career development reviews	6.4	6.4.7	Fully 81
LA13	Composition of governance bodies and breakdown of employees	6.3.7	6.3.10 6.4 6.4.3	Fully 80
LA14	Ratio of basic salary of men to women by employee category	6.3.7	6.3.10 6.4 6.4.3 6.4.4	Fully 81
LA15	Ratio of returning to workplace after maternity leave			Fully 81
<b>Human rights</b>				
HR1	Percentage of significant investment agreements that include human rights clauses or that have undergone human rights screening	6.3	6.3.3 6.3.5 6.6.6	Not -
HR2	Percentage of cooperating companies that have undergone screening on human rights and actions	6.3	6.3.3 6.3.5 6.4.3 6.6.6	Fully 79
HR3	Percentage of employees trained on policies and procedures concerning aspects of human rights	6.3	6.3.5	Fully 79
HR4	Total number of incidents of discrimination and actions taken	6.3	6.3.6 6.3.7 6.3.10 6.4.3	Fully 79
HR5	Freedom of association and collective bargaining	6.2	6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5	Fully 79
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	6.3	6.3.3 6.3.4 6.3.5 6.3.7 6.3.10	Fully 79
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of forced or compulsory labor	6.3	6.3.3 6.3.4 6.3.5 6.3.7 6.3.10	Fully 79
HR8	Percentage of employees in charge of security who received human rights education	6.3	6.3.5 6.4.3 6.6.6	Fully 79
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	6.3	6.3.6 6.3.7 6.3.8 6.6.7	Fully No cases of violation of rights of indigenous people
HR10	Total number and percentage of business workplaces implementing human rights supervision and effect evaluation			Fully 81
HR11	Number of human rights related complaints raised through official complaint delivery mechanism			Fully No cases of human rights related complaints raised

Index	Explanation	ISO26000	Extent of reporting	Page
<b>Society</b>				
SO1	Programs and cases of assessing and managing effects on local communities	6.3.9 6.8 6.8.5 6.8.7 6.6.7	Fully	20-25
SO9	Whether there is business sites that have negative effects on local communities either potentially or practically	6.3.9 6.8 6.8.5 6.8.7 6.6.7	N/A	None due to characteristics of the financial industry
SO10	Tools for protecting or alleviating negative effects by business sites on local communities	6.3.9 6.8 6.8.5 6.8.7 6.6.7	Not	-
SO2	Number and ratio of business units where corruption risk has been analyzed	6.6 6.6.3	Fully	81
SO3	Ratio of employees who received education on anticorruption policies or procedures	6.6 6.6.3	Fully	74
SO4	Actions against corruption incidents	6.6 6.6.3	Fully	81
SO5	Position on public policies, establishing public policies and participation in lobby activities(donating political funds is prohibited)	6.6 6.6.4 6.8.3	Fully	74
SO6	Donations to political parties and politicians	6.6 6.6.4 6.8.3	Fully	74
SO7	Number of cases of legal actions on unfair and monopoly activities	6.6 6.6.5 6.6.7	Fully	No unfair activities
SO8	Fines and non-financial sanctions for violation of legal regulations	6.6 6.6.7 6.8.7	Fully	81
<b>Product responsibility</b>				
PR1	Customer health and safety policies	6.3.9 6.6.6 6.7 6.7.4 6.7.5	Fully	33
PR2	Number of violation cases of product & service health, safety related regulations	6.3.9 6.6.6 6.7 6.7.4 6.7.5	Fully	No violation cases of service regulations
PR3	Types of product and service information necessary in the process	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9	Fully	81
PR4	Number of violation cases related to product & service labeling	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9	Fully	No violation cases of service regulations
PR5	Policies and procedures related to customer satisfaction	6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	Fully	33-35
PR6	Communication related policies and programs such as advertisements and sponsors etc.	6.7 6.7.3 6.7.6 6.7.9	Fully	81
PR7	Number of violations cases of communication related(advertisements, sponsors etc.) regulations	6.7 6.7.3 6.7.6 6.7.9	Fully	
PR8	Number of complaints related to violation of customer information protection	6.7 6.7.7	Fully	No cases of violations of regulations
PR9	Number of cases and amounts of violations of regulations related to product & service provision	6.7 6.7.6	Fully	

Index	Explanation	Extent of reporting	Page
<b>Financial industry additional index</b>			
FS1	Policies related to particular environmental social elements that apply to industry field	Fully	28
FS2	Environmental social risk assessment and inspection procedures in the industry field	Fully	28
FS3	Process of monitoring implementation and compliance of customers' environmental social demands during contract or transaction	Fully	33 ~ 35
FS4	Process of strengthening employees' capabilities for implementing environmental social policies and procedures in the industry field	Fully	78
FS5	Mutual reaction with customers/investors/business partners related to environmental and social risks and opportunity elements	Fully	78
FS6	Portfolio ratio of industry field per particular area, size(large/intermediate/small), industry	Fully	8 ~ 9
FS7	Monetary value of products and services designed to provide particular social benefits to each industry field segmented per purpose	Fully	20
FS8	Monetary value of products and services designed to provide particular environmental benefits to each industry field segmented per purpose	Fully	78
FS9	Scope and frequency of application of audit which assess implementation of environmental social policies and risk assessment process	Partially	75
FS10	Ratio/number of corporations which report on environmental social issues of among financial institution portfolio incorporated corporations	Not	-
FS11	Ratio of assets that are subject to environmental social inspection in positive method and negative method	Partially	58
FS12	Shareholders' decision making policies regarding environmental social issues within the boundaries where reporting institution has decision making influence	Not	-
FS13	Access points of areas that have little population or do not receive economic benefits	Fully	20
FS14	Initiatives for improving financial service approaches for people who cannot receive benefits	Fully	20
FS15	Policies on fair designing and sales of financial products and services	Fully	33 ~ 35
FS16	Initiatives for strengthening finance knowledge(education) per beneficiary type	Fully	43, 61

# About this Report

We envisage a compassionate future where we can be with stakeholders by developing future values through social responsibility management.



### Web Reporting

SFG's social responsibility report can be read from the homepage.(www.shinhangroup.com)

### Report overview

Since 2009, Shinhan Financial Group has been publishing social responsibility reports which include the performance of each subsidiary's social responsibility management. This report has been published with the purpose of reporting the performance in 2011 in a transparent manner and to introduce in detail our future responsibilities and roles to all stakeholders of our group.

The scope of the report encompasses domestic branches and sales offices of eight major subsidiaries along with the holding company. Some data include the performance of overseas branches and indicate this.

We promise to publish a faithful and easily understandable report each year, and expand the inclusiveness of our performance to overseas subsidiaries as well.

### Principles and guidelines for preparing the report

This report was written based on the GRI(Global Reporting Initiative) G3.1 Guidelines. In addition, the contents of ISO 26000 which is an international standard for social responsibility have been reviewed and combined with the GRI indexes.

To obtain reliability for the report, we went through a verification process based on the three principles of AA1000AS(2008) by a global verification organization BSI, and received a GRI Application Level Check and statement which certifies that the report is of level A+.(91p.) Detailed information on the verification results is included in the independent assurance statement(84~85p)in the appendix.

# Contact Points

## For additional information and questions

Shinhan Financial Group's social responsibility report is published in both Korean and English. For more information on the report, please visit the websites of Shinhan Financial Group and its subsidiaries, and for more detailed information, contact information is given below.

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