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# Drawing a Sustainable Future

## Shinhan Financial Group CSR Report 2012

# Compassionate Finance

## About This Report

Attaining growth through corporate social responsibility builds up our everyday life instead of making it something for the future. Shinhan Financial Group will bring a happy financial environment for our stakeholders through Compassionate Finance and a variety of CSR activities.

### Report Overview

Since 2009, Shinhan Financial Group has been publishing the CSR report, which shows the progress updates of the group's CSR management annually. The Shinhan Financial Group CSR Report 2012 is its fourth report to be published at the group level. From 2010 to 2012, we provided detailed information about the group's achievements in the fields of economy, society and environment. The scope of the report is the domestic head office and sales office of 8 major group companies, including the Shinhan Financial Group. In the case of data on employees and the environment, the information may vary from the previous year due to the scope of the data collection has been expanded and reexamined.

Shinhan Financial Group will take the lead in taking responsibility and building the trust of stakeholders by publishing the CSR report annually. As Korea's representative global financial group, we promise to continuously disclose transparent information.

### Principle and Guideline

The Shinhan Financial Group CSR report 2012 has been drawn up based on the GRI (Global Reporting Initiative) G3.1 guideline. The financial information included in this report follows the Korean International Financial Reporting Standards (K-IFRS), which uses the unit of the Korean won KRW (₩). Also, in order to acquire the credibility of this report, it has been certified by the global certification institution DNV based on the three principles of AA1000AS(2008), and the results can be found on pages 94~95.



Information on GRI Index can be found separately on the homepage of Shinhan Financial Group.



# Shinhan Financial Group's Value Management System



# Shinhan Financial Group's CSV 'Compassionate Finance'

Shinhan Financial Group is implementing the Compassionate Finance to create shared values, which seeks shared development for the company and society. The Compassionate Finance refers to providing benefits to our customers and society through daily operations instead of looking at financial business and social contribution separately.

## How does Compassionate Finance make the world a better place mean?

### 1. Making the world a better place through the financial business

It means providing benefits to our customers and society through daily operations without looking at Shinhan Financial Group's financial business and social contribution separately.

### 2. Doing the best to create customer values and ensure customer protection by thinking of customers as a partner in Win-Win management

It means even when selling a single product, we examine whether or not it is suitable and beneficial for the customer. Also, when a customer is in difficulty, we provide help so that they can overcome the difficult. In the end, we follow the principle of placing the highest priority on customer values and customer protection. Therefore, we pursue profits and efficiently manage the risks under this principle.

### 3. Being considerate of the socially disadvantaged and fulfilling social responsibilities that meet the demands of the time

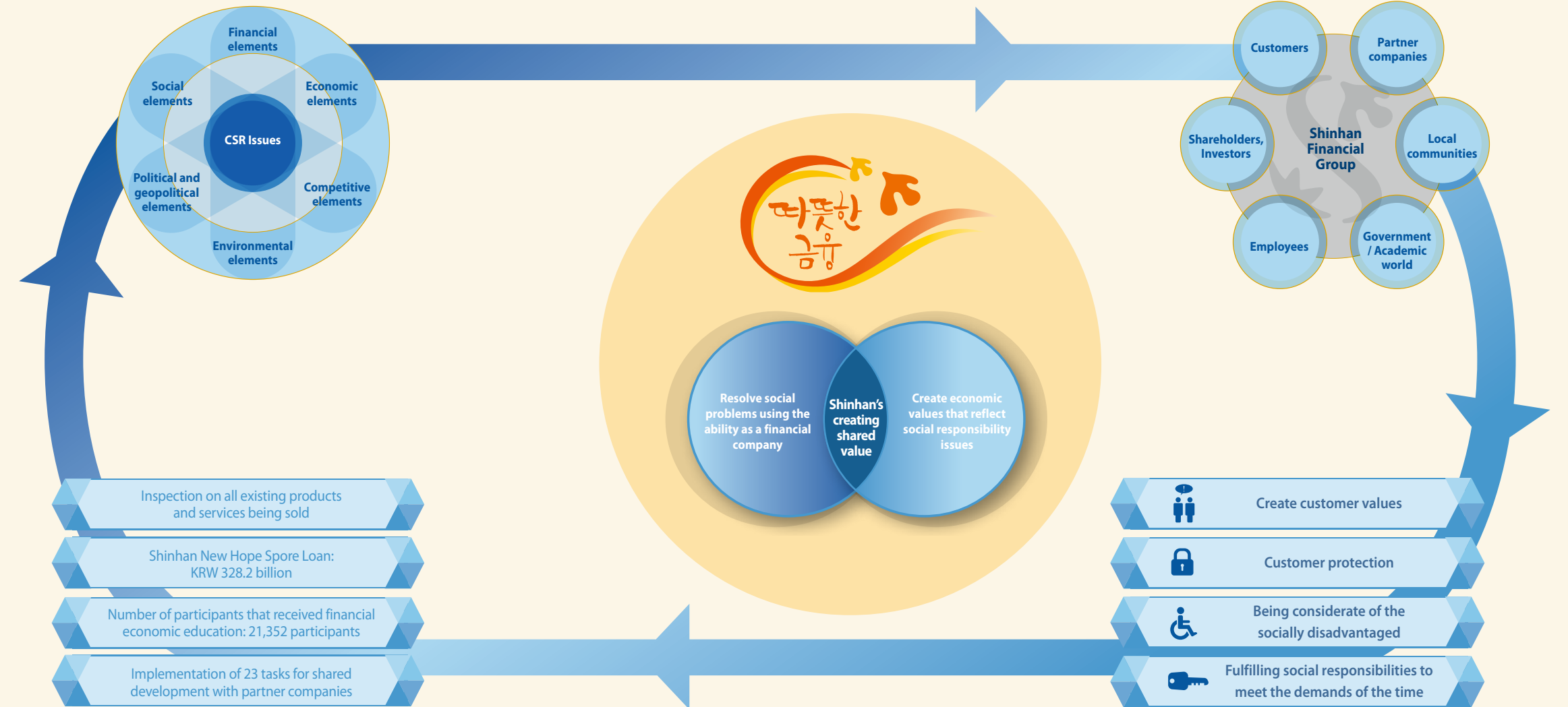
It means changing the way of thinking to share what we have achieved through healthy development with our society and growing up together with it. This includes providing the foundation for the socially disadvantaged to develop into a loyal customer by providing them with reasonable financial benefits.

## Shinhan Financial Group's CSV Framework

### STEP1. Issue Identification

#### Identification of issues on CSR

As a corporate citizen that makes up our society, Shinhan Financial Group is affected by a variety of social factors. In order to closely identify various issues on CSR arising inside and outside of the group, we implement a process that identifies a variety of issues in the economy, society and environment, including business, financial, competition, political and geopolitical elements.



### STEP4. Value Creation

#### Best practices of value creation

Shinhan Financial Group is striving to make achievements that can directly or indirectly have an impact on our society by creating shared values. We have become a corporate citizen that genuinely contribute to our society through active investment and cooperation to create shared values, instead of simply carrying out volunteer efforts and improving environmental management to increase profits.

### STEP2. Stakeholder Engagement

#### Participation of stakeholders

Shinhan Financial Group listens to the opinions on CSR issues made by major stakeholders consisting of customers, partner companies, shareholders and investors, local communities, the government and academia, employees. Based on a variety of opinions provided, such as the goal and direction in which future actions should be taken on different issues, we have achieved meaningful results until now.

### STEP3. Value Discovery

#### Selection of implementation directions for creating shared values

We will strive to be considerate of the socially disadvantaged and fulfill our social responsibilities to meet the demands of the time, while also thinking of our customers as a partner in Win-Win management and doing our best to create customer values and ensure customer protection. We will create new benefits for our customers and society by creating shared values through financial business.

## Shinhan's Promise to Fulfill its Social Responsibilities

Shinhan has shown continuous change.

Shinhan Financial Group will expand the Compassionate Finance to make the world a better place with the strength of finance. The Compassionate Finance is the promise we make to our customers and society to provide actual help to the customer's success and the development of local community through finance.





## We cheer for the future of disabled young people

Shinhan Financial Group has been encouraging the disabled to overcome their disabilities and make further development through the program called 'The Dream Team of Disabled Young People Challenges the Six Continents.'

신한은행

신한은행



## Shinhan Bank protects the Sungnyemun

The Sungnyemun Gate, which is Korea's No. 1 National Treasure, is the pride of the Korean people and a part of our life. Since 2005, Shinhan Bank signed an agreement for protecting cultural heritage with the Cultural Heritage Administration to continuously implement programs for preserving cultural heritage. In particular, endless efforts have been made to restore the Sungnyemun Gate, which has been destroyed by fire. On May 4, 2013, the spectacular appearance of the restored Sungnyemun Gate was disclosed to the public containing the soul and spirit of Korea.





## We will achieve sustainable growth through Shinhan Way

Shinhan Way is the source of cohesiveness and pride of all employees that identified the successful genes from Shinhan's history to achieve future-oriented development, as well as the energy that achieve the group's continuous growth without any changes of the times and business environment.



사랑받는 신한, 믿어있는 신한

# 2012

신한금융지주회사

신한은행



# 신한WAY 연수

신한계좌금

신한신용카드

신한프리카이벤트관리부 13차당

신한대행사

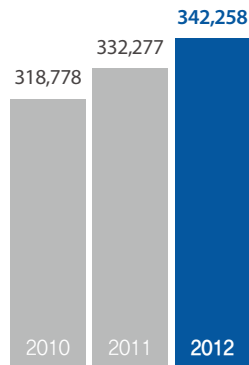


# 2012 Snapshot (As of December 31, 2012)

## Financial Performance

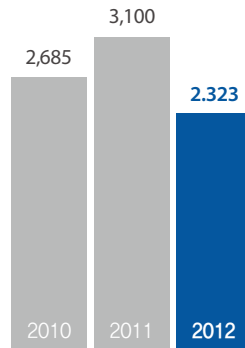
### Total assets

Unit: KRW 1 billion



### Net profits\*

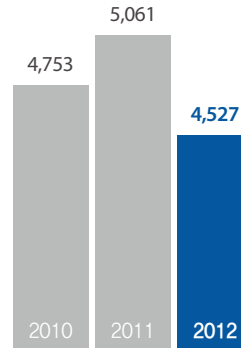
Unit: KRW 1 billion



※ Dominated by business owners equity

### Operating income before provisioning

Unit: KRW 1 billion



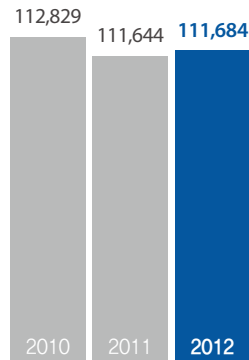
### Credit ratings

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

## Environmental & Social Performance

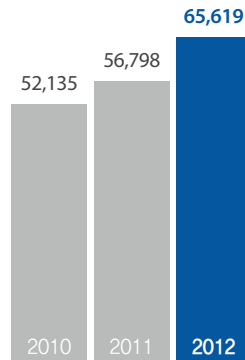
### Greenhouse gas emissions

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



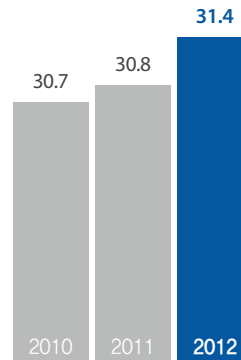
### Number of employees participating in volunteer work

Unit: persons



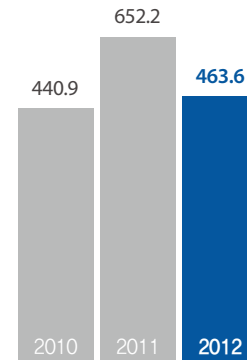
### Education & training investment expenses

Unit: KRW 1 billion



### Purchasing expenses of partner companies

Unit: KRW 1 billion



## Award/Certification



Included in DJSI Asia Pacific and DJSI Korea for fourth consecutive years (Ranked number one for Korean banks)



Korea's only company to be included in the Global 100 announced at Davos Forum (2013)



The 2013 Corporate Governance Award Ceremony  
The only financial company to receive the Corporate Governance Award (Acquired A+ grade in evaluating ESG integration)



CDP (Carbon Disclosure Project) investor member



UNEP FI (United Nations Environment Programme Finance Initiative)



UN Global Compact

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## CEO Message



Respected customers, shareholders and citizens of local communities,

Shinhan Financial Group has published the 2012 CSR Report to look back on the group's diverse management activities from the perspective of sustainability and corporate social responsibility and to share the meanings they hold with various stakeholders.

Due to the financial crisis in 2008, the global economy and corporate management paradigms faced a tremendous turning point, thereby the importance of corporate social responsibility and sustainable growth has increased day by day.

Shinhan Financial Group established Compassionate Finance as the group's mission, which aims to make the world a better place through financial business. Therefore, we are striving to bring positive impacts to our customers and the society through all of the group's management activities, including important decisions made in business management and day-to-day operations.

In 2011, we announced the Compassionate Finance and focused on spreading and promoting its purpose and meaning within the company. Meanwhile, in 2012, we carried out the 'Compassionate Finance' in full scale by establishing the implementation system at the group level and identified and implemented relevant tasks.

In addition, contributions have been made within the group through the Social Contribution Committee participated by all major companies of Shinhan Group. We are striving to fulfill our social responsibilities from the environmental point of view by establishing the Green Management Standards and adopting the Environmental Performance Management System.

Shinhan Financial Group's efforts to achieve sustainable growth received favorable evaluations domestically and internationally. In the evaluation for the Dow Jones Sustainable Index (DJSI), we ranked 1st in the banking sector in Korea for the fourth year in a row, while we were the only Korean company to be chosen as one of the top 100 global sustainable companies announced at the Davos Forum. Also, we ranked 1st domestically and 51st globally in the evaluation for financial brand value conducted by the British magazine, The Banker.

Financially, Shinhan Financial Group recorded net profits of KRW 2 trillion 322.7 billion in 2012, achieving the highest business performance in the industry for fifth consecutive years. It clearly showed that we achieved balance and harmony by closely connecting our social contribution activities with financial performances.

Shinhan will continually establish the foundation for sustainable growth by having all of our employees work together to make our society a better place through our financial business. To achieve this, we promise to implement the following three tasks:

**First, we will continually seek new ways to improve the values of our customers and society.**

Currently, our society faces many challenges that we have not experienced before, such as low growth and an aging population. In order to ensure our customers and society respond wisely to these issues, Shinhan Financial Group will develop and provide new financial products and services that are suitable to the changing trends, thereby contributing to common prosperity.

**Second, we will reflect the Compassionate Finance in our business management system.**

In order for the Compassionate Finance to be realized in all customer contact points, it has to be dissolved into the business management system that supervises the organization with its core philosophy. We will work towards changing the business management system so that it pursues shared growth with the company, customers, and the society instead of just seeking short-term profits and growth.

**Third, we will become a global company with advanced sustainability management.**

In terms of entering into the overseas market, we will establish the foundation for growing together with local communities by localizing our operations from a long-term perspective rather than taking a short-term approach of making profits.

Since 2008, we joined the UN Global Compact and signed an agreement to comply with the 10 principles, including human rights, labor rights, environment and anti-corruption. In accordance with these principles, we review the achievements made each year.

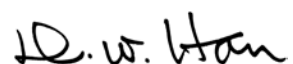
Also, we will create best practices for a world-class sustainability management as an exemplary company by proactively participating in global sustainable initiatives for the environment, including the Carbon Disclosure Project.

We think that the profits made by companies should be praised when it has gone far beyond its purpose to enhance the values of customers. Also, the sustainable growth of companies can only be achieved when there is a healthy development in the society as a whole where it has taken firm root.

From our customers, shareholders and citizens of local communities, we sincerely ask for your continued love and interest for Shinhan Financial Group, which is promoting sustainable growth by contributing to social development through our financial business and improving our customer values.

Thank you.

Chairman & CEO of Shinhan Financial Group  
Dong Woo Han



# Introduction to Shinhan Financial Group

## Customer-Oriented Financial Leadership

Shinhan Financial Group has taken all measures to continuously create stable profits and expand its profit structure under the new economic environment, including low growth, low interest rate, and regulations. Based on a balanced business line between the banking sector and non-banking sector, we perfected the core business base for each affiliate by utilizing the nation-wide channel network and customer base. Also, in order to increase the synergy of customer-oriented business, we expanded the new profit base by reorganizing the business organization of Wealth Management (WM) and Corporate & Investment Banking (CIB) into a matrix form focusing on the banking and securities business. Furthermore, we are striving to continually increase the profit margin of global business and also working on reducing expenses across the company at the group level. In the banking business, we are working towards maintaining the key profits by stabilizing interest income and bad debt expense. As for the non-banking business, we are striving to protect the profitability from the group's cash cow of credit card and life insurance.

## Stock information

	2012	2011
Average daily volume	1.2 billion shares	1.8 billion shares
Stock quotes (high mark)	47,000 KRW	53,800 KRW
Stock quotes (low mark)	33,350 KRW	36,150 KRW
Stock quotes (annual average)	38,850 KRW	39,750 KRW
Total asset of stock market (as of the end of 2012)	18.4 trillion KRW	18.8 trillion KRW
Shares accounted for in KOSPI (as of the end of 2012)	1.6%	1.8%
Dividends to shareholders	700 KRW	750 KRW
Total dividends	331.9 billion KRW	355.7 billion KRW

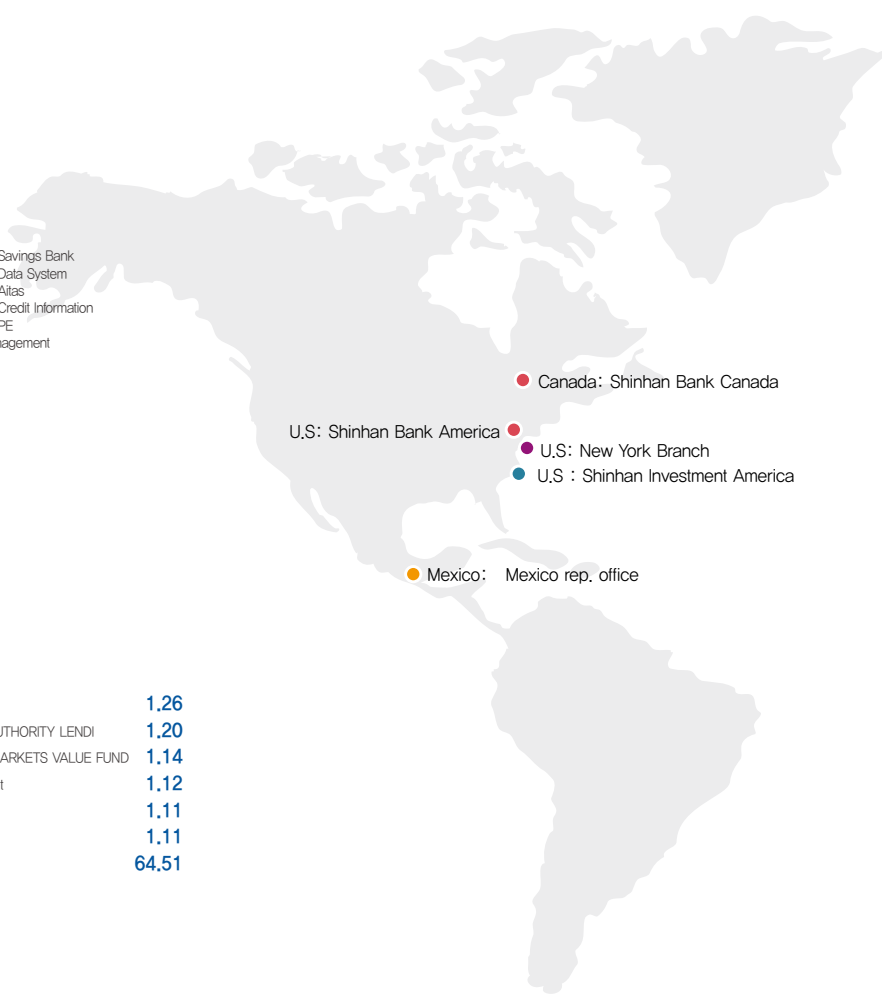
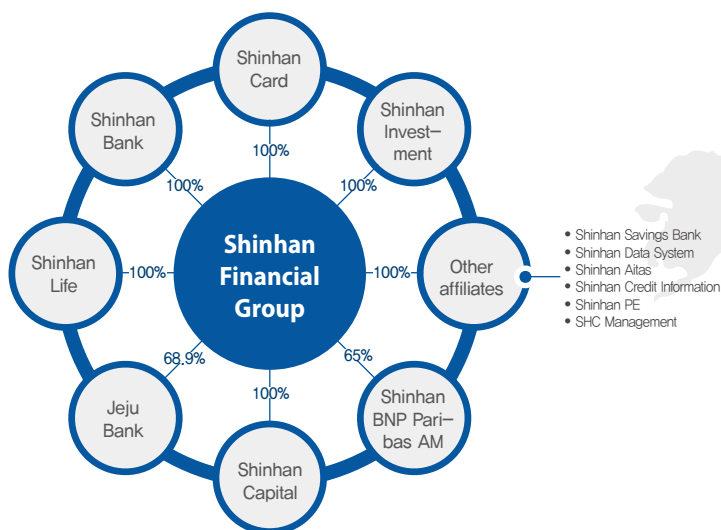
\*Dividend: common shares standard

## Overview of profit creation

(Unit: %)

Shinhan Bank	Shinhan Card	Shinhan Life	Others
63	27	7	3

## Overview of major group companies and their investment shares



## Overview of shareholders (common shares standard)

● Korea National Pension Service	7.28	● Mizuho	1.26
● BNP Paribas	6.35	● ABU DHABI INVESTMENT AUTHORITY LENDI	1.20
● SFG Employee Stock Ownership Association	3.96	● DIMENSIONAL EMERGING MARKETS VALUE FUND	1.14
● CITIBANK,N.A(ADR DEPT.)	3.74	● Samsung Asset Management	1.12
● Saudi Arabian Monetary Agency	3.31	● Samsung Life Insurance	1.11
● The Lazard Fund Inc.	2.22	● NORGES BANK	1.11
● The Government of Singapore	1.69	● Others	64.51

## SFG Heads into the World

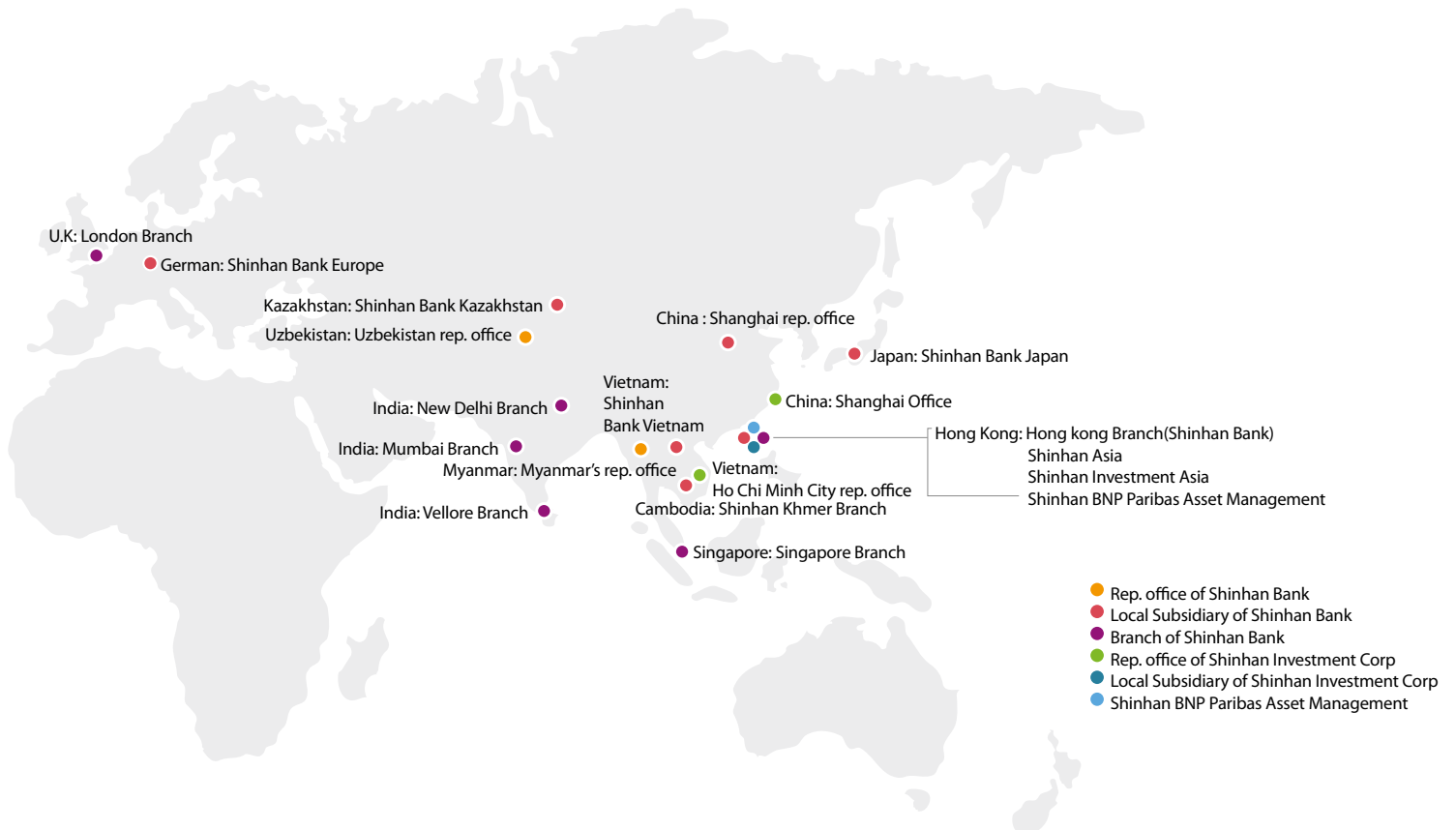
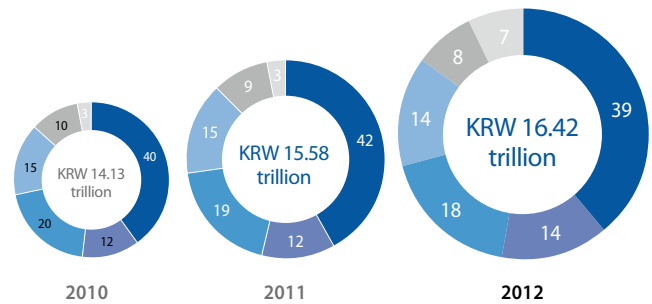
Shinhan Financial Group has continually worked towards expanding its overseas business despite the maturing domestic economy and global economic recession. Until now, we have 70 networks in a total of 15 countries, including Japan, China, Vietnam, US, India, Britain, Germany, Hong Kong, Singapore, Canada, Kazakhstan and Cambodia. In order to seek opportunities to enter into Myanmar's market, which recently opened their doors to foreign countries, Shinhan Bank has continually conducted monitoring and successfully established a representative office in Yangon, Myanmar in April 2013. In 2012, we expanded the branch network of 5 local subsidiaries, including Japan, Cambodia and China, to ensure continuous growth in the regions that have been entered into. As of present standard, we have altogether 65 overseas networks in 15 countries. Shinhan Financial Group plans to expand its overseas network through self-growth and acquisition in the Asian market with high market growth, by focusing mainly on the banking business. In the case of the non-banking business, including financial investment, asset management, credit card, and life insurance, we will take all measures to increase synergy by seeking ways to enter into the areas where the banking business has already entered into.

## Domestic & overseas network

	Shinhan Bank	Shinhan Card	Shinhan Investment	Shinhan Life	Jeju Bank / Others	Total
Domestic branches	970	41	104	199	85	1,399
Overseas branches	65	-	4	-	1	70
Total	1,035	41	108	199	86	1,469

## Assets of overseas network

Japan China Asia (excluding Japan and China)  
America Europe India

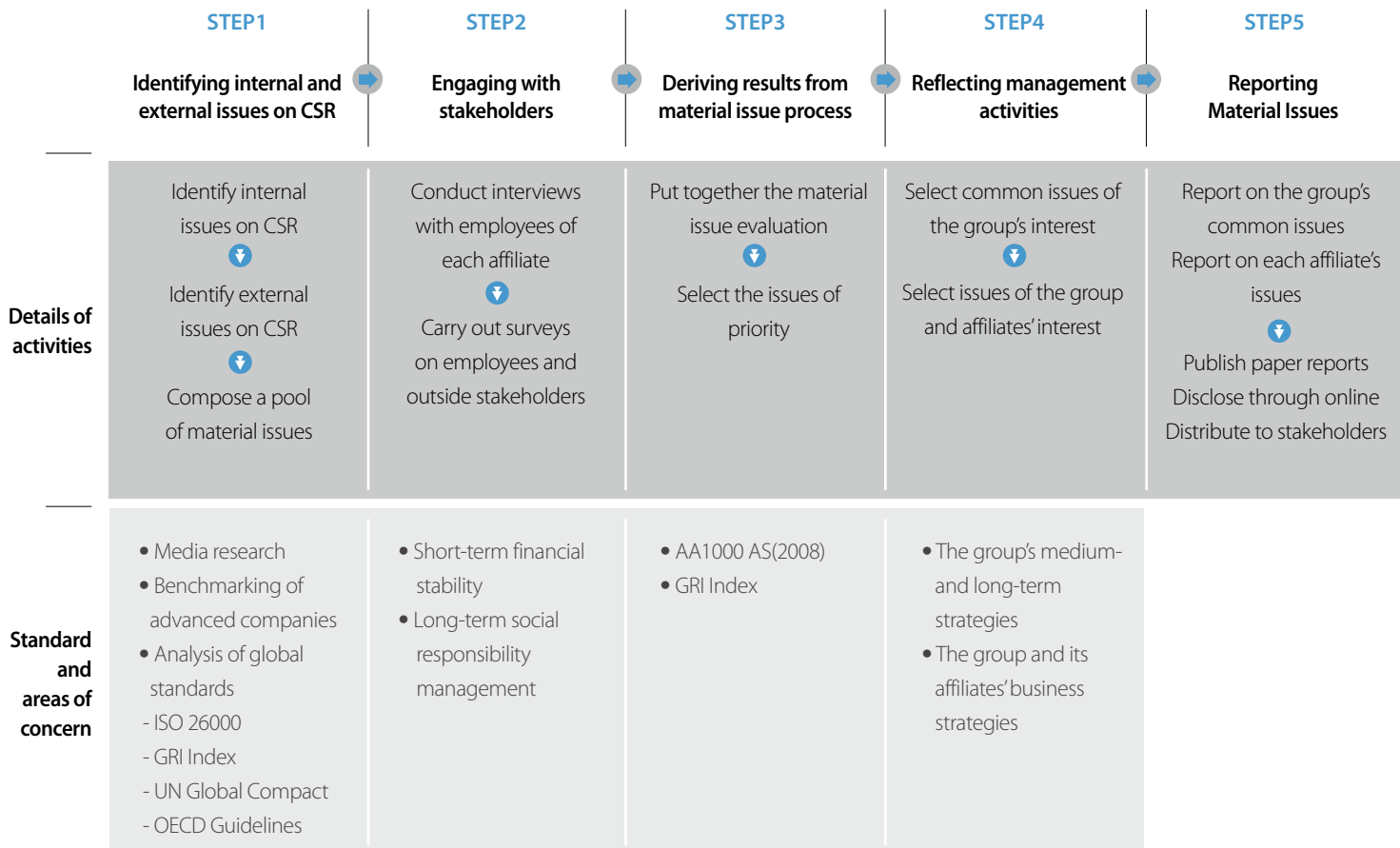


# Reporting Material Issues

Through the material test, Shinhan Financial Group makes integrated evaluation and response to the issues on environmental and social values demanded by our society, as well as the issues related to economic performances resulting from expanding business capabilities. Based on the issues, we fulfilled sustainability leadership focusing on stakeholders. Shinhan's material test are based on the group's value management system and implemented through the participation of a stakeholder group consisting of customers, shareholders, investors, partner companies, local communities, the government, academia and employees. Also, the result of material test is reflected in business activities and utilized in establishing strategies and policies for setting and achieving the group's social responsibility management goals.

## Shinhan's evaluation process for material issues

Shinhan's materiality test is implemented through indirect research methods, including the global standards for sustainability management, the benchmarking of global advanced companies and the media survey, and direct research methods, including the interviews with employees and the analysis of surveys. Afterwards, Shinhan Financial Group and its affiliates comprehensively evaluated the level of social concerns and business impacts to select 4 common issues and issues reported for each affiliate.



## STEP1. Identifying internal and external material issues

Shinhan Financial Group has identified a variety of CSR issues arising internally and externally in the group. We came up with 39 CSR issues in three areas by analyzing the media surveys, the benchmarking of advanced companies, the global sustainability management standards (GRI · ISO26000), and Shinhan Financial Group's internal CSR strategies.

Area of issue	Category	Material Issue	Standard for selecting issues				
			GRI	ISO 26000	Media research	Benchmarking	
Finance / Economy	Economic value	Actively enter into the global banking market	●		●	●	
		Improve the business profits through continuous innovation activities			●	●	
		Create synergy through merger and acquisition			●		
		Expand the development of SRI products				●	
		Create and distribute the economic values (example: sales, dividend, corporate tax, etc.)	●		●		
		Make efforts to secure competitiveness in the financial industry				●	
	Brand	Strengthen the brand competency				●	
		Acquire the customer trust on Shinhan brand				●	
	Products and services	Provide personalized products and services for customers				●	
		Develop products and services to increase social values	●		●	●	
		Promote on-line finance			●	●	
	Society	Employees	Facilitate close communication between employees				●
			Ensure job security to employees	●	●	●	●
Strengthen professional competencies of employees			●	●	●	●	
Manage a fair performance evaluation and compensation for employees			●	●	●	●	
Establish a sound labor-management culture			●	●	●		
Achieve a balance between personal and work life			●	●		●	
Partner companies		Make efforts to spread the awareness of shared growth to partner companies		●	●	●	
		Develop small and medium-sized enterprises through financial assistance			●	●	
Local communities		Implement social contribution activities that focus on the specific characteristic of financial business (financial economic education, etc.)			●		
		Actively invest on contributing to the development of local communities	●	●	●	●	
Customers		Make efforts to prevent money laundering and eradicate illegal transactions				●	
		Make efforts to improve customer satisfaction	●	●	●	●	
		Prevent infringement on the rights of financial consumers	●	●		●	
	Provide financial services of public interest for people who are financially deprived	●	●	●	●		
	Complement the system for safe financial transactions			●	●		
	Provide accurate financial information to customers			●			
Environment / Corporate Governance	Stakeholders	Facilitate communicate with stakeholders	●	●		●	
		Strengthen risk management for before and after selling financial products				●	
	Risk	Provide integrated risk management from economic, social and environmental perspectives	●			●	
		Strengthen compliance with ethics code and activities of ethical management				●	
	Ethical management	Strengthen activities that forbid bribery and promote anti-corruption			●		
		Conduct fair evaluation on the performance of board of directors	●	●	●		
	Corporate governance	Acquire the soundness of corporate governance	●		●	●	
		Environmental management	Increase expenses for environmental investment and environmental protection	●	●	●	
	Climate change	Establish the environment-friendly culture and spread internal awareness				●	
		Reduce greenhouse gas emissions and take interest in efficient energy use	●	●		●	
		Release financial products to respond to climate change and facilitate green culture				●	

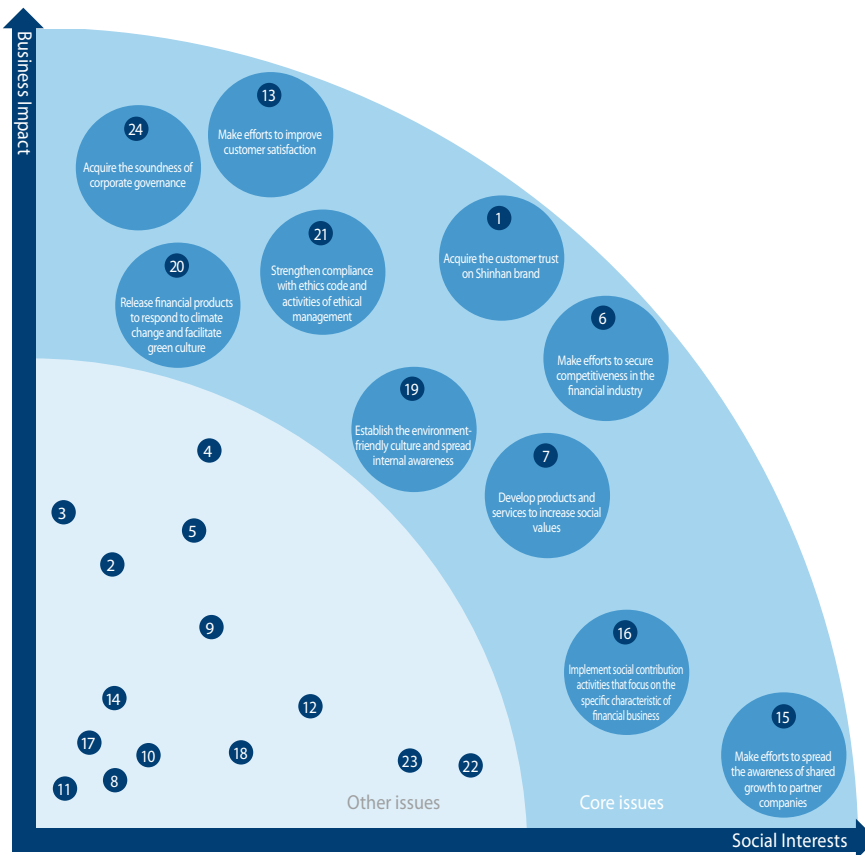


## STEP2. Engaging with stakeholders

Regarding the 39 CSR issues in three major areas that were identified through the process for investigating internal and external CSR issues, the group's working group on CSR primarily selected 24 issues of priority by evaluating on 'short-term financial stability' and 'long-term CSR'. Afterwards, the key areas of interest for stakeholders are produced through the second evaluation consisting of surveys and interviews with employees and external stakeholders. The stakeholder survey is conducted together with the surveys on the level of interests for Shinhan Financial Group and its affiliates. Altogether 1,323 participants in 6 major areas participated as stakeholders, including customers, shareholders, investors, partner companies, local communities, the government, the academic world and employees.

### Selecting issues for the stakeholder's interests (13 categories, 24 issues)

Area of issue	Category	NO	Material issue
Finance / Economy	Brand	1	Acquire the customer trust on Shinhan brand
	Economic value	2	Improve the business profits through continuous innovation activities
	Brand	3	Strengthen the brand competency
	Economic value	4	Create and distribute the economic values (example: sales, dividend, corporate tax, etc.)
	Products and services	5	Provide personalized products and services for customers
	Economic value	6	Make efforts to secure competitiveness in the financial industry (example: entry into overseas market, smart financial services, etc.)
	Products and services	7	Develop products and services to increase social values (example: Compassionate Finance, card that refund fuel taxes for light cars, etc.)
	Economic value	8	Expand the development of SRI products
Society	Customers	9	Supporting safe financial transactions
	Employees	10	Manage a fair performance evaluation and compensation for employees
	Employees	11	Establish a sound labor-management culture
	Customers	12	Provide financial services of public interest for people who are financially deprived (example: Smile Microcredit Bank)
	Customers	13	Make efforts to improve customer satisfaction (example: establishment of VOC system, customer evaluation system)
	Employees	14	Strengthen professional competencies of employees
	Partner companies	15	Make efforts to spread the awareness of shared growth to partner companies (example: support for the sustainability management of partner companies, etc.)
	Local communities	16	Implement social contribution activities that focus on the specific characteristic of financial business (financial economic education, free financial consulting, etc.)
Environment / Corporate Governance	Stakeholders	17	Facilitate communicate with stakeholders
	Environmental management	18	Increase expenses for environmental investment and environmental protection
	Environmental management	19	Establish the environment-friendly culture and spread internal awareness (example: energy saving campaign, internal education, etc.)
	Climate change	20	Release financial products to respond to climate change and facilitate green culture (example, Shinhan Energy Love Fund, disease protection insurance on the environment, etc.)
	Ethical management	21	Strengthen compliance with ethics code and activities of ethical management
	Ethical management	22	Strengthen activities that forbid bribery and promote anti-corruption
	Corporate governance	23	Conduct fair evaluation on the performance of board of directors
	Corporate governance	24	Acquire the soundness of corporate governance



### STEP3. Deriving material issue results

After conducting a material issue evaluation according to the urgency of business decision and the strategic importance for the future, the issues of stakeholder's interests are divided into Core issues and other issues. As a result, a total of 10 Core issues have been selected in the fields of economy, environment and society, including 'acquiring the customer trust on Shinhan brand', 'developing products and services to increase social values', and 'making efforts to spread the awareness of shared growth to partner companies'.

### STEP4. Reflecting business activities

The Social Contribution Committee, which is participated by the CEO of all affiliates, reviews the material issue results and use them as indicators for setting basic directions and goals for the overall corporate social responsibility (CSR) management, while also examining the group companies' progress updates on CSR management and consults on major issues.

Also, the goals for CSR management are agreed on at the business decision-making stage to be managed as the affiliates' major implementation tasks and the activity results are reflected in the management assessment for affiliates.

### STEP5. Reporting Material Issues

The overall corporate social responsibility (CSR) activities of the group is transparently disclosed to the stakeholders through the CSR Report and web reporting after going through the process of checking on the group's internal and external issues, inviting the participation of stakeholders, evaluating on material issues, and reflecting the management activities. The CSR activities conducted in 2012 regarding the issues concerning stakeholders are reported by dividing into the 4 integrated areas and the sustainability management governance areas, as shown below.

#### 2012 Reporting on CSR activities

Issue	Number of issue	Report area	Report page
Acquire the customer trust on Shinhan brand	1		
Make efforts to secure competitiveness in the financial industry	6	Compassionate Finance	20-25p
Make efforts to improve customer satisfaction	13		
Implement social contribution activities that focus on the specific characteristic of financial business	16	Social Contribution	26-33p
Develop products and services to increase social values	7		
Release financial products to respond to climate change and facilitate green culture	20	Environmental Management	34-39p
Establish the environment-friendly culture and spread internal awareness	19		
Make efforts to spread the awareness of shared growth to partner companies	15	Win-Win Management Partner Companies	40-43p
Acquire the soundness of corporate governance	24		
Strengthen compliance with ethics code and activities of ethical management	21	Sustainable Governance	79-84p



# Social Responsibility in the Group

Shinhan Financial Group is pursuing shared development with stakeholders by growing together with customers. We focus on our customers and local communities, while utilizing the professionalism of our employees to instill Compassionate Finance into our society everywhere.



01

## Compassionate Finance

Start of Compassionate Finance  
Strengthening of Compassionate Finance  
Implementation of Compassionate Finance  
Paving the Way for Shinhan

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02

## Social Contribution

SFG Social Contribution  
Social contribution utilizing the industrial characteristics  
Coexistence (welfare)  
Sympathy (culture)  
Symbiosis (environment)

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03

## Environmental Management

Sustainable Environmental management  
Response to Climate Change  
Resource and Energy Saving  
Promotion of Green Finance

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04

## Win-Win management with Partner Companies

Basic Principle of Shared Development  
Implementation of Win-Win Management  
Future Implementation Plan for Shared Development

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# 01 Compassionate Finance

“We will make the world a better place with the strength of finance.”

## Principle

‘Compassionate Finance’ means the Win-Win relationship of making the customers successful by thinking about customer values and ensuring customer protection. Furthermore, it can be seen as a growth of social community that fulfills social responsibilities and considers the socially disadvantaged or the neglected. We think that the values shared between customers and the company can both increase in the long run if everything is considered from the customer’s perspective before implementation.

## Objective

In order to realistically implement the Compassionate Finance, Shinhan Financial Group improved the system and infrastructure and expanded it as a corporate culture to strengthen communication with stakeholders, thereby realizing the Compassionate Finance within the financial industry to receive the consensus of our customers.

## Performance

3,282

In order to ensure the working class hoping to start their own business can easily receive the startup education, we carry out a company-wide program together with the professional institutions of small business startups. In the year 2012 alone, a total of 3,282 small business owners completed the startup education so that they can go on to see the light of new hope.

34.2

We provide preferential interest rates to customers who are experiencing temporary difficulties such as worsened financial conditions for mostly long-term loan customers. In the year 2012, a total of KRW 34.2 billion in interests were deducted from 4,275 cases.

328.2

The New Hope Spore Loan is a joint CSR product of the banking industry that increases the benefits of financial use for low-income and bad credit customers. We provided a total of KRW 328.2 billion in loans through 33,369 consultations on loans in 2012 alone.

58,404

We provided financial support to low-income working class customers by giving preferential treatment on commission fees for 58,404 cases in 2012.

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## Start of Compassionate Finance

### The standard of value that society demands from companies is changing.

As a result of increased social and economic polarization in our society, there is a growing awareness that sustainable growth is not possible without showing concerns to the underprivileged. Also, the values that our society demands from companies have changed. Instead of the paradigm of only seeking increased profits for the shareholders, there is a widespread perception that we should resolve all problems in society together and proactively accept the demands of stakeholders. Based on this, Shinhan Financial Group is implementing the Compassionate Finance to establish the foundation for sustainable growth by creating a warm consensus through the financial business with customers and the society.

### We dream of an abundant and warm-hearted society.

The motto of Shinhan Bank when it was established before the Shinhan Financial Group in 1982 was 'New, Fruitful, and Compassionate'. The meaning of 'New' was to establish a new standard in the Korean financial industry through different methods from other existing banks. 'Fruitful' means to create a sound and solid bank. 'Compassionate' means to contribute in making our society more abundant and warm-hearted society.

Shinhan Financial Group proposed a new management principle of Compassionate Finance by carrying on the spirit of the early stages of startups. The Compassionate Finance refers to striving to create customer values and ensure customer protection by considering customers as the partner of Win-Win management. It also means being considerate of the socially disadvantaged and fulfilling social responsibilities that meet the demands of the time. Shinhan Financial Group will implement its daily operations so that our customers and society can benefit from them instead of making them one-time participants that follow the recent trends, thereby gaining the trust of customers and building the foundation for customers to grow together.



Hope Finance Consultation Center

**We will follow sustainable growth as the spirit of the age through creating shared values.**

Since the global financial crisis, the speed of the global economy's growth has greatly slowed down. In the past when the speed of growth was faster and companies focused on growth, any side effects that emerged could be covered under the name of growth and development. However, if we continue to follow strategies that place the priority on growth when the growth has slowed, the side effects will increase exponentially. Therefore, it is necessary for companies to make fundamental changes that meet the spirit of the time, such as changing the management system and corporate culture that maximize growth and profits to achieve long-term sustainability. Also, by creating shared value (CSV) strategies should expand areas that can satisfy the company's economic values and the local community's social values, ultimately seeking ways to contribute to the society through financial business such as Compassionate Finance. Shinhan Financial Group will carry on the spirit of the early stages of startups 'making the world a better place through finance' to continue on the growth and success achieved so far. As a company that genuinely strives for customer's success and pursue shared growth with the country and society, we will become Shinhan Financial Group that brings warmth to all corners of our society, while also maintaining efficiency and profitability.

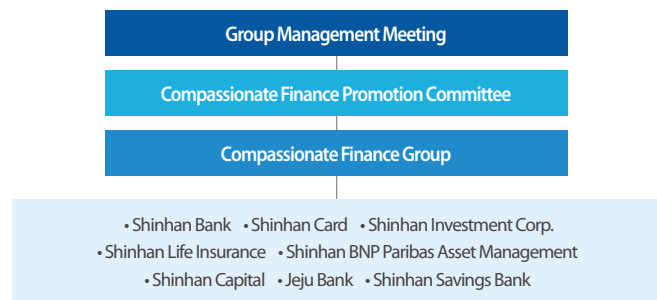


Announced the best practice at the 2012 Dow Jones Sustainability Index International Conference

## Strengthening of Compassionate Finance

**We will systematically implement the Compassionate Finance.**

Shinhan Financial Group established the 'Compassionate Finance Promotion Group' within the holding company and each group company selects and carries out implementation tasks that suit each company. Also, the 'Compassionate Finance Promotion Committee', which consists of executives of the holding company and group companies, regularly monitors and evaluates the activities being implemented, while also making reports on major implementation activities at the Group Management Meeting where the group's major issues are discussed.



**We will spread the internal consensus on Compassionate Finance.**

In order to establish a consensus with employees through communication, we added the Compassionate Finance section on the group's communication website (WAF) to receive suggestions from employees and share practical cases. Also, the holding company's 'Compassionate Finance Promotion Group' evaluates the level of understanding by employees through on-site visits and listens to external factors. The group's CEO also made efforts to communicate with the working-level employees by arranging an occasion to share his management philosophy on Compassionate Finance and narrow the space between him and the working-level employees. In addition, the importance of Compassionate Finance is engraved on the employees who are used to focusing on performances by actually reflecting them in the evaluation (CEO strategic tasks, etc.) to enhance execution.

Also, in order to implement the Compassionate Finance not just in Korea but to apply it in the Asian region, which is the group's strategic target market, we introduced the 'Shinhan Asia Quest Together with Compassionate Finance' to allow the group's employees to experience local cultures as well as provide opportunities for overseas CSR activities. Also, in line with the group's local subsidiaries, we had the meaningful time of participating in joint volunteer works and delivering donations.

# Implementation of Compassionate Finance

## We think of our customers as the partner for Win-Win management.

The Compassionate Finance places the top priority on creating customer values and ensuring customer protection by thinking of customers as the partner of Win-Win management, while also providing assistance to customers who are facing temporary difficulties. Along with this, Shinhan Financial Group is implementing various activities to provide assistance to the socially disadvantaged and the neglected.

## We implement the Compassionate Finance to be practiced in the field.

Shinhan Bank has introduced a consumer protection index that is reflected in the evaluation of sales offices so that the Compassionate Finance is implemented in the field and actually felt by the financial consumers instead of just remaining as a slogan. The consumer protection index establishes the overall customer-oriented thinking in consultation, sales and management and strategically manages the quality of service from the financial consumer's perspective. The results of measurement is reflected in the monthly evaluation of sales offices.

Shinhan Card plans to increase the number of companies on the shopping mall operated by our company's homepage to create shared values for society and pursue Win-Win management. Through these efforts, we will help the expansion of sales channels for small and medium-sized companies and utilize Shinhan Card's marketing resources to effectively support the marketing activities of small-sized merchants, thereby increasing the sales of small and medium-sized

companies on the shopping mall.

Shinhan Investment established an evaluation system for return on customer (ROC). Employees receive better evaluation and incentives if the ROC is higher, which motivates employees to bring out the success of customers. In 2012, the amount of return and profit was calculated and rewarded for offline management accounts each month. Shinhan Investment also holds the Talk-Talk Day to improve the customer's level of satisfaction for sales employees. The Talk-Talk Day is a preventive process that protects customers by contacting them when there is more than a 2% decrease (3% for two days) compared to the previous day as of the closing price standard.

In order to stress the importance of customers to its life planners and enhance the company's credibility to customers, Shinhan Life is implementing the Compassionate Happy Service as its key program. It provides an opportunity to bring compassionate insurance by providing details about the joined insurance product once again, checking on whether or not there is an insurance accident, and updating on customer information. Meanwhile, Shinhan Life offers a video footage of best practical examples from life planners and employees each month to promote the atmosphere of implementing the Compassionate Finance across the company.

## We will find the Compassionate Finance in our lives.

Shinhan Bank is striving to make the bank feel more comfortable for the working class by providing pictures that explain the complicated process of borrowing loans for small business startups and making

### Priority tasks for Compassionate Finance

Examination of all products and services provided	Head office	<ul style="list-style-type: none"> <li>Examine whether or not all products, services and sales processes provided to customers go against the values and profits of customers from the customer's point of view.</li> </ul>
	Sales office	<ul style="list-style-type: none"> <li>Examine whether or not the products being sold to customers go against customer values and adjust cases of violation.</li> </ul>
Adoption of customer evaluation group		<ul style="list-style-type: none"> <li>In the case of introducing a new product and service, collect opinions from the customer evaluation group consisting of customers who are highly related to the applicable product and service and reflect them in the process.</li> </ul>
Adoption of a risk review system from the customer's perspective		<ul style="list-style-type: none"> <li>In the case of introducing a new product and service, excluding the existing risk factors such as market, credit and operational risks, add a category to review the risks from the customer's perspective (risk factors, etc.) and manage them.</li> </ul>
Examination of all of the evaluation systems for sales offices and business groups		<ul style="list-style-type: none"> <li>Identify areas that need improvement and reorganize the evaluation system, such as evaluating factors and campaign methods that can damage customer values.</li> </ul>
Introduction of a system for analyzing the implementation of 'Compassionate Finance'		<ul style="list-style-type: none"> <li>Conduct internal analysis on the employees' level of understanding and efforts made for implementation on Compassionate Finance. (once every quarter)</li> </ul>
		<ul style="list-style-type: none"> <li>In the case of evaluating the brand value of Shinhan Financial Group and major group companies, evaluate the customers' level of satisfaction on Compassionate Finance. (once every year)</li> </ul>



visits to them in person. In particular, it is mandatory to take the startup education hosted by the Korean Federation of Credit Guarantee Foundations, but it was held at Shinhan Bank's head office so that the working class participants could receive the education more conveniently. These small efforts made from the customer's perspective were developed into a company-wide program together with the professional institution for small business startups. Until now, approximately 3,282 participants received the education on small business startups and approximately 1,000 small business owners received loans from Shinhan Bank.

In order to provide financial benefits for low-income customers who are facing temporary difficulties, [Shinhan Card](#) introduced a system that supports interest-free installments for hospital expenses, which exempts installment interests when a low-income customer is hospitalized for a long period of time and has to pay in installments due to the large amount. Also, various systems were implemented to provide financial support to help customers who suffered from disaster damages such as flooding in order for them to get back to their normal life.

[Shinhan Investment](#) provides professional knowledge on stocks, bonds and the global investment environment to university students through the Shinhan Finance Academy, which is a local community activity of sharing knowledge, as well as giving advice on how to prepare for job interviews. In the year 2012 alone, a total of 891 participants completed the courses at the Shinhan Finance Academy. Furthermore, a variety of volunteer works are voluntarily conducted by employees together with students, including giving baths to the elderly and providing free tutoring for households headed by a child bread-winner.

[Shinhan Life](#) is implementing the 'zero defect sales' throughout the entire process, including the initial stage of selling the product to the final stage of managing the contract. We introduced a system of quality management index to score the ratio of improper sales and the evaluation result of external private institutions so that customers can select products that they genuinely want through proper sales.

## We are considerate of the socially disadvantaged.

[Shinhan Bank](#) operates the 'Healing Program for Household Debts' as its representative activity that is considerate of the socially disadvantaged. It allows customers who find it difficult to get loans under normal terms because of changes in economic conditions, including sudden decrease in income, unemployment and the falling property prices, to adjust their repayment schedule to suit their repayment ability so that they can be financially independent. The Healing Program consists of real estate programs that target credit loan customers. We support customers through various programs to help customers get back on their feet.

In order to be considerate of customers with disabilities, [Shinhan Card](#) established and operated customized product and service processes. Messaging and consulting services are provided through the homepage, while we are Korea's only card company to provide sign language consulting services for citizens with a hearing disability. Also, we developed and released the world's first braille card for the visually impaired.

In the case where a visually impaired customer conducts securities transaction, [Shinhan Investment](#) is implementing the policy of giving preferential treatment on commission charges by deducting 50% of the brokerage charge based on the fact that they use the voice-screen ARS service or the counter because the HTS, which is an online securities transaction system with low commission charges, is restricted to them. We provide financial services for Win-Win development, including support for outstanding small and medium-sized companies and new growth engine companies, while also holding the Compassionate Finance Camp that targets middle and high school students by implementing the Compassionate Finance through the activities of talent donation.

[Shinhan Life](#) provides discounts on insurance premiums that target the socially neglected, including the low-income households, the disabled and the multi-child families. Also, we operate a system that grants a grace period for paying the insurance premium and repaying the principal and interest for customers who recently become unemployed or go out of business because of others or suffered from disaster damages. Since 2011, we donated a total of KRW 300 million in the company's name together with 1% of the monthly insurance premium from the children's insurances for children with cancer. Also, we are carrying out many meaningful programs of compassionate insurance internally and externally, such as giving 10% of the donation amounting to KRW 30 million to the children of low-income customers as medical expenses.



Reorganized the group company's homepage to improve web accessibility and convenience for the disabled

# Paving the Way for Shinhan

In 2012, Shinhan Financial Group established the mission of 'making the world a better place through the strength of finance.' Through this, we included the meaning of Compassionate Finance into the group's value management system.

For some time, Shinhan Financial Group has been implementing the business to focus on growth and profit, making it deeply rooted in the organization's system and culture. The management system that focuses on growth and profit can be seen in the evaluation system based on key performance indicators (KPI).

Gaining the trust of our customers and society is an important asset for financial companies. Instead of pursuing management focusing on growth and profits, Shinhan Financial Group will harmoniously connect the two pillars of growth and contribution through the management that gains the heart of customers by concentrating on social trust. Above all, all employees understand that thinking of customers first and achieving the company's growth together with customer's benefits is important, we established a scientific performance evaluation system to reflect in evaluating the growth of customer values and the ratio of return.

In this sense, we will do our best to incorporate the Compassionate Finance with the corporate culture. We will examine not only the evaluation system at the group level, but also the evaluation system based on the existing KPIs that covers all affiliates, business units and business scenes. It takes time to change the system and way of thinking which is deeply rooted in the organization. However, Shinhan Financial Group believes that this is the path that we should take and we will take it one step at a time.

## Implementation plan of Compassionate Finance for major group companies in 2013

Shinhan Bank	1. Facilitating the Compassionate Finance at worksite : Promote the culture of customer protection by newly establishing the Compassionate Finance Award for implementing the Compassionate Finance at worksite, identifying and managing the Compassionate Finance evaluation indicator, and newly appointing employees in charge of customer protection for sales offices 2. Implementing the support by emphasizing on the working class and small and medium enterprises : Promote the support for educating small and medium business startups by facilitating the Corporate Success Program (CSP), facilitating the support for the products of the New Hope Spore Loan and the Smile Microcredit Loan, and expanding the merger with the Small Enterprise Development Agency
Shinhan Card	1. Establishing and implementing Shinhan Card's theme by clarifying the concept of the Compassionate Finance and its scope of implementation 2. Implement the Compassionate Finance in full scale through complementing and reinforcing the implementation system for Compassionate Finance
Shinhan Investment	1. Expanding shared growth with customers by enhancing the return on customer (ROC) and managing assets 2. Reorganizing customer-oriented systems and processes and internationalizing the organizational culture 3. Developing and expanding the representative products and services that symbolize the Compassionate Finance 4. Being considerate of the socially underprivileged and implementing social responsibilities
Shinhan Life	1. Improving the system and infrastructure to strengthen implementation in the field -Establish the compassionate insurance award system and operate an evaluation system for internalization 2. Identifying best practical examples and establishing the process for promotion 3. Strengthening on-site communication -Strengthen the communication between the management and on-site employees and develop products and services exclusively for the disabled

## CASE STUDY

### Little efforts made from customer's point of view will give them hope.

Sometimes there are cases where customers having financial difficulty come for loan consulting. At times like this, we recommend 'Shinhan New Hope Spore Loan' as a micro-loan product, but there are many customers who are unable to receive the loan because they don't meet the requirement. Mr. Nae Gil Kang, who is a senior manager, thought about ways to help these customers who have difficulty getting loans. He introduced various products that suit the customer's situation from other financial companies even if they might be from Shinhan Bank. A study was conducted on all types of micro-loan products and the applicable requirements to be drawn up in the order of priority listing the most appropriate loan product for the customer's situation. As a result, customers could receive the appropriate benefits even if the product may not be from Shinhan Bank. This shows the attitude of implementing Shinhan's meaning of Compassionate Finance, which provides the opportunity for customers to be successful by thinking from the customer's perspective.

## 02 Social Contribution

“We will enjoy together, grow together and protect together.”

### Principle

Together with all affiliates of the group, Shinhan Financial Group is participating in the activities for growing together with local communities. The three themes include ‘coexistence’ for the socially disadvantaged and the vulnerable group, ‘sympathy’ for preserving the traditional values and cultures, and ‘symbiosis’ for awakening the importance of the environment. We are making continuous efforts to become a global financial leader that fulfill social responsibilities by planning diverse programs participated by the employees of group companies, as well as customers and partner companies.

### Objective

Shinhan Financial Group will continually strive to become a company that contribute to creating a healthy society by fulfilling the company’s social responsibilities and roles demanded by customers, shareholders and local communities, thereby growing together with local communities.

### Performance

45.1

Smile Microcredit Bank has made efforts to enhance the working classes’ accessibility to finance, KRW 45.1 billion of smile microcredit finance to 2,805 cases until the end of 2012, which was the largest size in the financial industry.

131.3

In order to increase the contribution to society by providing actual help to local communities and the working class, Shinhan Financial Group has been carrying out a variety of social contribution activities by investing KRW 131.1 billion in 2012.

65,619

Shinhan Financial Group’s volunteer group of employees voluntarily participated in volunteer works. A total of 65,619 employees participated in volunteer works and the total number of hours spent on volunteer work was 209,552 hours.

21,352

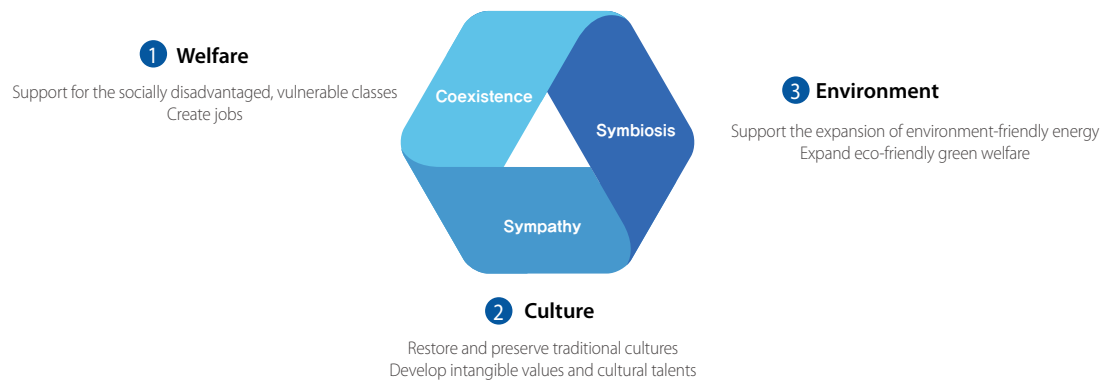
Shinhan Financial Group provided a differentiated financial education to 21,352 persons who needed financial and economic knowledge with the Financial and Economic Education program, which contributes to society through the financial business.

# Shinhan Financial Group's Social Contribution

Shinhan Financial Group has been striving to achieve sustainable growth under the corporate mission of 'making the world a better place with the strength of finance'. In order to fulfill the social responsibilities as a corporate citizen, we will implement differentiated social contribution activities by selecting three major areas of implementation for the social responsibility management, including coexistence (welfare), sympathy (culture), and symbiosis (environment).

## Basic philosophy of social contribution

- ① **Coexistence** : fulfilling corporate responsibilities through the support for the socially disadvantaged and vulnerable classes
- ② **Sympathy** : making social communications through the preservation of traditional values and cultures
- ③ **Symbiosis** : fulfilling the obligations of humanity through the awakening of the importance of the environment



## Implementation system of social contribution

In order to efficiently implement social contribution activities at the group level, we are operating the Social Contribution Committee participated by the CEOs of all affiliates, which is the group's top decision-making body on social contribution. The Social Contribution Committee decides on the company-wide plans and basic directions for corporate social responsibility (CSR) management, including sustainability management, social contribution, and environmental management, and reviews the achievements made. Also, we have a systematic decision-making structure by establishing the Social Contribution Divisional Committee within the 'Shinhan Management Forum', which is the group's business strategy meeting, and operating it with the executive of all officer in charge of CSR. In addition, we reflect the CSR activities in the management evaluation of our affiliates, providing the foundation for the culture of implementing social contribution to be deeply rooted.

### Implementation system of CSR



Shinhan Financial Group <Social Contribution Committee>

## Social Contribution Utilizing the Industrial Characteristics

### We share financial knowledge under the name of Shinhan.

Shinhan Financial Group is implementing the group's representative social contribution program of 'Financial and Economic Education', which contribute to society through our financial business. By sharing the financial company's experience and know-how to people who need financial and economic knowledge, we contribute to the development of our society. Also, we further strengthen the group's business foundation by securing the trust of our customers and society from the long-term perspective. Furthermore, we aim to establish the foundation for strengthening the nation's financial competitiveness for the future.

Shinhan Financial Group has established the following as the implementation direction for the Financial and Economic Education: targeting the future generation of elementary, middle and high school students and the retired generation of the elderly; implementing a differentiated experience education; and utilizing the facilities and manpower in the group and local communities for the education. In March 2012, we established a task force team, which was participated by Shinhan Financial Group, Shinhan Bank, Shinhan Card, Shinhan Investment and Shinhan Life, to develop financial and economic education programs and implement programs for piloting education by selecting and developing applicable lecturers. In June 2012, we declared the start of the group's financial and economic education both internally and externally through the lecturer ceremony to begin the education in full scale starting from July.

### We implement a differentiated financial and economic program.

Shinhan Bank is implementing the Shinhan Financial Experience Class for Children, which is Korea's first experience education for children by opening the bank's sales offices. By opening the bank's sales offices during the weekend for the experience education, we provide a better understanding of financial and economic knowledge that children might find difficult to understand. Children get to experience a variety of financial and economic activities at the bank's sales offices, including performing bank operations such as the automated teller machine, installment savings and foreign exchange, using credit cards, dealing in stocks, and joining insurance, which enhances the engagement level and educational effectiveness. Approximately 20 employees participated in the process as lecturers and volunteer workers to truthfully implement the educational activities, while a website ([www.beautifulshinhan.com](http://www.beautifulshinhan.com)) was made exclusively to strengthen the

convenience of applying for the education. Meanwhile, due to the increased demand for the education, we expanded the infrastructure for the education, including increasing the venue and region for the education and hiring more lecturers.

Shinhan Card has been implementing the education-based project by constructing the Arumin Library in approximately 300 regions across the nation to improve the poor reading environment and learning spaces of community child centers. In addition, Shinhan Card has implemented the Arumin Financial Class for elementary school students of community child centers to provide a better understanding about finance and focus on providing hope for a better future.

Shinhan Investment has received positive responses by implementing the Compassionate Finance Camp for middle and high school students. The youngsters who participate in the camp receive economic education by using games like the golden bell challenge and boards and visiting major divisions of Shinhan Investment, including the trading center. The Compassionate Finance Camp has been implemented on a regular basis after signing a MoU between Shinhan Financial Investment and Nambu District Office of Education, Seoul in April of 2012.

Shinhan Life is implementing a Happy Silver Financial Class for the elderly. It is for the retired citizens of more than 60 years of age where education is provided by visiting approximately 240 senior welfare services centers. It has established itself as an exemplary program for the elderly as we live in an era of living until the age of 100 by providing education on information needed in real life for the retired citizens, including voice fishing, safe financial transactions, real estate, inheritance and donation. In addition, opportunities are given to the retired citizens to provide volunteer works for society by utilizing their long years of experience and know-how to develop them into lecturers.

Shinhan Financial Group has provided education for a total of 21,352



Shinhan Bank <Shinhan Financial Experience class for children>

participants in the year 2012 alone through the programs of 4 major affiliates, including the program on financial education for young people and the program on financial education for the North Korean defectors. Also, more than 200 employees and retired branch heads participated as consultants and lecturers by donating their talents. In particular, Shinhan Financial Experience Class for Children was participated by more than 200 employees as volunteer workers.

### Future plan

In order to turn the financial and economic education into the group's representative social contribution activities as it has established itself as a truthful program utilizing the industry characteristics, the four group companies, including Shinhan Bank, Shinhan Card, Shinhan Investment and Shinhan Life, and other group companies plan to develop and implement differentiated financial and economic education programs that emphasize the strengths of each company. **Shinhan Bank** will increase the number of persons receiving the education to be more than 3 times that of 2012, while also planning to gradually expand the lectures held during the school vacations in the Seoul metropolitan area and Busan to other areas. **Shinhan Card** will continually upgrade the program by expanding the education to 30 community child centers from 10 community child centers in 2012, while also developing textbooks utilizing game characters to improve the engagement level. **Shinhan Investment** increased the size of the education program by more than three times that of 2012 and also added 20 lecturers. **Shinhan Life** plans to expand the subjects for receiving the education to include adults who are preparing for retirement in the Happy Silver Financial Class. Besides this, Shinhan Data System plans to hold the Do Dream Informatization Class a total of 24 times, while Shinhan Credit Information also plans to educate a total of 400 individuals by holding the Senior Happy Center twice a month.



Shinhan Bank <Small-Loan Finance Consultation Event>

## Coexistence (welfare)

### We support the self-support of the financially citizens. (Shinhan Smile Microcredit Bank)

Shinhan Smile Microcredit Bank was established in December 2009 to support the self-support and financial independence of the financially marginalized citizens. Based on the funding of KRW 70 billion, which is the largest amount in the financial industry, and the nine branch networks across the nation, we strived to improve the financial accessibility of the working class, including supporting smile microcredit loans of approximately KRW 45.1 billion to 2,805 cases until the end of 2012. In addition to the 'FLY Multi-Child Family Support Loan (2010)' and the 'Shinhan Freight Business Support Loan (2011)', the 'Disabled Self-Support Loan (2012)' was introduced, which supported the self-support and financial independence of the disabled. Also, we continually developed specialized new products together with various occupational organizations that needed the support of microcredit loans.

### We start the 'financial healing' for the working class by providing financial products and services to them.

**Shinhan Bank** supported the New Hope Spore Loan of KRW 328.2 billion, which is the largest amount in the financial industry in 2012, to expand the benefits of using financial institutions for the financially marginalized citizens, as well as released the 'New Hope Dream Loan', which is Shinhan Bank's own product of medium interest rate for the working class, to provide a wide variety of financial benefits. Also, in order to support customers who are suffering from the difficulties of excessive debts, Shinhan Bank implemented the 'SHB Household Debt Healing Program' to support customers in the normalization of debts through lowering loan interest, suspending interest, and transferring to installment repayment, thereby establishing an exemplary example of financial institution's autonomous free system. Meanwhile, the largest number of financial foothold branches (3 branches) and financial counters (20 counters) exclusively for the working class were established for the first time in the financial industry, which conveniently provided financial consultations. In the case where the customer of 'New Hope Care Spore Loan' experienced an unexpected accident (injury, fatality, etc.), a variety of differentiated service is provided, including the New Hope Care Service, which release the person from the debt, and the Comprehensive Credit Management Service, which support autonomous credit management.

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## **We are there for the revival of the working class and the small and medium-sized enterprises. (Exemption of commission / Corporate Success Program)**

Since September 2011, **Shinhan Bank** has been providing the benefit of exempting various commissions for the socially disadvantaged and financially marginalized citizens as part of the implementation tasks of the Compassionate Finance. Among the recipients of basic living, the lower income family, and the New Hope Spore Loan Customers, we provide the benefit of exempting commissions for single-parent families, multi-child and multi-cultural families, and providers of a parent of more than 60 years old. Starting from 2012, we expanded the benefit to include families of national merits and independent patriots to exempt the commissions of counter remittance, CD/ATM and internet / phone banking. Meanwhile, the corporate success program (CSP) is one of the representative tasks of the Compassionate Finance, which selects companies have outstanding sales and technology capabilities but are experiencing temporary liquidity crisis to provide the following benefits: supporting new fund, suspending loan repayment, reducing interest rates, providing management diagnosis consulting, and providing management information. As a program that helps with the normalization of management, this program provided financial support and additional services of KRW 285 billion for revival and self-support against 220 companies in 2012 alone.

## **We contribute to resolving youth unemployment by creating jobs at small and medium-sized enterprises. (JOB S.O.S II Project)**

Shinhan Financial Group is providing the hope of life by introducing outstanding talents to small and medium-sized enterprises and creating jobs for young job seekers. The project for creating jobs at small and medium-sized enterprises is implemented to give help in resolving youth unemployment at the national level. In 2009, based on the KRW 37 billion established through voluntary return of salaries by employees, we implemented the JOB S.O.S (Sharing of Shinhan) 4 U Project to create regular jobs for a total of approximately 3,000 persons at small and medium-sized enterprises and create over 150 jobs as accounting specialist for social enterprises. In line with this, starting from 2010, we conducted the JOB S.O.S II Project, which is a Win-Win management program based on a fund of KRW 56.4 billion to develop its exclusive financial products like JOB S.O.S Hope Savings Account and Hope Installment Saving and support KRW 300,000 each month for new employees who are hired by approximately 1,600 small and medium-sized enterprises for 3 years. Shinhan Financial Group succeeded in creating 5,000 new jobs at small and medium-sized enterprises through this program. Also, in order to contribute to

securing the continuity of employing persons for small and medium-sized enterprises, we invested KRW 1 billion annually starting from 2012 to link high school graduates, junior college graduates and university graduates who are unemployed with Best Companies, which are outstanding small and medium-sized enterprises selected by the Small and Medium Business Corporation. Also, we provided support fund to companies that maintained the employment for certain periods, while we are implementing the 'Best Company-Best Employee Matching Project', which provides the opportunity to visit outstanding overseas companies to employees and corporate mentors.

## **We help develop the dreams and hopes of young people. (Shinhan Scholarship Foundation)**

Shinhan Financial Group is supporting students with difficult living conditions but have outstanding academic records to develop them into national pillars. In 2006, we established the Shinhan Scholarship Foundation (<http://www.shsf.or.kr>) to provide scholarship of KRW 10.9 billion to a total of 2,930 persons. Currently, the contribution of the foundation amounts to KRW 100 billion from 7 affiliates. Besides the general scholarship project, we support the mentoring scholarship project of providing scholarships and learning opportunities by linking mentors and mentees between outstanding low-income university students and high school students. Also, we implement a variety of projects, including the scholarship project for the children of policemen who died on duty and the scholarship project for the children of firemen who died on duty. In 2012, we supported scholarship of KRW 3.18 billion to a total of 745 students. In order to fulfill our corporate social responsibilities, we will continue to implement the group's Compassionate Finance and take all measures to provide opportunities to more students.

## **We implement volunteer activities together with the local communities.**

In order to spread the warm-heartedness and communicate positively with local communities, the employees of Shinhan Financial Group participate in talent donation activities and volunteer works. In 2012, a total of 65,619 employees participated in volunteer works and the total number of hours for volunteer work activities was 209,552 hours. In April 2010, Shinhan Financial Group established the Shinhan Financial Group Volunteer Group, which consists of the employees of all affiliates, to actively carry out volunteer activities across the nation. Starting from 2008, in April and May of each year, we held the Volunteer Work Festival participated by all affiliates to implement Win-Win activities that provide actual help to local communities and citizens. Meanwhile, we are also planning and implementing volunteer activity programs that are not

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only participated by employees, but also by customers and partner companies. As part of the Win-Win plan for partner companies, Shinhan Financial Group and Shinhan Bank are implementing the volunteer activity programs together with partner companies.

**Shinhan Card** is operating a customer volunteer group where customers can participate voluntarily by using Shinhan Card. Since 2011, various activities have been implemented by forming an overseas volunteer group of university students to take part in cultural exchange programs and establishing libraries for Vietnam together with COPION. Also, we are participating in overseas medical volunteer activities and improving the health of patients from the financially marginalized citizens by signing a donation agreement with major hospitals across the nation. In 2013, we further increased exchanges with local communities as a leading and exemplary corporate citizen, while also planning to strengthen our social contribution activities focusing on local communities to resolve relevant issues.

In order to take the lead in realistic and efficient volunteer activities for local residents by succeeding the 'sunulum spirit', which is Jeju's mutual help spirit, **Jeju Bank** has led in creating a happy world together with local communities by establishing the 'Jeju Bank Volunteer Group' in 2003.

### **We will create a donation culture together with our employees and customers.**

We actively implement the voluntary donation activities of employees. In 2012, the total amount donated by employees was KRW 2.6 billion where employees participated in donation through the activities of the Employee Salary Donation and the Fund-Raising Campaign, achieving a warm-hearted communication by supporting the donated money with the financially marginalized citizens.

Since 2005, **Shinhan Bank** strived to create a donation culture where employees can participate voluntarily by making the 'love click' on the social contribution website of 'Beautiful Bank', which is allows employees to make small donations. Starting from 2010, we reorganized the regular donation program for the year to increase the participation of customers and the general public, while also joining hands with Happy Bean Foundation to make contributions to local communities. As a result, we donated approximately KRW 1.1 billion to over 210 institutions and beneficiaries from 2005 till now. As of March 2012, all employees donated KRW 10,000 per month from their salaries through labor-management agreement to support the neglected classes by implementing the project of 'Meeting Shinhan Family (sharing the donation of KRW 10,000)'. Also, we contributed to the promotion of donation culture by encouraging the netizen's participation through the

internet. Meanwhile, the 'Beautiful Sharing and Companion' operated every week through Facebook became a channel that created a consensus on netizen's donation and allowed them to make donations easily. Along with this, in order to support low-income classes through cooperation with the government, Shinhan Bank, which participated as an entity in the program for running accounts of child development account (CDA), released the CDA fixed deposit that is a public-purpose donation product. It sponsors the children from low-income classes by contributing 0.2% of the amount given by customers under the bank's name, while approximately KRW 4 billion has been donated as of 2013 through the regular sponsorship on a monthly basis participated voluntarily by over 7,000 employees.

In order to establish a donation culture of small amount and many participants for customers, **Shinhan Card** has made a donation exclusive card 'Beautiful Card' in 2005 and an exclusive website for donation 'Arumin (arumin.shinhancard.com)', which were both the first of its kind in the Korean financial industry, to raise donation of approximately KRW 4.2 billion until the end of 2012. It was evaluated as best practices of promoting donation culture in the financial industry. Also, we donate medical expenses for patients of rare and incurable diseases through the employee donation program Love Savings Account (automatically donates KRW 10,000 per account from the salary) and the donation of fractions of salary.

**Shinhan Life** held an event of 'Sharing Compassionate Happiness' through Facebook. It was held to support living expenses urgently needed by the children of low-income classes. For every click made through Shinhan Life's Facebook agreeing to participate in the sponsorship, you accumulate KRW 1,000, and as of the end of 2012, a total of KRW 10 million has been collected as donation. Also, Shinhan Life holds the My Kids Campaign that regularly sponsors children who look like you in the global village together with the World Vision. You can find the matching child who looks like you through the smartphone application to provide regular sponsorship to the My Kids Campaign. Until now, KRW 15 million has been collected as regular sponsorship, which will be continuously donated to 400 children who need love living all over the world.



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## Sympathy (Culture)

### We will take the lead in spreading the culture and art of local communities.

As [Shinhan Bank](#) considers the value of the 'past' to be important, it has continually implemented activities that preserve and promote traditional cultures through various programs, including the Cultural Heritage Love Campaign, Cultural Heritage Protection Activity, Experiencing Intangible Cultural Asset and Traditional Cultures and Palace Protection. In 1997, we established the Shinhan Museum, which is Korea's first museum exclusively for financial history. Based on a total of approximately 6,400 relics and financial data, we held regular and special exhibitions and operated a variety of educational program. Also, the Shinhan Gallery Gwanghwamun and the Shinhan Gallery Yeoksam located in Gwanghwamun and Yeoksam, respectively, held contests and special exhibitions to support the artistic activities of young and prospective artists, which are always opened to the public for free of charge. Meanwhile, we led the promotion of culture and art in local communities by conducting the Art Experience Program.

### We find promising classical musicians and support their development.

Since 2008, we searched for promising classical musicians and supported their development by establishing the 'Shinhan Music Award', which is the first of its kind in the financial industry for music talents. The Shinhan Music Award is a new concept of corporate mecenat activity that was established for the first time in the financial industry to find promising classical musicians and develop classical music. Starting from the 2nd Shinhan Music Award, a total of 4 areas were evaluated under the concept of searching for classical music talents of below 19 years old raised in Korea, including violin, piano, cello, and vocal music. The winner of each area attracted a huge attention with differentiated benefits, including KRW 16 million of scholarship and special short-term training at famous overseas music schools. In 2012, we successfully hosted the 4th Shinhan Music Award, which began to get the evaluation as the gateway for classical music in Korea by people in relevant fields. Therefore, it is expected that the Shinhan Music Award will play a pivotal role in bringing the Korean music world to global standards. In addition, we continually supported various cultural events, including concerts, recitals, musicals, operas, essay contests, sketch contests, original children's song contests, and the Great Mountains International Music Festival.

### We provide a safe and pleasant reading environment for young children.

As part of the efforts to resolve educational gap and develop future generation, which have become huge issues in our society, [Shinhan Card](#) has continually implemented the representative social contribution program Arumin Library since 2010. The Arumin Library is aimed to help holistic self-development by providing high-quality books that can set the foundation for the future to children who have less educational opportunities. Since the first opening ceremony for the library was held at the Happy Community Child Center in Miseong-dong, Gwanak-gu of Seoul, a total of 291 Arumin libraries were constructed in 231 locations in 16 cities across the nation. The Arumin Library provides children who have insufficient reading materials to get more books and education, while the environment-friendly learning spaces allow children to read books in a more safe and pleasant space. Also, starting from 2012, we introduced the University Student Book Mentor to implement a reading guidance program to enhance interest on books and improve correct reading habits based on the infrastructure of Arumin Library, thereby implementing an upgraded social contribution program that integrated the hardware of library with the software of reading guidance.

### We invite you to experience Silla culture.

[Shinhan Life](#) sponsors the expenses needed to make the leaflets for the chronology and culture experience hall of Silla to invite more domestic and foreign visitors to the Silla Cultural Center located in Gyeongju of Gyeongsangbuk-do, which is regarded as national treasure. As a social enterprise of the Ministry of Labor and Employment, Silla Cultural Center has been operating two places, including the Silla culture experience hall and Gyeongju's old house, to generate jobs for the neglected.

### We find and support outstanding hopefuls of Jeju athletes.

[Jeju Bank](#) is actively participating in the supporter activities of outstanding hopefuls of Jeju athletes. In order to develop outstanding athletes, we support KRW 30 million each year, and also sponsor incentives separately for Jeju athletes who are participating in various domestic and international sports events, including the National Sports Festival, the National Disabled Sports Festival, and the National Junior Sports Festival. Jeju Bank will continue to support the athletes so that outstanding hopefuls of Jeju athletes can develop into athletes who can proudly represent Jeju.

## Symbiosis (Environment)

### We implement diverse activities for environmental conservation.

Since 1994, **Shinhan Bank** has instilled environmental awareness through art by holding the National Environmental Photo Contest each year. Also, we implemented environmental improvement projects that communicate with local communities at 35 locations by focusing mainly on the Seoul metropolitan city through the project for creating 'Hanpyeong Park' using leftover lands in the city. We promote green welfare to the financially marginalized citizens across the nation by implementing the 'project for creating sunlight generation facilities and rooftop gardens inside welfare facilities' and the 'project for creating forests inside welfare facilities'



Shinhan Bank < National Environmental Photo Contest >

### We will protect the natural environment of Namsan together with the citizens.

**Shinhan Card** has actively participated in protecting Namsan, which has the vital force of the Korean people. Starting from 2011, the Namsan Caring Program has worked towards looking after the beautiful Namsan Area to turn it into a space for citizens to enjoy by visiting Namsan's outdoor botanical garden on Saturday of each second and fourth week of each month to pick up fallen leaves, laying composts and clearing away the snow. In particular, employees participated in the volunteer activity together with their families, which brought a new meaning about Namsan and helped them focus on caring for nature. Recently, in order to remove harmful plants in Namsan, the employees and their families continually carried out the Namsan Plant Protection Activity during the period when harmful plants grow intensively.

### We will protect the 'Clean Jeju' as the world's environmental capital.

**Jeju Bank** is implementing a variety of environmental cleanup activities to make the 'Clean Jeju' as the world's environmental capital. Approximately 9,000 participants participated in the 'Jeju Bank Purumi Campaign', which has become a pure nature loving campaign, in a total of 71 times as of the end of 2012. In order for Jeju to be selected as the 'New 7 Wonders of Nature' and successfully host the World Conservation Congress in Jeju, we implemented various activities to preserve Jeju's environment with our employees everywhere in Jeju, including the environmental cleanup and promotion activities, the One Group One Care (Bukoreum: located in Donggwang-ri), the Sea Care Activity, the Gotjawal Expedition Activity, and the activities for recovering and cleaning up the areas damaged by typhoon.

### We actively participate in the 'One Group One Oreum Care Campaign'.

As part of the 'One Group One Oreum Care Campaign' that is implemented by the Jeju Special Self-Governing Province, **Jeju Bank** is implementing the environmental cleanup activity once a month on a regular basis at Bukoreum, which is located in Donggwang-ri, Hangeong-myeon. In order to care for the valuable oreum of the Clean Jeju, we cleaned up weeds and wastes in surrounding areas and restored the fallen expedition road, while also continually implemented the activities of placing ribbons on labled, 'Oreum Sarang for Preventing Forest Fires', to awaken the importance of preventing forest fires. As a result of Jeju Bank's active oreum care campaign, it was the only company to receive a participation award for the environmental evaluation (held in 2013) of the 2nd One Group One Care Campaign hosted by the Jeju Special Self-Governing Province.

## CASE STUDY

### We participate in creating clean environment.

In order to make a beautiful world, we are implementing a variety of programs for environmental preservation, including holding the campaign for collecting used mobile phones and holding the annual comprehensive business performance assesment ceremony with carbon neutrality. Also, due to the compliance and participation of international environmental treaties, including UNEP FI and CDP, we pursued global standards. Meanwhile, we are actively participating in the public interest campaigns related to the environment based on joining as a member of the Climate Change Center, establishing carbon inventories, implementing energy saving campaigns, and developing and providing products and services related to the environment.

# 03 Environmental Management

“We communicate with the environment through finance.”

## Principle

Shinhan Financial Group understands that environmental problems have an important impact on the sustainable development of a company. Therefore, we have actively minimized the greenhouse gas emissions through efficient use of resources and energy, manage green financial products by supporting the green industry and green lifestyle, and strengthened the green communication with stakeholders.

## Objective

Shinhan Financial Group will become a green leader in the financial industry by establishing an implementation system for Environmental Management to achieve society’s happiness and the group’s sustainable growth, while also expanding the group’s green synergy products and services.

## Performance

800

In order to facilitate the new growth market of green industries, we released the ‘New Green Company Loan’ to provide financial support to green companies and other companies in the new field of green industries, which supported about approximately KRW 800 billion as of the end of 2012.

9,594

We released the packages of ‘Green Love’, including the ‘Green Love Energy Fixed Deposit Account’ and the ‘Green Love Life Installment Savings’, which are deposit products that provide preferential interest rates to customers who save energy or make energy donations for customers who joined the financial products, thereby making energy conservation a part of everyday life.

1,366

‘Green Love Energy Factoring’ is a loan product that allows the borrower to pay back construction expenses with energy expenses saved from business, operations, etc. It has become a representative best practice for creating environmental values through financial business.

ISO50001

In order to improve efficiency and reduce energy use, we continuously improved energy performance, such as being the first in the Korean banking sector to acquire the international certification for energy management system (ISO50001) established by the International Organization for Standardization.

# Sustainable Environmental Management

Shinhan Financial Group recognizes that sustainable development, which ensures balanced profits between the present and future generations, is determined by positive interactions between economic development, social development and environmental protection. Also, we cooperate with other economic areas to achieve common environmental goals within the market mechanism by sharing the view that sustainable development is a joint responsibility of the government, enterprises and individuals. In addition, we established the 'group's environmental management standards' through the group's Social Contribution Committee, which is participated by CEOs of the group and its affiliates. As a result, we will strive to set up systematic environmental policies at the group level and implement environmental management more effectively.

## Major details of Shinhan Financial Group's environmental management standards

Classification of policies	Details
Effectively using resources and minimizing greenhouse gas emissions	<ul style="list-style-type: none"> <li>Effectively use resources and energy</li> <li>Reduce greenhouse gas emissions</li> <li>Take the eco-efficiency of products and facilities into consideration</li> </ul>
Developing and supporting green financial products	<ul style="list-style-type: none"> <li>Support financing for green enterprises</li> <li>Support financing for green consumers</li> <li>Expand investment on green industries</li> </ul>
Strengthening of green communication	<ul style="list-style-type: none"> <li>Strengthen the Environmental Management capabilities of employees</li> <li>Strengthen green partnership with partner companies</li> <li>Disclose environmental management performances and cooperate externally</li> </ul>

## We implement Environmental Management to achieve sustainable growth.

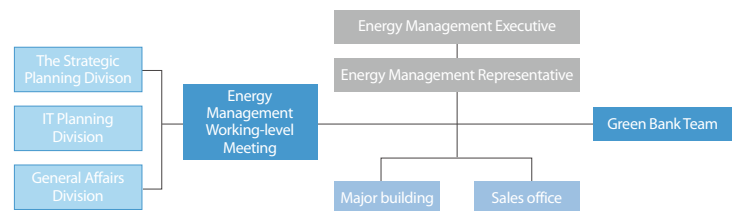
Shinhan Bank has been implementing the Green Bank Program to create shared values for society, while also seeking society's happiness and the company's growth. In order to achieve the strategic goal of 'realizing green banking for sustainable growth', we selected and implemented the Green Bank Program as the CEO's medium and long-term management direction. We expanded the Environmental Management by selecting 8 implementation tasks in three areas to achieve strategic goals as follows: 1) improving the environment through it's financial business; 2) implementing advanced Environmental Management as a corporate citizen; and 3) managing environmental risks as an environmental monitor.

## Implementation strategy of Environmental Management



## Energy management system

In 2010, Shinhan Bank established the Green Bank Team inside the Strategic Planning Division to ensure harmonious relation and establish a unified direction for green financing and Environmental Management. Through the implementation infrastructure, we brought out continuous interest from management and encouraged cooperation between related divisions.



## Response to Climate Change

Shinhan Financial Group understands the importance of preventing major issues related to environmental pollution, using sustainable resources, protecting the environment and natural habitats. We will make diverse efforts to implement the Environmental Management from the perspective of 'making the world a better place with financial strength', which is the group's reason and purpose of existence. In particular, we recognize that joint responsibility should be taken on greenhouse gas emissions, which is regarded as the main cause of climate change. Therefore, we are working on response measures from two perspectives, including the reduction efforts made to minimize greenhouse gas emissions from the organization and the response efforts made to deal with climate change.

### We work on reducing greenhouse gas emissions.

In 2010, Shinhan Financial Group identified the sources of the group's direct and indirect greenhouse gas emissions and established a greenhouse gas inventory system that defines the responsibilities of the organization according to the internationally agreed standard. In 2012, we established an environmental performance system to reduce and define the financial company's environmental performance indicators, such as the use of paper, green procurement and water resources, exceeding greenhouse gas inventory.

On June 2012, Shinhan Bank was designated as a company of 'The Greenhouse Gas & Energy Target Management System' based on the Basic Act on Low Carbon Green Growth. After completing the third party verification of greenhouse gas emissions and energy consumptions between 2009 and 2012, we reported the results to the government. In particular, we continuously improved the energy efficiency by being the first in the Korean banking sector to acquire the ISO50001 as a means of reducing greenhouse gas emissions.



Shinhan Bank < Shinhan Green Love Energy Fixed Deposit Account >

### We adapt to climate change with carbon neutrality.

After holding the annual comprehensive business performance assessment ceremony participated by all employees as an environment-friendly event for minimizing the use of resources and energy, Shinhan Bank has been receiving the certification for carbon neutrality from the Korea Energy Management Corporation. Through these activities, we enhanced the awareness of employees and local communities regarding environmental protection and climate change. In particular, it provided an opportunity to launch the 'Green Love' package, which improved the environment-friendly interests of financial consumers.

Meanwhile, in May 2012, we made the 'Guideline for Reducing GHG Emissions' together with the Korea Environmental Industry & Technology Institute to be distributed to the head office and sales offices, making efforts to actually respond to climate change by reflecting it in relevant regulations, including the guideline on procurement and asset management.

#### Amount of GHG emissions

(Unit: tCO<sub>2</sub>e)

Classification of emission source		2010	2011	2012
Scope 1	Direct emission	21,138	20,040	18,284
Scope 2	Indirect emission	91,691	91,604	93,400
Total amount of GHG emissions		112,829	111,644	111,684

\* Scope of data collection was restricted to 6 major group companies: Shinhan Bank (head office, all sales offices and management facilities); Shinhan Card (head office, Dongsan branch, Yeoksam branch); Shinhan Investment (head office, annexed building, Gumi, Ulsan, Yeosu branches); Shinhan Life (head office, Cheonan Training Institute, Namwon, Jeonju branches); Shinhan BNP Paribas Asset Management (head office); and Shinhan Capital (head office).

\*\* The greenhouse gas emission of Shinhan Bank for 2010~2012 was certified by DNV, which is a third party certification body.

\*\*\* The data of the five affiliates, excluding Shinhan Bank, was calculated by applying the same emission factors, calculating formulas and operational boundaries of the Greenhouse Gas Inventory Report (2007-2009), which has been certified by DNV.

#### Other greenhouse gas emissions

Classification of emission source	Unit	2010	2011	2012
Total business trips (by air, road, etc.)	km	507,486	502,184	1,982,727
Greenhouse gas emissions resulting from business trips	tCO <sub>2</sub> e	40.48	36.82	90.94

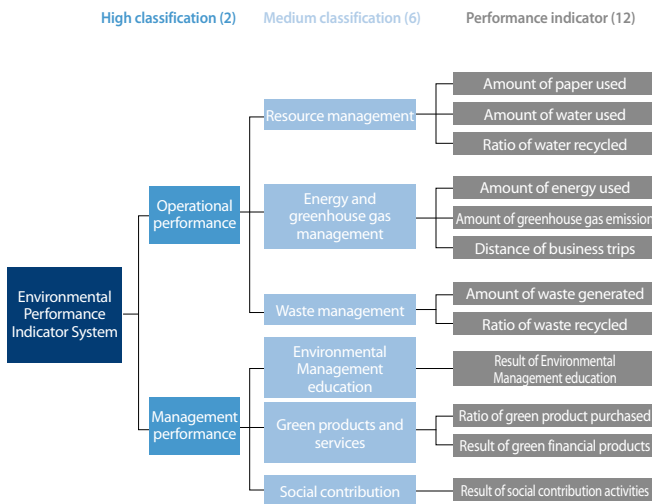
\* Data derived from the comprehensive Environmental Management system, which is Shinhan Financial Group's environmental data management system. It is the distance of business trips by bus, railroad and domestic air service. The year in which each affiliate started to manage the distances of business trips are all different. Therefore, those that fall under each year are different.

- 2010~2011 : 3 affiliates, including Shinhan Financial Group

- 2012 : 5 affiliates, including Shinhan Financial Group

# Resource and Energy Saving

In order to support the monitoring and decision-making process to continuously improve the environmental performance, Shinhan Financial Group upgraded the group's comprehensive Environmental Management system in 2012. By taking the request of internal and external stakeholders and the applicability of utilizing information into consideration, we selected 12 indicators related to the environment. In particular, we took the initiative in reflecting the energy management into the system. As a result, we plan to systematically implement the group's Environmental Management.



## All of our employees participate in energy improvement activities.

In 2012, Shinhan Bank effectively implemented energy management by establishing the guideline and manual for energy management and continually improved the energy performance to establish a system that reduces energy cost. The energy management system (ISO50001) refers to a company-wide energy improvement activities that carry out energy reduction participated by all employees, including the management of the company. Through this, we increase the level of interest on reducing energy and establish a decision-making system based on the analysis of plans and data to focus on reducing energy. In particular, we adopted a bank-wide energy management system by establishing a computer system to reduce energy use, which was the main culprit of greenhouse gas emissions. It is expected to have an effect of responding to regulations, reducing costs and improving brand values.

## Reducing costs through environment-friendly activities

Classification	Details of activities	Annual amount of greenhouse gases reduced (tCO2eq)	Annual amount of reduction (KRW 1 million)
Increasing energy efficiencies of buildings	<ul style="list-style-type: none"> <li>Reduce the amount of energy use by replacing the lighting of the bank's head office, general and sales offices into LEDs (total of 17,357)</li> <li>Carry out additional programs in the case of buildings that require replacement within the next 5 years</li> </ul>	3,915	330
Making energy conservation	<ul style="list-style-type: none"> <li>Wear simple clothing during the summer season for all employees to make energy conservation a part of everyday life</li> </ul>	19.92	160
Reducing the amount of paper used	<ul style="list-style-type: none"> <li>Introduce the 'image processing system for loan review documents' to allow loan reviews to be done by searching the system</li> <li>Establish a paperless culture simplifying the work process through less publishing, binding and entering of libraries</li> </ul>	15	*185

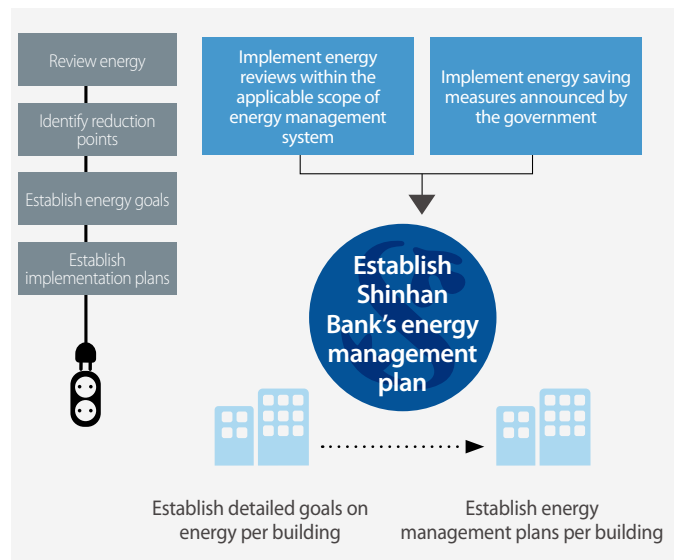
\* KRW 168 million (converted amount of personnel expenses from reducing working hours) + KRW 17 million (amount of reducing approximately 1,140 boxes of A4 papers)

## CASE STUDY

### We contribute to environmental protection by using recycled papers.

Since 2012, Shinhan Card changed the billing paper to use 100% Korean recycled pulps, which is the first in the relevant industry. As a result, we achieved the level of protecting 19,380 pine trees that are 30 years old. This is the same as reducing 1,953 tons of CO2, saving 27,634 tons of water and cutting down on 4,143KW of electricity (based on billing papers printed annually). In April 2012, we received the Korean GR mark certified by the Korean Agency for Technology and Standards and hosted by the Ministry of Knowledge Economy regarding the use of recycled papers for billing papers.

### Process of energy management plan



## Promotion of Green Finance

Shinhan Financial Group supported outstanding green enterprises that engage in environment-friendly industries based on green finance and developed fixed deposit products to encourage environment-friendly lifestyles from individuals.

### We create new social values through green financial products.

Shinhan Financial Group develops an environment-friendly green finance culture together with consumers, enterprises and local communities through releasing diverse green financial products. We are making efforts to create new social values through the environment that is closely related to our lives, such as expanding the loan support to environment-friendly green enterprises, encouraging the environment-friendly lifestyles of individual customers, and supporting the environment-friendliness of social goods.

### Increasing the support to enterprises engaging in green industries

In August 2011, Shinhan Bank supported loans to enterprises that want to enter into green industries and enterprises engaging in green industries, thereby releasing the 'New Green Corporate Loan', which contributed in facilitating the new growth engine market of green industries. It provided preferential benefits on interest rates and commission fees for outstanding green enterprises. As of the end of 2012, we supported new loans of approximately KRW 800 billion

### Encouraging environment-friendly lifestyles of individual customers

Shinhan Bank, in regards to the energy problems that have become social issues recently, has signed an agreement with the Korean Energy Management Corporation to release the 'Green Love Energy Fixed Deposit Account', which is a deposit product that provides energy donations to customers who purchased financial products, or gives preferential interest rates to customers who saved energy. When developing this product, we collected opinions on the awareness of energy conservation, green finance and the conditions of joining green finance deposits by receiving opinions beforehand through surveys conducted By the 'customer evaluation group'. Therefore, we were able to encourage individual customers to gain environment friendly mindsets and lifestyles in their daily lives. Meanwhile, we were recognized for the environment-friendly results from 'Green Love' package products, including the Green Love Energy Fixed Deposit Account and the Green Love Life Installment Savings, to receive the first prize at the 18th Maekyeong Financial Product Award hosted by the Maeil Business Newspaper.

### Environment-friendliness of social and public facilities

Shinhan Bank reduced the expenses of energy use by supporting the replacement of LED light bulbs for the underground parking lots of public buildings, while also releasing the 'Green Love Energy Factoring', which is a loan product that prevents the occurrence of various crimes with well lit facilities. The 'Green Love Energy Factoring' is a loan product where the bank first supports the expenses used in improving the energy efficiency of facilities, such as replacing LED, and the energy user repays the construction fee to the bank with the money saved from using less electricity. It has emerged as a representative example of creating new environmental and social values through finance.

### We monitor the environmental risks when supporting loans.

When supporting corporate loans, we provide loans by determining whether or not the company is environmentally outstanding. In order to manage companies with excessive environmental risks, we signed an agreement with the Ministry of Environment and the Korea Environmental Industry & Technology Institute in 2012 to be the first in the Korean financial industry to adopt the corporate evaluation system for supporting green finance.



Shinhan Bank <Signing ceremony of promoting green finance>

## CASE STUDY

### We listens to opinions on Environmental Management from work sites at the Green Bank Seminar.

Shinhan Bank established strategic directions for green finance through its annual business plan and management strategy meeting, listened to the voices of work sites at the Green Bank Seminar, and exchanged feedback and opinions about green finance with relevant divisions. As a result of these efforts, we released the New Green Corporate Loan for supporting green industries, supported internal interest rates, published guidebooks on green industries, provided training on green finance, and reviewed the risks of green industries.

## We open the green finance together with our stakeholders.

### Communication with internal stakeholders

In order to review the *Shinhan bank's* strategic direction and listen to internal progress updates and outside expert's opinions regarding environmental issues facing the organization, Shinhan Bank has been implementing the Green Bank Seminar half-yearly since 2011. Also, in order to improve the employee's environmental awareness, we implemented the Environmental Management Cyber lecture for all employees to enhance their understanding about sustainability management. In 2012, we carried out various activities to encourage participation, including surveys and questionnaires, to have approximately 2,500 participants participating in the Green Bank Questionnaire and Survey. Meanwhile, we plan to increase the establishment of a green supply chain system by expanding the purchase of environment-friendly and energy efficient products and supporting programs to strengthen the environment management capabilities of partner companies.

### Communication with external stakeholders

Since *Shinhan Bank* recognizes the importance of the environment like other global financial institutions, Shinhan Bank has been participating in the UNEP-FI (United Nations Environment Programme Finance Initiative), and CDP (Carbon Disclosure Project) to maximize the results of facilitating green finance by benchmarking and promoting best

practices. Also, we enhanced mutual understanding by participating in the Green Finance Council, which is attended by the management of commercial banks to carry out domestic council activities, and the Green Economy Research Council, which is participated by the working-level employees of the financial industry and the environmental experts from the government and academia, to listen and benchmark the opinions of outside institutions and experts.



Shinhan Bank <Green bank survey>

## Role of green finance





# 04 Win-Win Management with Partner Companies

“We grow together as a partner of corporate development.”

## Principle

Shinhan Financial Group follows the spirit of mutualism and altruism, which believes that you can achieve development only when the health and safety of the corporate ecosystem is improved by thinking of partner companies as our partners in corporate development.

## Objective

By implementing the detailed tasks in accordance with the four basic principles for shared development, Shinhan Financial Group will strive to maintain better relationships with partner companies as our partners in developing Shinhan’s competitiveness and values and growing together.

## Performance

### Opportunity

Shinhan Bank has established a section for disclosing IT business on the bank’s homepage to secure fairness and objectivity on the business and provide equal business opportunities to many partner companies. Also, we introduced an add point system for socially responsible enterprises and companies with outstanding technologies.

### Protection

We ensure adequate profits through a private contract instead of the lowest bidder method for small-scale business owners such as publishers to protect our partner companies from losses arising from intensified price competition and environmental changes.

### Removal

We work towards removing the irrationality of business relations for partner companies by giving the payment on time and exempting guarantee insurances.

### Satisfaction

We monitor the partner companies’ satisfaction level on sustainability management and social contribution activities and give feed backs on the results to make further improvement.

## Basic Principle of Shared Development

### We implement shared development with our partner companies.

Shinhan Financial Group is implementing the shared development plan for partner companies based on the group's management philosophy of 'Compassionate Finance'. As the demand for corporate social responsibilities increase as time passes, SFG has expanded its management philosophy of 'Compassionate Finance' to partner companies, including shared development, protection of neighborhood commercial areas and strengthening financial consumer protection. To achieve this, we investigated the actual state of business relations with partner companies focusing on each affiliate's IT and general affairs areas. Based on the results, we established the improvement directions and detailed plans for shared development and implemented them in stages. SFG established 4 basic principles for shared development with partner companies. Under these principles, we identified 23 detailed implementation tasks, including drawing up standard manuals and contracts and exempting performance bonds for bidding, and reflected them in our daily operations.

Principle	Details
Compliance with the basic principles for shared development	<ul style="list-style-type: none"> <li>• Prohibiting discrimination on conditions that are not directly linked with the ability to perform duties</li> <li>• Except for cases where special technologies are needed or essential for the contract and risk hedging, we minimized giving differential evaluation and limiting the prequalification due to external reasons, such as the size of facilities and manpower.</li> </ul>
Ensuring adequate prices	<ul style="list-style-type: none"> <li>• Recognizing a fair compensation is needed for purchasing costs</li> <li>• We changed the awareness that a fair compensation is needed for the services and products you are provided with instead of simply cutting back on costs. We put efforts to protect the financial stability of partner companies.</li> </ul>
Removing irrationality in business relations	<ul style="list-style-type: none"> <li>• Improving the established common practices of transactions and enhancing the speed of checking and paying prices</li> <li>• We removed the irrationality of business relations by improving the accompanying terms and conditions of business, which were unilaterally demanded by the purchaser at an advantageous position, and minimizing the delay of checking and paying prices.</li> </ul>
Implementing CSR of shared development	<ul style="list-style-type: none"> <li>• Implementing CSR activities and strengthening partnership for partner companies</li> <li>• Along with the CSR for partner companies, we supported the development of partner companies until they acquired the competitiveness by improving the continuous close relations and shared development, such as combining CSR activities.</li> </ul>



Shinhan Bank <New Year's Eve Night for IT Partner Companies>

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## Implementing Win-Win Management

### We identify and implement tasks for shared development.

The major affiliates of Shinhan Financial Group came up with plans for shared development by principle based on the 4 basic principles for shared development with partner companies. Therefore, we identified and implemented tasks that can provide actual benefits by recognizing our partner companies as a partner for success and development in line with the Compassionate Finance implemented at the group level.

### We did not make any discrimination based on outward appearances.

[Shinhan bank](#) strived to make a transparent and fair contracting process by improving the method of selecting partner companies so that they are not discriminated based on the size or outward appearance of the company. After making it mandatory to notify the bidders about the standard for selection when announcing the bidding, we are required to provide the relevant partner companies detailed explanation. Also, in order to secure the objectivity and fairness of the business and provide equal opportunities to more partner companies, we set up a website for publicly announcing information related to the IT business on the bank's homepage, while also giving additional points to companies with outstanding technologies and companies that fulfill social responsibilities by reflecting it in the guideline for contract.

[Shinhan Card](#) amended the regulations on purchasing so that fair competition without discriminations on outward appearances can be made during the bidding process. As a result, partner companies of Shinhan Card were able to compete in a fair environment based on quality.

[Shinhan Life](#) reflected the major details on shared development for partner companies in the standard contract. In order to minimize bidding restrictions based on the outward appearances, we did not apply the regulations for restricting the bidding in cases where specific technologies or sizes were not asked. Also, except for the size of performance used as the indicator for assessing the professionalism of fulfilling duties, we used the applicable service performance period of the outsourcing company and the transaction period with the existing company.

### We ensure fair compensation instead of focusing on costs.

In order to ensure a fair compensation, [Shinhan Bank](#) changed the principle for deciding on the winning bidder to use the method of restrictive minimum prices. Also, we changed the contract guideline

to expand the subjects of private contracts to improve work efficiency. In the case of purchasing general goods, we expanded the subjects from 30 million to 50 million KRW for private contracts, while changing the standards for the fluctuating market prices and the scopes of construction so that they are reflected in the contract guideline to calculate and give appropriate payment.

[Shinhan Card](#) established a systematic device to protect partner companies from losses that might arise from intensified price competition and environmental changes. Depending on the work characteristic, we work on identifying the actual difficulties of partner companies to ensure adequate profits within the reasonable scope through private contracts instead of using the minimum bidding method.

In order to ensure adequate prices for partner companies participating in the bidding, [Shinhan Investment](#) established a standard order sheet and wrote down that 'partner companies are a partner of Win-Win management' in the standard contract. Also, in case of additional costs arising during the business process, we included a provision to provide the additional payment, which was applied and carried out in a total of 13 contracts in the year 2012 alone.

### We remove the irrationality of business relations.

[Shinhan Bank](#) exempts the submission of guaranty insurance policy that is the contract deposit for outstanding partner companies to expand the subjects being exempted from various contract deposits. It reduced the period for checking the payment of prices and ensured quick inspection. The comprehensive resource management system currently being used has been continuously upgraded so that users exempt stamp fees through electronic contracts, while various billing documents were replaced with electronic documents and also pay electronically without having to visit the bank on small amounts.

In order to improve the established common practices of transactions where burdens are placed on partner companies, [Shinhan Card](#) quickly handled the checking and paying of prices and exempted various performance bonds that were customarily received. Also, we made efforts to minimize the burden on partner companies in even the smallest areas by allowing electronic documents of proposals and compensating for sample costs.

[Shinhan Investment](#) amended the related regulations and adjusted the standard contract forms for IT purchasing and outsourced workers in accordance with the group's revised regulation for IT purchase standards. Also, we are making continuous efforts to remove the irrationality of business relations for partner companies by allowing divisional payment and exempting guarantee insurance.

In order to reduce the burden of expenses on partner companies, **Shinhan Life** has taken measures to provide 100% payment for sample goods after the delivery of official goods for marketing activities have been completed. Meanwhile, we try to hold as many joint events with partner companies as possible and pay for the joint event separately. Also, we specified in the contract about compensations on damages in case of not fulfilling the contract to reduce the burden of expenses for joining the guarantee insurance.

**Jeju Bank** expanded the subjects of private contracts to be more than KRW 10 million, while exempting the submission of deposits and insurance policies as part of preferential treatment for partners that are social enterprises, socially responsible enterprises, social welfare facilities and organizations, companies that facilitate employment of the disabled, outstanding partner companies, companies that have outstanding technologies and certified green enterprises.

### We support the sustainability management activities of partner companies.

**Shinhan Bank** continuously holds business meetings with employees of partner companies and monitors the current status to identify the soundness of partner companies. In the case of IT partner companies, we examine their credit ratings through the KIS credit scoring system, while examining potential risks of large partner companies in advance and monitor them. We continuously conducted monitoring to adopt 8 of the categories identified for internal control and self-assessment (RCSA\*) for shared development with partner companies. Also, in terms of establishing the evaluation categories, including the survey on satisfaction level of partner companies, we plan to establish a plan for implementing shared development for IT partner companies in 2013. The implementation plan includes giving awards thanking employees of outstanding partner companies, doing volunteer works together with partner companies, going mountain climbing, holding financial seminars and opening the New Year's Eve party.

**Shinhan Card** monitored the negative sides of sustainability management for partner companies and conducted surveys of self-diagnosis on actions against the employees of partner companies. Through this, we monitored and examined whether or not the partner companies fulfilled social responsibilities.

**Shinhan Life** continuously listened to suggestions and monitored the satisfaction levels through mutual exchanges at regular meetings with partner companies. Also, we improved the evaluation standards for partner companies to give additional points to companies with outstanding technologies and companies that fulfilled social responsibilities. Meanwhile, we conducted surveys on the satisfaction levels of partner companies regarding social contribution activities and sustainability management to achieve continuous development by giving feed backs on the results.

\* RCSA (Risk Control Self Assessment) : a self-assessment system for controlling operational risks that is implemented by Shinhan Bank

## Future Implementation Plan for Shared Development

In addition to the financial industry, Shinhan Financial Group has business relations with companies engaging in a variety of industries and we do not think of those companies as subjects of making profits. This is because we cannot make further development without thinking about the coexistence and shared development with partner companies. Therefore, Shinhan Financial Group follows the spirit of mutualism and altruism, which believes that you can achieve development only when the health and safety of the corporate ecosystem is improved by thinking of partner companies as our partners in corporate development.

### Action plan for shared development by major group company

Group Company	Details
Shinhan Bank	<ul style="list-style-type: none"> <li>• Implement the beautiful love of sharing (volunteer work) together with partner companies</li> <li>• Hold events to boost morale and communicate with partner companies</li> <li>• Invitational financial seminars for partner companies: invitational working-level seminars on finance, tax and investment techniques</li> <li>• Hold the New Year's Eve Party for partner companies</li> <li>• Exempt contract deposit for outstanding partner companies and pay in installments before final inspection</li> <li>• Improve the differential evaluation based on outward appearances and expand an add point system for socially responsible enterprises</li> </ul>
Shinhan Card	<ul style="list-style-type: none"> <li>• Reflect the aim to minimize grades based on exterior factors in the manuals for overseeing purchasing</li> <li>• Reflect the provision on divisional payment in the IT purchasing contracts</li> <li>* Applied in the case where the day for completing the inspection has exceeded more than 1 month from the deadline of final inspection</li> <li>• Reflect the provision on exempting various performance bonds</li> </ul>
Shinhan Investment	<ul style="list-style-type: none"> <li>• Establish plans for outstanding partner companies</li> <li>• Expect to establish plans by consulting at the group level about the definition and benefits of outstanding partner companies (exemption on submitting various performance bond, etc.)</li> </ul>
Shinhan Life	<ul style="list-style-type: none"> <li>• Improve the evaluation system for agencies consigned with the duty of insurance investigation</li> <li>• Establish the standard for giving additional points to companies with outstanding technologies and companies that fulfilled social responsibilities</li> <li>• Establish the standard form and management process for purchasing order sheet</li> <li>• Exempt guarantee insurances for outstanding partner companies and existing transactions</li> <li>• Compensate on proposal and sample costs for drawing up the business proposal report</li> </ul>



# Social Responsibility in Affiliates

Shinhan Financial Group's goal is not just to become the number one financial company in Korea. We aim to achieve sustainable development that enhances the values of our customers and society by fulfilling our responsibilities.

To achieve this, all of the employees at the group are thinking of ways to provide benefits to our customers and society through their daily operations and implementation.

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01

## Shinhan Financial Group

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- Implementation System for Sustainable Growth
- Communicating Shareholder Values and Corporate Values

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02

## Shinhan Bank

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- Strengthening Customer Protection
- Creation of New Growth Engine
- Strengthening of Customer Relation Management
- Strengthening of Brand Leadership
- Improving Access to Financial Services
- Open Talent Management

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03

## Shinhan Card

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- Differentiate Financial Service
- Strengthening of Customer Protection Activities
- Creative Brand Management
- Employee Satisfaction Management

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04

## Shinhan Investment Corp

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- Strengthening of Capital Management
- Protection of Financial Customers
- Developing Products and Services that Satisfy Professionals of Finance

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05

## Shinhan Life Insurance

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- The Strategy of Specialization for CSR Management
- Customer-Oriented Financial Service
- Acquiring Asset Quality
- Strengthening of Customer Protection
- Job Stability and Employment Equality

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06

## Shinhan BNP Paribas Asset Management

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- Differentiated Operation Through Global Network
- Long-Term Customer Management

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07

## Shinhan Capital

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- Innovative Activities through Continuous improvements
- Balance between Work and Personal Life

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08

## Jeju Bank

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- Developing Social Enterprises in Jeju
- Expanding Communication with Local Communities

# Shinhan Financial Group



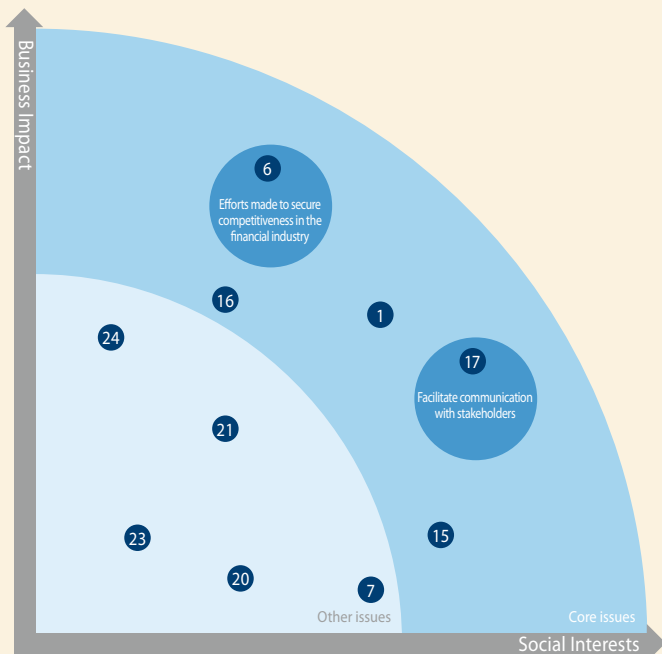
Since its foundation, Shinhan Financial Group has contributed to the national development through finance and made endless challenges to create new values for our customers and society. We developed new growth engines by focusing on a balanced growth between the banking and non-banking sectors and created new values through differentiated business models to become a global financial company in Korea. From now on, we will take the lead in becoming a company that is respected by society that exceeds the no.1 financial brand in Korea.

Dong Woo Han Chairman of Shinhan Financial Group

## Company Introduction

Shinhan Financial Group was established in September 1, 2001, which is a financial holding company that consists of a total of 13 affiliates, including Shinhan Bank, Shinhan Card, Shinhan Investment, Shinhan Life, Shinhan BNP Paribas Asset Management and Shinhan Capital. It is Korea's first financial group of private capitals that provides comprehensive financial services. SFG's goal is to create synergy through close networks between affiliates to meet the diverse financial demands of customers, while also becoming Korea's top financial brand by pursuing customer values. Shinhan Financial Group provides financial services to 29 million domestic customers with 20,000 employees and approximately 1,400 networks. It has 70 overseas networks in a total of 15 countries, including Japan, US, Britain, China, Germany, India, Hong Kong, Vietnam and Singapore. Also, SFG is growing into a financial company competing in the global market by being listed on both the Korea Stock Exchange (KRX) and the New York Stock Exchange (NYSE) at the same time in September 2003.

## Material Issue Map



## Major Issues Reported in 2012

Shinhan Financial Group conducted material issue evaluation to produce reports based on areas of interests for internal and external stakeholders. In 2012, the major issue reported was 'acquiring competitiveness in the financial industry' and 'facilitating communication with stakeholders'. The measures taken by Shinhan Financial Group on these major issues are shown below.

## Distribution of Economic Value

(Unit: KRW 1 billion)

Employees	Employee salaries/ welfare benefits	<b>25.4</b>
Shareholders, investors	Dividends	<b>393.9</b>
Local communities	Social contribution investments	<b>0.6</b>
Government	Corporate tax expenses	<b>-1.5</b>
Partner companies	Purchase and services	<b>0.6</b>
Others	Other general administrative expenses	<b>37.8</b>

## Implementation System for Sustainable Growth

Reporting Issues (6)

### 'Shinhan Way' is the energy that leads the group's sustainable growth.

Shinhan Financial Group is taking the way of righteousness management by focusing on Shinhan Way, which is established on the spirit of the company's foundation of 'making the world a better place with the strength of finance'. Shinhan Way is the source of Shinhan people's pride that had displayed future-oriented development by finding the success factors from the history of Shinhan success story many years ago. Also, it is the energy that led the group's sustainable growth without being troubled by the changes of and business. In order to succeed Shinhan's cultural competitiveness, Shinhan Financial Group established a corporate culture team within the holding company at the group level to provide directions in which Shinhan's cultural competitiveness should take. Also, we supported the change management activities of affiliates through cultural diagnosis and diverse educational contents. Meanwhile, the systematic and institutional upgrades were implemented by internalizing the Compassionate Finance as Shinhan culture, which is also the group's mission. A variety of communication activities were carried out from the perspective of organizational culture, including training for all employees and identifying and promoting best practices.

## Communicating Shareholder Values and Corporate Values

Reporting Issues (17)

### We established a transparent and trustworthy relationship.

Shinhan Financial Group is a comprehensive financial group listed in the Korean and US stock markets, which owns a variety of business lines, including bank, card, securities and insurance. In order to maximize shareholder values and corporate values, SFG regularly communicates to provide accurate information on areas of interest for investors and the group's performances for shareholders and investors, including domestic and overseas investors and social responsibility investors. Also, SFG is actively implementing communication activities with affiliates and internal organizations to expand communication channels and identify areas of interest for shareholders and investors so that they can be reflected in management activities. As of the end of 2012, the group's largest shareholder is the National Pension Service, which owns 7.28%. The BNP Paribas Group is a strategic investor that accounts for 6.35% of the shares. Besides this, a variety of domestic and overseas institutions invested in SFG, including medium and long-term investors such as overseas sovereign wealth fund and pensions. As of the end of 2012, there is 63.3% of overseas investment. Based on the group's unified and responsible management, we continuously established trusting relations from medium and long-term perspectives with domestic and overseas shareholders and investors through active IR activities in terms of improving shareholder values, thereby maintaining a strong shareholder basis.

## Program for promoting Shinhan culture internally

### Internalizing the implementation of Shinhan Way

- ① Hold the 2012 Shinhan Way training
- ② Hold joint training for the group's new employees
- ③ Elect winners of the 2012 Shinhan Way Award and share best practices

### Improving understanding and establishing consensus for the Compassionate Finance

- ① Improve the understanding of Compassionate Finance that use Shinhan Way training
- ② Develop e-learning contents - Used as training for all employees of affiliates
- ③ Establish on-line channel by spreading the Compassionate Finance
- ④ Introduce implementation examples by using internal channels, including WAF and company newsletter

### Facilitating internal communications among affiliates' employees

- ① Support activities of the group's affiliated clubs
- ② Implement the group mentoring program
- ③ Carry out the group's CoP activities
- ④ Select new reports for the group



Shinhan Financial Group <12th Regular General Shareholder's Meeting>



# Shinhan Bank



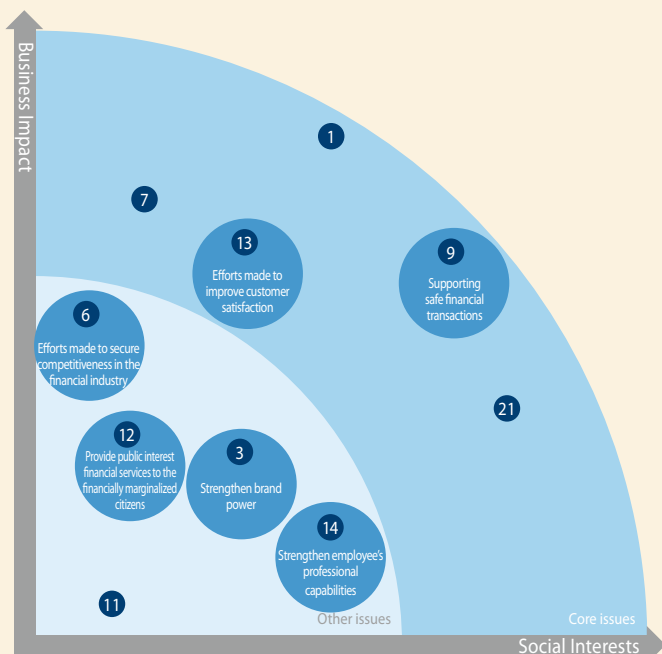
Shinhan Bank has strived to become a bank that supports the success and development of the nation and local communities under the philosophy of foundation 'a bank for the country' and 'a bank that helps each other', as well as to become a bank that is trusted and loved by our customers and society. The ultimate goal and purpose of Shinhan Bank is to make the world a better place with the strength of finance. To achieve this, Shinhan Bank will work towards becoming a loving and respected bank by creating shared values through the Compassionate Finance and living a happier tomorrow than today.

Jin Won Seo CEO of Shinhan Bank

## Company Introduction

Since its foundation, Shinhan Bank has led the Korean financial industry with diverse products and services. Shinhan Bank has achieved results through efficient and differentiated management by establishing a risk reduction portfolio under the market environment of increasing uncertainties, while strengthening internal growth based on strategies for improving organizational safety. Meanwhile, we strengthened future competitiveness through efforts made to secure market leadership in the future growth market and expanding customer base, as well as implemented detailed CSR management through diverse implementation tasks of the Compassionate Finance. Along with this, we improved sustainability by strengthening open management based on communication and autonomy and dynamically operated the organization by aiming to achieve customized goals focusing on professionalism. Shinhan Bank will continue to fulfill its social responsibilities as a corporate citizen representing the Republic of Korea and implement sustainability management based on communication with stakeholders.

## Material Issue Map



## Major Issues Reported in 2012

Shinhan Bank material issues to produce reports on areas of interest for various internal and external stakeholders. The results of material issues selected 5 Core issues, including 'supporting safe financial transactions', and 5 other issues, including 'efforts made to secure competitiveness in the financial industry'. In the 2012 CSR report, 'supporting safe financial transactions' and 'efforts made to improve customer satisfaction' were selected as Core issues, while 'efforts made to secure competitiveness in the financial industry', 'providing public interest financial services to financially marginalized citizens', 'strengthening brand power', and 'strengthening employee's professional capabilities' were selected as other issues.

## Distribution of Economic Value

(Unit: KRW 1 billion)

Employees	Employee salaries/ welfare benefits	<b>1,642.4</b>
Shareholders, investors	Dividends	<b>450</b>
Local communities	Social contribution investments	<b>81</b>
Government	Corporate tax expenses	<b>423.9</b>
Partner companies	Purchase and services	<b>255.2</b>
Others	Other general administrative expenses	<b>872.6</b>

## Strengthening Customer Protection

Reporting Issues (9)

### We lead a customer-oriented management.

In order to lead a customer-oriented management, Shinhan Bank pledged to implement the 'principle of financial customer-oriented actions' by declaring the 'financial customer-oriented charter in April 2013. The financial customer-oriented charter was established by reflecting the major details of the '10 principles on financial customer protection', which was provided by the OECD in 2011, in the existing 'customer-oriented charter'. Also, the first day of every month was designated as the 'customer-oriented day' and the person in charge of customer complaints previously was promoted as Vice Branch Manager and appointed as the 'person in charge of consulting consumer protection', thereby striving to improve the quality of service and protect customers. Meanwhile, in order to promote the importance of protecting the customer's rights and implement this across the bank, we established the Customer Protection Center in 2012 and introduced the 'customer protection indicator' for the first time in the banking sector, which is reflected in the key performance indicator (KPI) of sales offices. Recently, Shinhan Bank is consistently improving the system for customer protection by setting up a consumer protection group.

### We implement financial customer protection education.

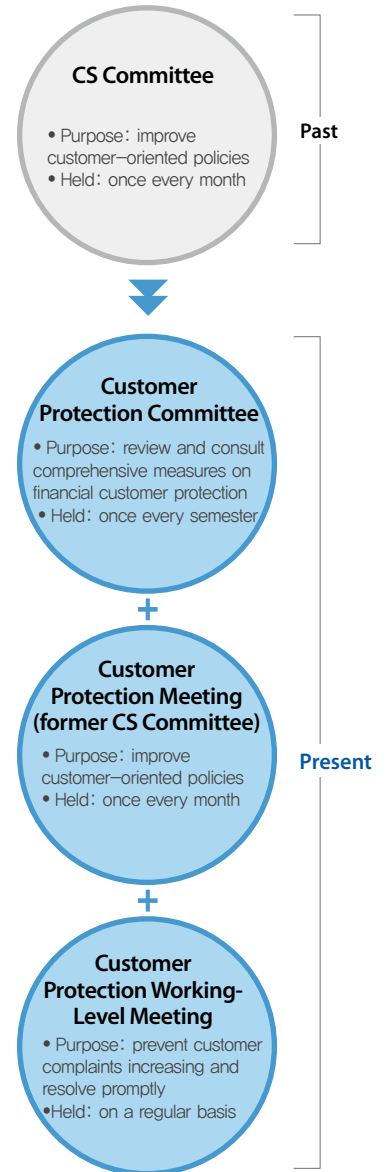
In order to be well prepared for financial customer protection, we promoted the strategic directions for customer protection and the details of customer protection for sales offices against the S managers who represent each sales office. We reorganized the implementation organization so that each business site can show leadership, while also held the 'financial customer protection education' where customer-oriented services can be applied on the work site and emphasize the importance of customer protection. Also, we implemented the 'customer complaint prevention system' so that the same financial customer complaint does not occur at the work site. Moreover, we implemented the VOC experience program where the management personally listened to customer complaints and came up with solutions by consulting directly with customers, which were reflected in the customer-oriented duties throughout the management. As a result, we recorded the lowest number of cases of customer complaints arising from commercial banks in the 2012 trend analysis of financial consultations and customer complaints announced by the Financial Supervisory Service (100,000 customers standard), thereby having a system that manages the overall financial customer protection from prevention to follow-up measures.

\* S manager: selecting one person from each sales office and head office to carry out the duty of customer satisfaction and protection



Shinhan Bank <Campaign for Consumer Protection>

### Customer Protection Organization



## We strengthen the customer complaint system from the customer's point of view.

In order to efficiently and quickly respond to customer's demands for improvement on services, systems, and policies, the executive in charge of customer protection is operating the Customer Protection Meeting. It is held at the bank level to establish policies that put customer protection as the top priority by selecting 10 tasks, including financial products, real-name financial system, sound business, customer asset protection, strengthening of customer's right to know, strengthening of manpower services, improvement of customer protection systems, strengthening of customer-oriented customer complaint system and personal information management system, and support to household debt finances, to implement as a comprehensive measure for financial customer protection. Also, we established and operated the Q-SHINHAN system, which aims to achieve the 'Compassionate Finance' that makes customer-oriented management activities to be daily activities through important quality management indicators.

### 10 Main Improvement for Comprehensive Protection of Financial Consumers

Improvements	Details
Financial products	Examine the terms and conditions of product contracts, prior consultations on products, compliance with financial customer principles when developing products
Real-name financial system	Improve the procedure for confirming identity, strengthen education on real-name financial system to employees
Sound business	Compliance with 6 sales principles, monitor inappropriate business conducts, prevent excessive business conducts
Customer asset protection	Provide countermeasures on voice fishing, strengthen smart finance certification, strengthen the security of non face-to-face channels
Strengthening of customer's right to know	Hold financial education, strengthen the disclosure on comparing products and services, implement financial information management system on the homepage
Strengthening of manpower services	Establish the awareness of customer protection to all employees (customer-oriented business site, day of customer protection), strengthen the support on customer protection
Improvement of customer protection system	Improve the customer complaint system, operate the customer protection meeting, improve common practices of loans, operate the ombudsman system
Customer-oriented customer complaint system	Strengthen support at the work site to resolve customer protection conflicts, provide reduction plans for inappropriate customer complaints
Strengthening of personal information management	Review the management state of personal information, manage the information provided by affiliates, eradicate arbitrarily searching personal information without that person's consent
Financial support to household debt finance	Provide plans to support small-loan finance, establish plans to support household debts, provide plans to manage collection of debts from the customer protection point of view

## Creation of New Growth Engine

### We come up with differentiated values for new growth.

Since its establishment, Shinhan Bank has continually shown stable growth with a pioneer spirit and strong passion. However, due to the prolonged domestic and overseas economic recession and the establishment of low growth status, it is predicted that acquiring stable profitability will be difficult. It is recognized that we cannot maintain the current state under the paradigm of a high growth period. In the foreign cases, the European finance continues to be unstable after the global financial crisis in 2008, while in Korea, there is a low vitality in the overall economy due to household debts and house poor problems. In this regard, Shinhan Bank recognized that identifying and implementing new growth engine was essential to overcome the difficult management environment and for the organization to survive. Therefore, we are preparing activities that can maintain stable growth and create differentiated source of profits than in the past.

### We found the possibility of new growth from the lifecycle of customers.

We have chosen the following major tasks for creating new growth engine, including implementing the WM/CIB business model, acquiring smart financial market competitiveness, strengthening the brands for young generation and retired people, and establishing global status through the Asian financial belt. The WM/CIB business model goes beyond the restrictions on the business models of bank and securities companies to provide an integrated solution at group level, thereby successfully establishing the WM/CIB system as the implementation system that provides integrated solution. Also, in order to prepare for the young generation who are the future customers and the retired people who are expected to increase in large numbers in the future, we installed the Shinhan Retired Research Team to strengthen the S20 brand activities for youth customers by providing financial services that cover the lifecycle of customers.

### We compete with the world with Korean finance.

In order to overcome the limitations of the matured Korean financial market, Shinhan Bank selected global business as one of the key businesses for future growth and intensively invested on strengthening the capabilities of global business. We established the platform for 'new growth' in the Asian financial belt that connects Japan, Vietnam, Cambodia and India, while efforts are made to enter into the emerging markets, including Southeast Asia like Indonesia and Myanmar. By entering into overseas market, Shinhan Bank is supporting the overseas market entry of domestic companies, as well as providing diverse financial products and services that have been recognized in Korea to

local companies and financial customers, thereby providing the basis for creating customer values and developing customer protection. In early 2013, we established the Global Business Division by integrating the existing organizations that were divided up between strategy and support to ensure efficient implementation. It strengthened the driving force for responding to the difficult conditions of the global economic recession.

### We will become a global bank that fulfills social responsibilities.

Shinhan Bank selected the Asian financial belt as its key market for global business. We entered into the market as a local corporation to embody the capabilities of localization for each region. Also, we pursued strategies that realized the economy of scale to own 65 global networks in 15 countries (as of April 2013). In the global business, Shinhan Bank maintained a balanced and meaningful growth in major areas, including asset size, network expansion, profit creation and risk management. In particular, Vietnam and Japan were selected as the model business regions for key markets so that we concentrated our resources and capabilities to become an advanced local foreign bank. Meanwhile, in Korea Shinhan Bank used our strengths and know-how to meet diverse financial demands of Korean customers and local customers. The global business will strive to become the bank's future growth engine by taking pride as the evangelist of financial Korean wave. In addition, Shinhan's global business is implementing a variety of CSR activities locally to fulfill its social responsibilities to meet the demands of the age, including the school support project in Vietnam, the medical support project in Uzbekistan, and the social development program support in Cambodia. Shinhan Bank has fulfilled its role as a corporate citizen in all countries by establishing a favorable relationship of mutual development by increasing opportunities for regular exchanges with the socially disadvantaged.

### Activities for creating new growth engine

WM/CIB business model	<p>[WMM] We newly established the Shinhan PWM Center of bank/securities co-location and retail business model that is differentiated from other banks and the IPS organization that provides professional integrated solution on asset management. Through this, we provide one-stop services and products of bank and securities to customers to attract outstanding customers at the group level and achieve noticeable increases in asset. A support team consisting of experts on PWM/PB exclusive products and bank and securities asset management is established to provide professional consulting services that can satisfy financial needs of customers.</p> <p>* PWM : Private Wealth Management IPS : Investment Products &amp; Services</p>
	<p>[CIB] We discard simple business models that introduce products for individual companies. Based on the efforts of joint marketing of bank and securities using the CIB new business model, we provide an integrated financial service that meets customer needs. In 2012, the size of collaborated business increased by 2 times over the previous year with more than 4 times in profits.</p> <p>* CIB: Corporate &amp; Investment Banking</p>

Smart Finance	Shinhan Bank led the smart finance by establishing the banking industry's first smart finance center. As of the end of 2012, the number of smart phone banking customers increased from 1,984,000 users in 2011 to 4,475,000 users, showing an increase of 2,491,000 users. The fund center of the smart finance center opened a total of 52,673 new funds (KRW 84,022 million), which accounted for 16.7% of the total new fund accounts at the bank.
Youth customer	We launched the S20 Club, which is a system targeting the youth customers in their twenties and also released youth exclusive products, including the S20 check card and S20 installment savings. Since the S20 check card first came out, approximately 1.1 million accounts have been issued, while the S20 installment savings attracted over 143,000 accounts. In the case of Kyunghee University and Hongik University where there are no Shinhan Bank sales office in the neighborhood, we opened the smart branch called the S20 SMART Zone to make sure youth customers have no difficulty in financial transactions. Besides this, we are implementing a variety of cultural activities to make the youth customers feel closer to Shinhan Bank, including the S20 club support project, the Manmanhan special lecture, the contest for global tour, and the operation of community sites and university reporter group.
Retired market	We released retirement design system and mobile applications at Shinhan Bank's homepage and distributed the 'Guidebook for Golden Age'. In particular, in the case of the retirement pension, which is a huge part of the retirement market, we ranked number one for the third consecutive year with KRW 7.106 trillion in store as of the end of 2012, achieving a strong position in the retirement market.
Global business	Shinhan Bank has selected the Asian financial belt as the strategic market. As of the end of 2012, the total overseas asset is US\$ 14.6 billion and total deposit received is US\$ 9.5 billion, making us stand out globally among the Korean banks. In particular, we continually released specialized customized products and services locally, while successfully entered into the niche market of Korean companies' local partner companies. The outstanding IT capabilities are a huge help in providing high-quality services to customers in overseas face-to-face and non face-to-face channels.

## Strengthening of Customer Relation Management

Reporting Issues (13)

### We satisfy the customer's needs with differentiated customer management programs.

Shinhan Bank's customer management consists of the 「Retail Shinhan Way」. It is Shinhan Bank's own brand of differentiated customer management program, which means the integration of customer management systems within the bank. We standardized the customer management activities, including customer relation management, anniversary management, product marketing and asset management, to encourage the customer's growth through face-to-face and non face-to-face channels, while also providing services that meet the financial customer's needs. Instead of simply emphasizing customer management at the head office, it focuses on 'strong execution at the work site' through a support system that achieves management strategies and expands business opportunities.

**We walk together with our customers to achieve the customer's success.**

Since its foundation, Shinhan Bank has led in establishing an advanced financial system by establishing the financial industry's first customer satisfaction center that emphasizes on the importance of its management philosophy, while also making efforts for shared development with customers through the principles and convictions of sound management. Under the mission of 'making the world a better place with the strength of finance', we established the new brand strategy and reorganized the brand system. The key value of the brand 'companion' is not to gain profits for the bank only, but also shows our commitment to walk together with customers for the customer's success. Also, in order to protect customer rights and create a trusting financial culture, we made the 'customer protection indicator' for the first time in the industry. The indicators give an overall evaluation of sales, management and consultation to see whether or not the sales employee easily explained the product information from the financial customer's point of view, whether or not the customer's rights are protected, and whether or not the appropriate product has been introduced from the customer's point of view instead of the bank.

**We strengthen customer relation management focusing on the work site.**

Customer relation management is a support system for achieving the management strategic goals and expanding business opportunities. It plays the role of strong execution at the work site that acts as the basis for performance system from the perspective of business

implementation. Customer complaints that come through the homepage and call centers are concentrated on the customer protection center. Each month, the management evaluates the follow-up measures taken on past measures and response measures for the recent VOC. Through the customer protection meeting, the progress update of each division on VOC has a strong power and we provide feedback until the matter has been settled.

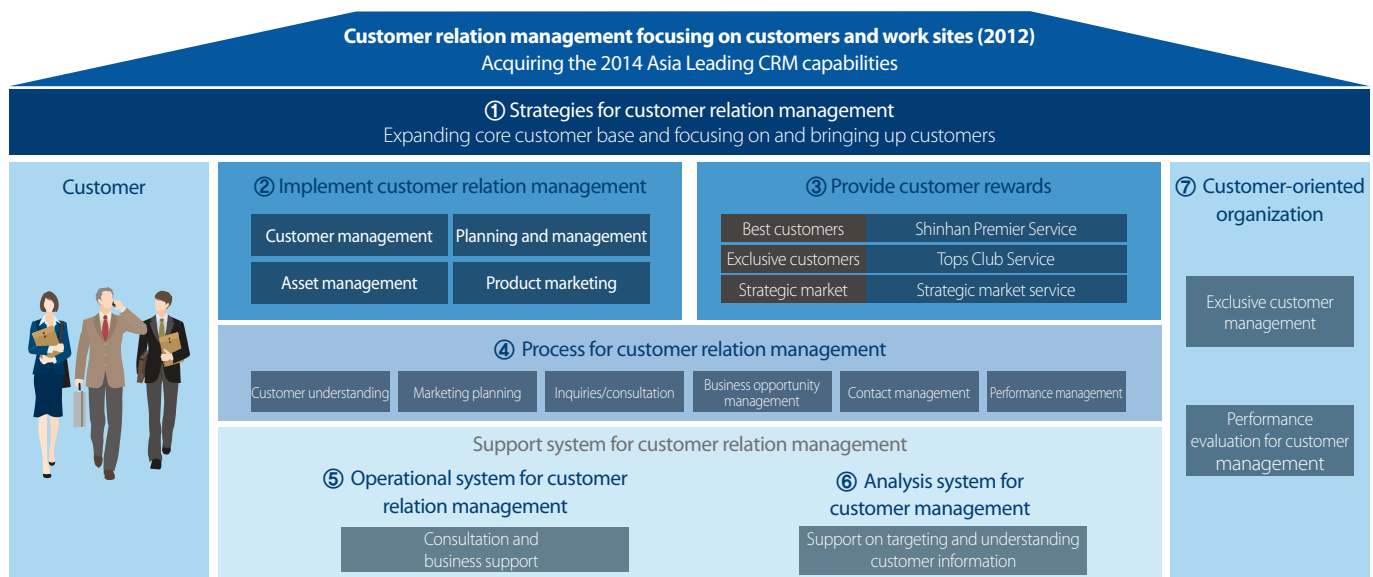
**Result of Customer Satisfaction Survey**

	2010	2011	2012
Korean Standard - Service Quality Index (KS_SQI)	1st	1st	1st

**We grow bigger by satisfying our customers.**

Shinhan Bank has made endless efforts to think from the customer's point of view and reflect their diverse needs, which were recognized in various areas domestically and internationally. In 2012, we were dedicated to the hall of fame at the Korea Service Award and received the 'hall of fame award' in social responsibility at the Global Standard Management Awards. We ranked number one for the eighth consecutive year in corporate banking as the most respected company in Korea, while ranked number one for six years in a row at the Korean Social Contribution Awards. Also, we ranked number one as the Korean financial brand in the top 500 global financial brands, which was 51th in the world. These achievements are results of a variety of social contribution activities, as well as the results of receiving favorable evaluations from customers and evaluating agencies on the Compassionate Finance.

**Customer relation management focusing on customers and work sites**



## Strengthening of Brand Leadership

Reporting Issues (3)

### We grow together with our customers through 'Togetherness'.

Shinhan Bank has actively implemented the Compassionate Finance in various fields, including customers, micro finance and shared development with partner companies, to complete CSR, while at the same time, doing its best to create and protect customer values. In order to achieve the Compassionate Finance, which is Shinhan Financial Group's brand value system, we developed with Shinhan Bank's own core brand value of 'Togetherness', which is the two pillars of togetherness with customers and financial leadership. Togetherness isn't only for the bank's profits, but it is the leadership that aims to grow together with customers for the customer's success. We clarified the four promises with customers, including sincerity, insight, innovativeness and integration. To achieve this, we defined the 'financial customer charter', which aims to pursue shared development with customers from a long-term perspective.

### We strengthen the bank-wide brand awareness.

Under the brand slogan of 'accompanying for a better tomorrow', we operated a brand academy for all employees to strengthen the brand awareness at the bank level. In addition, we encouraged new employees and other employees at each rank to receive the education on brands, thereby emphasizing the fact that Shinhan Bank's brand is 'employee'. The reason why we strengthened and encouraged the bank-wide brand activities for all divisions within the bank is because we shouldn't have a short-sighted view based on performance, but seek a long-term growth engine that enhances brand competitiveness through the relationship with customers and society.

### We started a systematic brand management with the Shinhan Brand Management Index (SBMI).

In 2011, we established a headquarters for brand strategy to be in charge of brand management. We developed the Shinhan Brand Management Index (SBMI) to establish the standards and directions for a bank-wide brand management and implemented the brand management focusing on the work site. These examples of brand management were announced together with the best practices of other global banks in the Philippine International Banking Convention (2012), the Excellence in Retail Financial Services Conference (2012), and the Banker/Brand Finance Banking Forum (2013). Shinhan Bank's brand value received world-wide recognition. We are striving to become a bank that is acknowledged for its excellence in systematic brand management not just in Korea, but also around the world.



Shinhan Bank <Selected as Best Retail Bank in 2012 by The Asian Banker>

#### Philippine International Banking Convention (2012, Manila)



#### Selected as Best Korean Retail Bank for third Consecutive Years by The Asian Banker



#### Ranked 1st in Korea and 51st in the World for the Ranking of Global Financial Brands by The Banker



#### Selected as Best Korean PB Bank for Shinhan PWM by Euromoney



**Improving Access to Financial Services** Reporting Issues (12)

**We provide financial services to our customers at anytime and anywhere.**

In order to expand the customer reception abilities in areas without a branch network, Shinhan Bank continually expanded non face-to-face channels. Compared to the existing search and transfer focused services, we operated the smart finance center, which provides customized services at sales office level so that customers who want professional information and financial consultation services can get them through the internet, smart phone and professional consultation center without having to visit sales offices. In December 2012, we additionally opened the smart deposit center and the smart foreign exchange center, which established an environment where the same service as the sales office can be received at anytime and anywhere together with the smart loan center and the smart fund center. Also, in order to strengthen web accessibility, we provide open banking service that allows internet banking regardless of the device or operating system being used at home or workplace, thereby improving the convenience of using financial services for customers who have difficulty with financial services. Meanwhile, as part of the government policy, we established a service of convenient issuance together with the card company and actively promoted the project for changing MS card into IC card because of security issues, achieving the highest ratio of change out of the four major commercial banks.

**We support the use of convenient financial services to customers with disability.**

As part of the Compassionate Finance, we strengthened the accessibility to non face-to-face channel, including automation machine and internet, so that customers with visual disability and hearing disability can use financial services without inconvenience. Also, we prevent the occurrence of discrimination arising from using financial services by expanding various services that are being operated for the socially disadvantaged.

**Financial services for customers with disability**

Sign language consultation service	Operate an exclusive consultation channel within the smart finance center Operate sales offices with sign language consultation service to have a sign language counselor of the smart finance center translate the talk between customers with hearing disabilities and employees at the counter
Simple language service	Use friendly and easy terms as ARS messages for the initial users and the elderly of phone banking
Expanding braille security card	Provide smooth electronic finance to customers with visual disability through distribution to all sales offices



Shinhan Bank <Smart Deposit and Foreign Exchange Center>



## Open Talent Management

Reporting Issues (14)

### We establish the culture of open communication for employees.

Shinhan Bank listens to the voices of stakeholders in the rapidly changing management environment, while also making efforts to establish a culture of open communication within the bank to exchange diverse and creative ideas. We resolve misunderstandings and conflicts that might arise from wrong communication. Through this, we support respect and consideration that is the key to truthful communication so that they can absorb well into the organizational culture.

### We employ and develop global talents.

We are striving to establish a stable business through systematic development programs for employees. The locally hired employees receive specialized training in the region and we apply Shinhan's corporate culture to suit the local legal and cultural environment to create our own culture. Also, we improve our pride and love as Shinhan employees by inviting outstanding local talents to Korea to hold the training.

### System of developing locally hired employees

Work training	After establishing the local annual training plan for each year, we hold work training for local employees according to their fields.
CS/ corporate culture training	We hold training for customer satisfaction by selecting CS leaders from local employees. We hold corporate culture training to spread Shinhan's corporate culture locally and create our own culture
Developing core talents	We select outstanding employees with good performances and capabilities by dividing up into clerks and managers to develop into leader groups.

### We develop the next-generation financial leaders.

In order to strengthen the work capabilities of employees, we provide educational opportunities to all employees where they can receive integrated training during two nights and three days every year. Through the training, employees can review the changed regulations and systems, while also find opportunities to look back on whether or not they are performing well on their duties. Also, employees who want to improve their advanced knowledge can study professional knowledge at the Shinhan Financial School. In 2012, there were 208 graduates from RM, SOHO, WM, IB, FE and IT. Meanwhile, we have a separate leadership training program for developing leaders within the organization. In addition, we create a culture where the bank's key values are implemented at the work site by supporting the opinion leader groups, while also supporting the improvement of knowledge and abilities to resolve problems by having employees voluntarily participate in CoP.

\* RM : Relationship Manager  
SOHO : Small Office/Home Office  
WM : Wealth Management

IB : Investment Bank  
FE : Financial Engineering

IT : Information Technology  
CoP : Community of Practice

### We hope for the happiness of all employees and their families.

Under the belief that the mental stress of employees reduce the concentration level at work and impede on the organizations' vitality, we are operating a variety of stress management program to restore emotional and psychological stability to enhance the collaboration within the organization. Counselors with professional qualifications personally visit the sales offices to give advice to employees, while in the case of employees who need outside help through applications received from an on-line website, and we provide realistic assistance by linking professional counseling institutions. Also, in order to communicate with other team members, we support the ST program and hold a stress self-diagnosis system through the on line more than once every quarter. Starting from 2012, we implemented the 'employee healing program' to find a balance between work and personal life and generate positive energy. As part of these efforts, we held the 'on-line video lecture on stress relief solutions' to efficiently manage stress regardless of time and space. Shinhan Bank will strive to improve employee values through a balance between work and personal life by continually facilitating programs where our employees and their families can take part.

## CASE STUDY

In order to bring out positive energy and achieve a work and life balance, Shinhan Bank is implementing the Employee Healing Program. A total of 250 employees and their spouses participated in the 'spring deep in the mountain' located in Chungju-si of Chungbuk. They took part in the meditation programs, including walking meditation, log meditation, dancing meditation and fragrance meditation, which provided an opportunity for them to forget about everyday life in the nature and gain healthy energy. Also, information about how to deal with stress was provided to employees through the 'heart strengthening program' that improved the stress management capability by improving physical vitality and strengthening cardiopulmonary function. Besides this, we also held 'on-line video lecture on stress out solution' to provide ways to improve self-development and enhance basic understanding on work stress, thereby helping with efficient stress management without being restricted by time and space. Shinhan Bank will strive to improve employee values by achieving work and life balance by recognizing that our employees are directly linked with the competitiveness of the company.



Shinhan Bank <Healing and Meditation Program>



# Shinhan Card



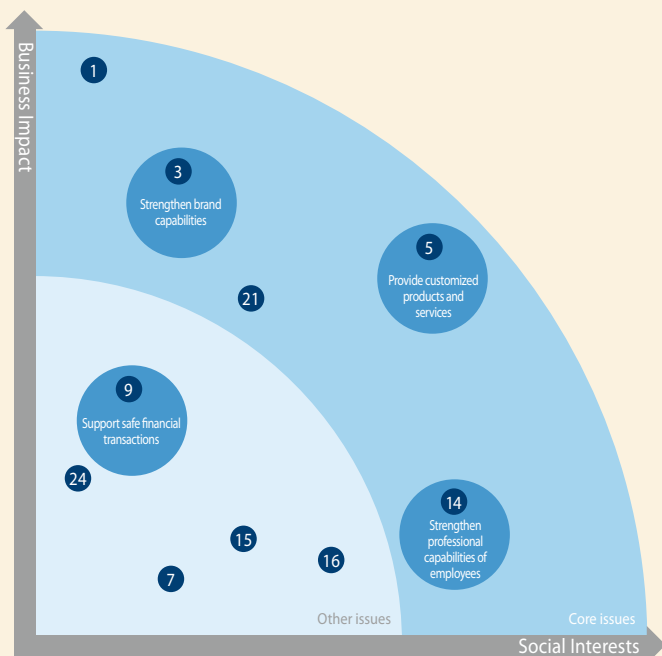
The Korean credit card market has changed into a consumer-oriented market that emphasizes on the protection of customer's rights. Therefore, the key to the success of the card market is determined by gaining the trust of the customer's hearts. You can touch upon the customers only when your true feeling towards them is shown. Shinhan Card is striving to become a partner in life so that customers can easily look for us when they want to. Also, we will create sustainable values by realizing social responsibilities in daily lives that emphasize on the financial industry.

Jae Woo Lee CEO of Shinhan Card

## Company Introduction

In order to provide a comfortable and convenient life for customers, Shinhan Card has played a leading role in the market by establishing a strong network base and efficient risk management system and expanding the possibility of stable financial support at the group level. After the integration, we achieved the economy of sale in advance, including the customer base, and established a stable business base that can flexibly absorb the internal and external shocks through the work efficiency and business innovation of products and processes. As an affiliate of Shinhan Financial Group, we created synergy effects in marketing, including cross selling and bank's sales office networks being used as the group's customer information. Also, we strengthened our position in the card industry by using the group's efficient risk management system and possibility of stable financial support.

## Material Issue Map



## Major Issues Reported in 2012

Shinhan Card evaluated material issues to produce reports on areas of interest for various internal and external stakeholders. The results of material issues selected 5 Core issues, including 'strengthening brand capabilities', and 5 other issues, including 'supporting safe financial transactions'. In the 2012 CSR report, 'strengthening brand capabilities', 'strengthening professional capabilities of employees', and 'providing customized products and services' were selected as Core issues, while 'supporting safe financial transactions' were selected for other issues.

## Distribution of Economic Value

(Unit: KRW 1 billion)

<b>Employees</b>	Employee salaries/ welfare benefits	<b>303.1</b>
<b>Shareholders, investors</b>	Dividends	<b>400</b>
<b>Local communities</b>	Social contribution investments	<b>24.2</b>
<b>Government</b>	Corporate tax expenses	<b>217.3</b>
<b>Partner companies</b>	Purchase and services	<b>135.1</b>
<b>Others</b>	Other general administrative expenses	<b>309.8</b>

## Differentiate Financial Service

Reporting Issues (5)



Ranked 1st as Most Respected Korean Company for fifth consecutive years by the Korea Management Association Consultants (KMAC) (February 2012)

### We develop products and services from the customer's point of view.

Shinhan Card has established a card portfolio that comprehensively analyzes diverse factors, including customer lifestyle and card use patterns, based on the industry's first newly opened next-generation computer system together with the big data of 22 million customers. The card portfolio provides card products and service benefits where customers can enjoy the best profits. Also, we operate the 'Tops Club' system, which is a program for managing outstanding customers who can receive preferential services for all affiliates of Shinhan Financial Group, such as exempting annual fee and commissions, providing premium coupons, and giving discounts on cultural performances. Shinhan Card continually developed and implemented differentiated services to satisfy customers, including providing a 24 hour settlement service, developing customized ARS, sending cards to a third location wanted by customers, and providing personal information consent forms by mobile phone. Also, we provided services to customers who were socially disadvantaged or times of difficulties, including providing sign language consultations to customers with hearing disabilities, providing exclusive care services for the elderly, and implementing a system of exempting interests on deceased customers.

### We boost soft competitiveness.

As the domestic card market entered into maturity, the marketing competition among card companies intensified to improve card use rate and prevent customer defecting. Also, the pressure from a diversified competition structure and continuous reduction of commissions provided a complicated and difficult management environment. In response to this, Shinhan Card acquired a competitive advantage with differentiate software to transform into a customer-oriented service paradigm and introduced the GEUS (Genesis Evolutionary Unique System), which is a next-generation system to achieve work efficiency of internal work and It operations. Due to the opening of GEUS, Shinhan Card came up with customized offers, and by providing them in a timely manner, we were able to improve sales capabilities and acquire a competitive advantage. We were able to integrate and manage the customer contact information that was distributed through real-time distribution channels, thereby providing personalized customer satisfaction by minimizing the gap between the point of customer request and the point of service provision.



Shinhan Card <Sign Language Consultation Service>

**We provide a variety of differentiated mobile services that suit the changing lifestyles of customers especially for smart phones.**



Shinhan Card's representative application 'Smart Shinhan' allows users to receive the same level of services provided by the computer's homepage, including approximately 90 menus on various searches, settlements, card and service applications, through their smart phones.

'Smart Shinhan' has established itself as the best application of a card company as of January 2013 with 3.13 million cases of accumulated downloads and 650,000 visitors on the website per month. We received recognition for its convenience and excellence by winning various awards, including the 3rd Smart Application Technology Innovation Award, the 2012 Korea Mobile Application Award for Financial Services, the 3rd Korea Mobile Award for Best Application in Business Sector, and the 2nd Mobile Brand Award for Best Mobile Application in Credit Card Sector.

**We increase premium services by expanding the platinum # card line-ups.**

Currently, the Korean premium card market mostly consists of the concept of providing limited services to a small group of special customers. Shinhan Card escaped from this concept to expand the premium services so that many customers can experience improved services and benefits. Under this purpose, we released products of 'Platinum#' in 2011. In order to actually expand the services, in 2012, we developed the RPM Card, which provides a wide variety of refueling services, and the Lesson Card, which strengthened services related to learning. Providing a wide variety of services to customers is Shinhan Card's new concept of premium services to give back for customer love. In 2013, we added the premium services to our major products, including Cube and Simple, to expand the products of 'Platinum#' Card. We will continually conduct R&D to provide high-quality service and give a sense of pride to more customers.

**We go beyond the boundaries of card.**

There is an increasing trend of check cards due to the government's promotional policies to use check cards, the tax incentives and the overall social atmosphere. However, in the case where there is a lack of balance in the account, it is inconvenient to use the card, which is why the increase of check card use is not that huge. In order to resolve such inconvenience and facilitate the use of check cards, Shinhan Card released the Korea's first hybrid card, which goes back and forth between the boundaries of check cards and credit cards. The

'Chamshinhan Card' has the meaning of bringing 'genuine benefits' to customers. The biggest characteristic is that it allows a credit limit of small amounts (KRW 100,000) to be used as credit cards. It is a card with strong benefits in refueling, shopping and eating out, which reflect the lifestyles of office workers in their thirties. Shinhan Card will continue to work towards increase the customer convenience by breaking down the existing common knowledge and tearing down the boundaries of thinking.

## CASE STUDY

### Launch of the world's first braille card

Shinhan Card was thinking about developing card products for the socially disadvantaged when it came to our consideration that the existing credit card plates can be very uncomfortable for the visually disabled. Based on Shinhan Card's major cards, including Love and High Point Card, we attempted to develop braille cards for the visually disabled. It has not been done by anyone in the world, but as a market leader, we could not overlook the inconvenience of our customers. Therefore, we worked with the Korea Blind Union to launch the braille card, which is optimized for customers with visual disabilities. Through prior surveys, we checked factors that the visually disabled might have including: 'cannot check information like card number, etc.' (57.9%, hereinafter multiple responses); 'not able to differentiate between many credit cards inside the wallet' (42.1%). In order to resolve these problems, we developed a card plate where basic information like product name, card number, expiry date and CVC can be inputted in braille. In addition, we provided product introduction booklet and bill statements in braille and voice files to minimize the inconvenience of using cards. In 2013, we participated in the working group for developing standard braille printed financial card to contribute in facilitating braille cards by passing on our development know-how to domestic financial institutions. Meanwhile, we will continue to develop other products for the socially disadvantaged.



Shinhan Card <Braille Card for the Visually Impaired People>

## Strengthening of Customer Protection Activities

Reporting Issues (9)

### We strengthen customer protection activities that can provide customer satisfaction.

Shinhan Card has been implementing various activities to protect customer rights, including achieving complete sales where customers can make decisions on reasonable consumption and providing follow-up measures to after sales. In order to realize 'customer satisfaction' through customer protection, we established a culture of customer protection focusing on financial education, prior control and prompt response afterwards. Based on this, we completed the customer protection system to strengthen execution and proactively manage the reputation. As a result of these customer protection policies, the number of complaints received through the internet decreased by more than 30% over the previous year, while we received positive evaluations in a private evaluation organized by the Financial Supervisory Service.

### We pay attention to VOC.

#### System of listening to VOC for all employees

Shinhan Card's listened and analyzed the Voice of Customer (VOC) to identify the needs of our customers, which has become Shinhan Card's culture. The VOC collected through the Call Center can be listened to and searched according to type, division and product, which is systemized and events are held to develop diverse ideas by providing differentiated products and services and listening to VOC for all employees on a day designated as 'Day of Customer Protection' once a month.

### Customer panel system

In order to satisfy different needs of customers by collecting more detailed opinions, starting from 2008, we operated the customer panel system, which evaluates service quality and provide improvement ideas through diverse activities, including monitoring, meetings, and on-line communities, by selecting 100 customers who use Shinhan Card and other company's cards publicly. Also, when developing Shinhan Card's new products and services, we held interviews and reflected customer's opinions to ensure the service quality met the customer's satisfaction.

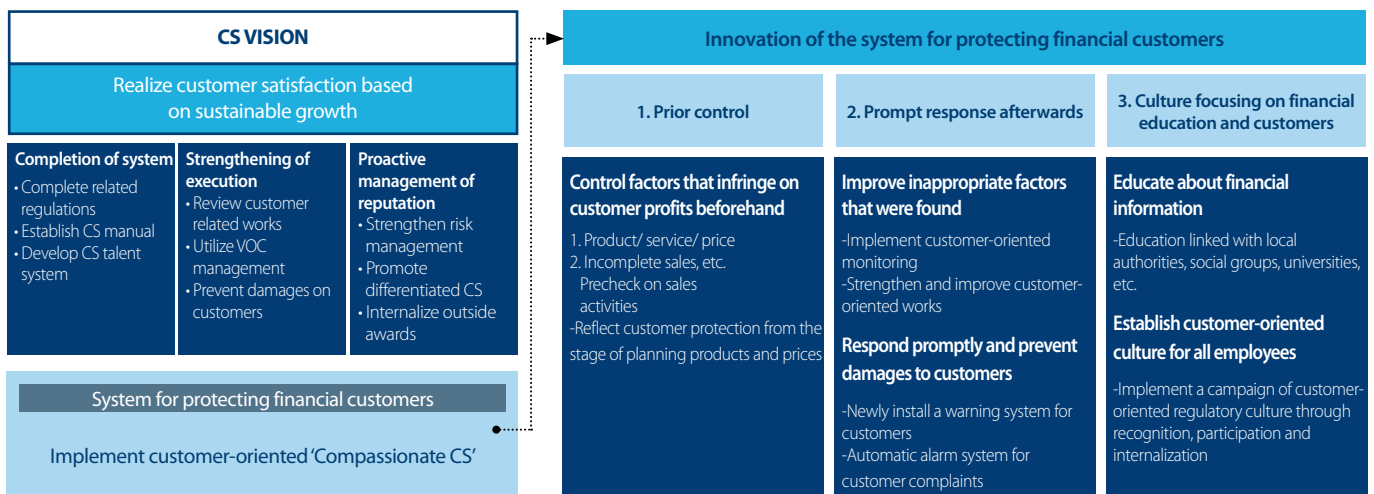
### Customer complaint improvement system

We operate a process of immediately improving on factors that cause inconvenience. Regarding complaints collected through VOC, wired and wireless lines, we analyze the reasons at the customer protection center and relevant divisions are required to make improvements by immediately giving feed backs. These improvements are discussed at the company-wide meeting and shared with all employees to prevent customer inconvenience. As a result, we were able to improve customer satisfaction by improving a total of 110 factors of customer inconvenience in 2012.



Shinhan Card <Ceremony for Customer Panel>

### System for strengthening customer protection activities



## Creative Brand Management

Reporting Issues (3)

### We lead the financial trend through smart consumption.

Besides the exterior matters, Shinhan Card was ranked as the number one card company in brand value by achieving 1st place for second consecutive years in 2011 and 2012 for the National Brand Competitiveness Index (NBCI). The brand power of Shinhan Card is difficult for anyone to copy because we have direct product and service data coming from 22 million customers. Also, it can be seen as the result of Shinhan Card's change and innovation to be closer to our customers and society, including diverse cultural marketing stories and designs and differentiated CSR management. Likewise, Shinhan Card has strived to further strengthen the brand image as the leading card company that creates financial trends in customer's smart consumption and leisure activities.



'National brand competitiveness index' hosted by the Korea Productivity Center  
Ranked 1st for the second consecutive years in credit card sector (August 2012)

### We introduce a new concept of smartness to the market.

Shinhan Card used the data for analyzing consumption patterns of card users that account for most of the economically active population in Korea to identify their needs in advance, thereby continually developing differentiated products and services that meet their needs. Shinhan Card's representative multi-seller card is 'Love Card'. Of course, the customized point card 'Hi-Point Card' series also received the praise that it changed the paradigm of the card market. Besides this, the 'S-More Card' gave interests for points, the 'RPM Card PLATINUM#' opened the limits of refueling benefits, which all proved Shinhan Card's strong product competitiveness. Also, based on the top IT capabilities and big data analysis capabilities, the competitiveness of 'cube' and 'combo' made services to be customized like smart phones where you could add and erase freely. Shinhan Card showed results in maximizing the convenience and benefits, which are seen as bringing a new concept of smartness as the leader in the industry. Meanwhile, the big data is outstanding in the recently popular mobile service. Shinhan Smart Wallet, which is the industry's first mobile electronic wallet, provided high-quality merchant information based on big data. Also, a huge volume of data, including the amount of card use, profession, visitors by gender and age, ratio of revisits, and ratio of use by day of the week and time, to maximize the convenience of customer's daily life by providing functions like recommending good restaurants according to different themes.

\* Introducing the Cube Card and the Combo Service: 'Cube' is a new-concept customized product that provides basic discounts when customers select a maximum of 10 business types out of 9 types, while you can get additional discounts on up to 2 items out of 9 items through the 'Combo' service

### We contribute to the promotion of culture through the 'Love' Series.

As Korea's leading card company, Shinhan Card is implementing the 'Love Series', which is a cultural marketing brand for all customers across the nation and not just in the Seoul metropolitan area. The 'Love Concert', which is held by visiting large regional cities, including Busan, Daegu, Gwangju and Daejeon, we provided a place to experience our brand for many customers in the nation, while also contributed to promoting culture. In particular, the Love Concert not only provided popular singer's concerts, but also large brand zone was set up in the outdoor spaces to set up experience booths of major products and services, cafes, game events, and exhibitions of trendy products. It also provided an opportunity to experience Shinhan Card brand. Besides this, we implemented diverse events where customers can participate and experience through the 'Love Classic', which is a high-quality classic program, the 'Love Day', which is a sports event of baseball and soccer, and 'Love Square', which provided space marketing in major landmark areas, including CGV Shinhan Card Art Hall, Centum Shinhan Card Cine Café and LG Art Center. Also, we sponsored festivals held in many regions, including the Gwangju Biennale and the Busan International Film Festival. We will continually implement brand management by showing more programs that provide diverse and actual cultural benefits to more customers of Shinhan Card, including Picasso drawing festival and classical music concerts.

### Cards are decorated with art.

Gallery S (artist card) is a service that makes card plates from a variety of art works by new artists who dream of communicating with the world through their art works. Altogether 5 new artists and art groups took part and customers can choose from a total of 70 types of images. We are implementing the Compassionate Finance by encourage the development of new artists through the program for sponsoring Gallery S artists, while also meeting the cultural needs of customers by putting art works on cards instead of using the same designs.



Shinhan Card <Love Concert>

## Employee Satisfaction Management

Reporting Issues (14)

### We strive to create a corporate culture of a great place to work.

Shinhan Card has implemented diverse programs for the emotional and physical healing of employees, including weekend journeys, Namsan hiking trips and marathons. In order to provide break to employees who suffered from a heavy workload and a difficult work environment, the employees personally held the healing concert to participate in the orchestra in front of the other employees. On Wednesdays of each week, we designate it as the day of family and encourage employees to go home on time. Also, for the second consecutive years in 2011 and 2012, we completed medical checkups for all employees to prevent stress and find out their work stress, while also established the ESTC (Employee Stress Total Control) system to conduct imagery therapy to employees in addition to the medical diagnosis and tests.

### Achieved grand slams in major areas for employee satisfaction

Selected as outstanding labor-management company (2012)	Selected as the outstanding labor-management company in 2012 hosted by the Ministry of Employment and Labor for the first time in the credit card company
Received awards for GWP from outside institutions for fourth consecutive years (2009~2012)	Received an award as the 'Top 100 GWP' based on the trust index surveys of internal employees
Certified from KMAC (2012)	Selected as 1st place in credit card and ranked 11th in best 30 service area in the survey for the '2012 GWP'

### We implement self-initiated career development.

The career development program (CDP) for the career development of Shinhan Card was designed in 2011, which began its full operation in 2012. CDP sets roadmaps for career development as employees aim to develop within the company. It is a self-initiated learning program where employees can take educational programs needed for their self-development according to their career goals. The employees make

their own self development plan and take educational programs based on this. The results of individual learning activities are managed in quantified indexes called the CDP development index. According to individual wishes, employees can move to other divisions to further develop themselves.

### We continually implement activities for finding and developing talents.

Shinhan Card is operating a variety of educational programs to develop outstanding talents. We develop global minds through courses such as the overseas MBA application system and the programs for SHE-MBA, while providing opportunities to learn the latest management trends. In particular, Shinhan Card and Seoul National University jointly developed the marketing professional course where 20 participants are selected each year. The marketing areas and major areas of interest within the company are chosen as tasks for on-site learning, which received a high satisfaction level from internal employees in the process of seeking solutions. We will continue to develop employees by identifying and developing outstanding talents.

### We operate an educational support system focusing on work sites.

Shinhan Card is operating an educational support system focusing on work sites mainly in the sales divisions. We adopted the account system for different areas at the work site, including membership sales and consultation center, to support educational programs. In 2013, we organized the education meeting consisting of persons in charge of on-site education to establish and operate a regular support system. Meanwhile, in order to effectively use major information related to education, including educational materials and video footages, we are operating the educational information sharing channel'



Shinhan Card <Healing Music Concert>



Shinhan Card <Compassionate Finance Academy>

# Shinhan Investment Corp.



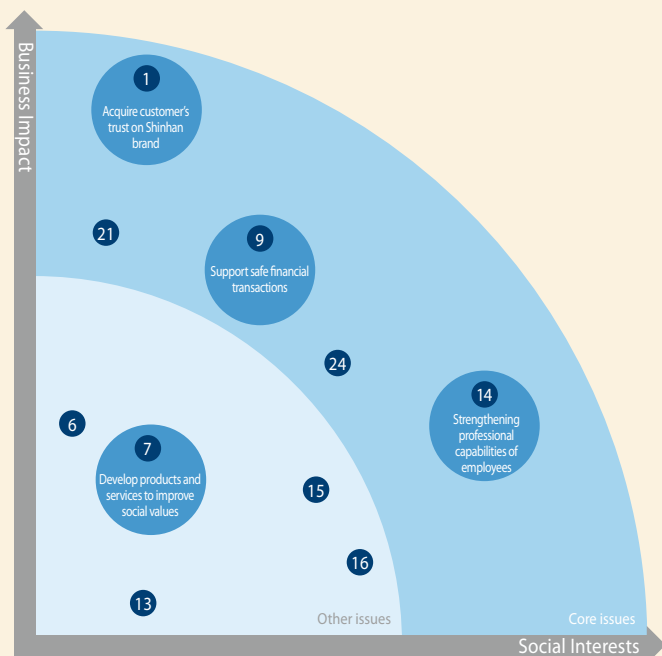
As the leader of the financial investment industry, Shinhan Investment Corp. places top priority on its partnership role in successful investments in order to create values that our customers want and to design a better future for our customers. We strive to provide a better tomorrow for our customers by offering abundant products and services via Shinhan Financial Group's extensive network, and evaluating our employees based on return on customer. We will do our best to become a partner in 'making a happier tomorrow' by always thinking about our customer's success.

Dae Seok Kang CEO of Shinhan Investment Corp.

## Company Introduction

Shinhan Investment Corp. was established in 2002 through the merger of Shinhan Securities and Goodmorning Securities. The company converted from a securities firm to a financial investment company with the introduction of the Financial Services Act in 2009, acquiring the current company name. Based on a strong corporate governance structure and financial stability, we have emerged as the leader in the financial investment industry by integrating advanced management techniques. We provide differentiated asset management services based on the industry's leading sales capabilities in global equity and derivative products, in-depth research skills, stable product management strategies and advanced management techniques.

## Material Issue Map



## Major Issues Reported in 2012

Shinhan Investment Corp. conducted material issue evaluation to produce reports on areas of interest for various internal and external stakeholders. As material issue evaluation results, we selected 5 Core issues, including 'acquiring customer's trust on Shinhan brand', and 5 other issues, including 'developing products and services to increase social values'. The 2012 CSR Report covered various issues, including 'acquiring customer's trust on Shinhan brand', 'supporting safe financial transactions' and 'strengthening the professional capabilities of employee's as Core issues, while 'developing products and services to increase social values' was selected as other issues.

## Distribution of Economic Value

(Unit: KRW 1 billion)

Employees	Employee salaries/ welfare benefits	<b>222.5</b>
Shareholders, investors	Dividends	<b>20</b>
Local communities	Social contribution investments	<b>2.1</b>
Government	Corporate tax expenses	<b>15.2</b>
Partner companies	Purchase and services	<b>14.5</b>
Others	Other general administrative expenses	<b>112.7</b>

## Strengthening of Capital Management

Reporting Issues (1)

**We maintain an outstanding capital adequacy ratio despite the rapidly changing market conditions.**

Shinhan Investment Corp. maintains an outstanding net capital ratio (NCR) despite the global financial crisis. The NCR system, which is a regulatory management of capital adequacy of financial investment firms, ultimately aims to protect investors by promoting the financial soundness of financial investment firms amid rapidly changing market conditions. The financial regulatory authorities require financial investment firms to maintain above a certain level of NCR as an indicator of financial soundness.

**We strengthen anticipatory measures to maintain financial soundness.**

Shinhan Investment Corp. established an early warning system to keep track of daily NCR and monitor changes in the ratio according to different positions. We also set up anticipatory measures to maintain financial soundness, including the establishment of a preliminary monitoring system to maintain NCR above a certain level.

**We disclose information on risk management.**

Shinhan Investment Corp. publicly discloses information on NCR and risk management every quarter. The disclosed information includes Shinhan Investment Corp.'s risk management principle, organization, system and current status according to different risk types (market risk, credit risk, liquidity risk, etc.). The disclosure helps customers to check the company's risk management ability and capital adequacy.

구분	계정종류	계정명	단위	비율
1. 자본총계	자산	자산총계	원	100%
2. 자본	자산	자본총계	원	100%
3. 순자산	자산	순자산	원	100%
4. 순자산	자산	순자산	원	100%
5. 순자산	자산	순자산	원	100%
6. 순자산	자산	순자산	원	100%
7. 순자산	자산	순자산	원	100%
8. 순자산	자산	순자산	원	100%
9. 순자산	자산	순자산	원	100%
10. 순자산	자산	순자산	원	100%

\* Preliminary monitoring of daily results of NCR



Shinhan Investment Corp. <Performance Evaluation Ceremony>




## Protection of Financial Customers

Reporting Issues (9)

### The regulations for protecting financial customers have been strengthened.

Following the global financial crisis of 2008 triggered by the US subprime mortgage crisis and anti-Wall Street demonstrations held out of animosity towards greedy financial capitals, financially advanced countries such as the US and Great Britain have strengthened consumer financial protection by setting up an independent consumer protection entity. Korea has applied the same regulation on selling financial products with same functions to protect financial customers. A system that suspends lawsuits in case of financial conflicts has been adopted, leading to the establishment of the Consumer Financial Protection Act to strengthen remedial procedures for financial customers.

\* April 19, 2013: The Consumer Financial Protection Act is currently under review at the National Assembly.

 First Prize Winner in Financial Investment Category at 2012 Korea Consumer Financial Protection Award

### We protect financial customers by complying with laws and regulations related to finance.

Since 2011, Shinhan Investment Corp. has implemented various activities through the 'Compliance & Ethics' website. Such activities include providing compliance education, introducing the latest laws, precedents and financial systems, giving legal and tax advice, and



Shinhan Investment Corp. <Compliance & Ethics Website>

setting a standard for financial contracts. In order to improve the employees' awareness of compliance and ethical management, we operate a monthly self-review program on ethics and compliance. We also established an independent investor protection center to resolve the financial investors' complaints on financial products actively and efficiently. Aiming for zero complaints on funds, a fund recall system was introduced which returns the principal and commission fee if a fund product was sold improperly. Our efforts to protect financial customers bore fruit. Shinhan Investment Corp. received an 'outstanding' evaluation in the Mystery Shopping survey on funds conducted by the Financial Supervisory Service in 2011, and the highest 'satisfactory' grade in the results of the first mystery shopping survey carried out on ELS in 2012.

### We protect our customers and grow together by evaluating employees based on return on customer.

Shinhan Investment Corp. has implemented diverse policies to establish a customer-oriented culture, keeping in mind that the most important customer need is return on customer (ROC). We adopted a system to evaluate employees based on ROC, which is reflected in employee performance evaluation at the end of each year. If an employee fails to meet the ROC standard, he or she may be disqualified as candidates for the Shinhan Meister Club, which selects only the best sales employees of Shinhan Investment Corp. We will strive to become a company that protects our customers and grows together with them.



Shinhan Investment Corp. <Return on Customer Reflected in Employee Evaluation>

## Developing Products and Services that Brings Satisfaction

Reporting Issues (7)

We dream of noblesse oblige in finance.

Shinhan Investment Corp. launched the 'Shinhan Wrap Donation', the first donor-advised model in Korea, together with the Ministry of Health and Welfare and Community Chest of Korea on June 28, 2012 (MOU signed on April 6, 2012). The donor-advised wrap product is a charitable giving vehicle administered by a public corporation (Community Chest of Korea) and created for the purpose of managing charitable donations on behalf of an organization, family, or individual.

In a donor-advised model, the donor only advises the sponsoring organization where the money should go. It is a product that ensures efficient donation by integrating the know-how of Shinhan Investment Corp.'s operation and the Community Chest of Korea's distribution network. Since it was launched at the end of June 2012, a total of ten donors have donated approximately KRW 500 million through the Donation Lab. We have completed the donation to the place designated by the donors, including the elderly, children, youth, and scholarship (as of April 19, 2013). We will continue to hold diverse events together with the Community Chest of Korea to efficiently improve our work process and to further promote the warm-hearted donation culture.



No.1 in the securities category of Korean Standard Service Quality Index

## Professionals of Finance

Reporting Issues (14)

Shinhan Investment Corp. has an employee training system that strengthens the professional capabilities of all employees. We offer diverse programs to nurture financial experts, improve the capabilities of front office employees who serve customers directly, and strengthen on-the-job skills to put new employees on duty as quickly as possible.

### Employee Training Programs

Program to develop professional employees	Cultivate top-quality professionalism and professional awareness
	Reflect on-site experience
Program to strengthen the capabilities of team leaders	Provide training for executives and VIP managers
	Provide training for promoted employees
Program to strengthen on-the-job skills to put new employees on duty quickly	Strengthen the sales capabilities of new employees
	Provide practical training
	Strengthen the mentoring system
Program to strengthen work abilities of the Customer Support Team	Develop professionals in applicable duties



Shinhan Investment Corp. <MoU Signing Ceremony for Donor Advised Fund>



Shinhan Investment Corp. <Orientation Training for New Employees>



Shinhan Investment Corp. <Training for Bond Professionals>

# Shinhan Life Insurance



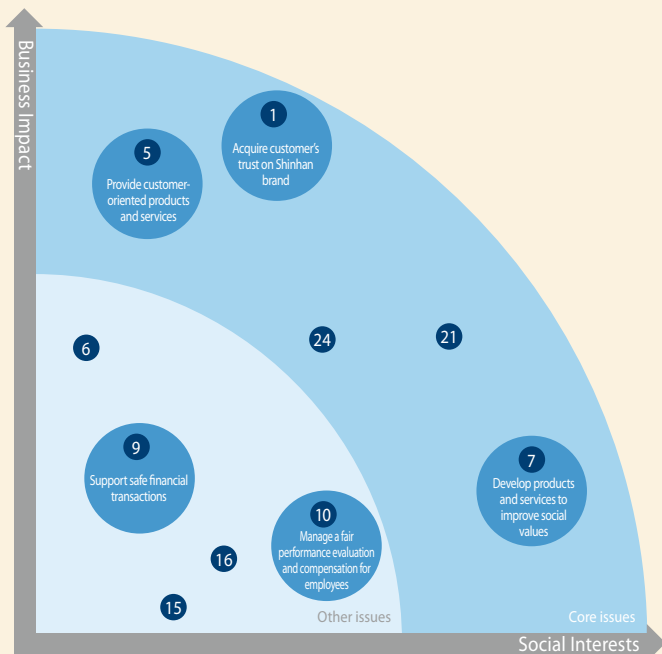
Shinhan Life Insurance declared 'Compassionate Insurance' to make the world a better place through the true value of insurance by implementing customer satisfaction management that puts customer values as the top priority. In order to ensure an abundant life for customers, we provide high-quality services and the best insurance products based on the total financial network, while also faithfully fulfilling our social responsibilities by contributing to the neglected neighbors through 'sharing and shared development'. We will strive to become the most trusted company for our customers by always thinking from the customer's perspective to realize their dreams and happiness.

Sung Rack Lee CEO of Shinhan Life Insurance

## Company Introduction

Shinhan Life Insurance, which was established in March 1990, has continuously achieved stable growth based on Shinhan Financial Group's total financial network by being incorporated as Shinhan Financial Group's affiliate in December 2005. We provide a variety of products and services that meet customer needs through diversified sales channels, including face to face channel, telemarketing through the TCM channel, agency marketing and bancassurance channel. Also, we successfully operated the SOHO channel, which is a trusting supporter for independent businessmen, and the on-line direct application channel to increase the accessibility convenience for customers. In addition, we are working towards becoming a new leader in the life insurance industry by implementing the 'Compassionate Insurance' to make the world a better place through the true value of insurance and by conducting quality management through customer-oriented sales with zero defects.

## Material Issue Map



## Major Issues Reported in 2012

Shinhan Life conducted a material issue evaluation to produce reports on areas of interest for various internal and external stakeholders. As material issue evaluation results, we selected 5 Core issues, including 'developing products and services to increase social values', and 5 other issues, including 'supporting safe financial transactions'. The 2012 CSR Report covered various issues, including 'acquiring customer's trust on Shinhan brand', 'developing products and services to increase social values' and 'providing customer-oriented products and services', while 'supporting safe financial transactions' and 'giving fair performance evaluation and compensation for employees' were selected as other issues.

## Distribution of Economic Value

(Unit: KRW 1 billion)

<b>Employees</b>	Employee salaries/ welfare benefits	<b>130.5</b>
<b>Shareholders, investors</b>	Dividends	<b>65</b>
<b>Local communities</b>	Social contribution investments	<b>18.3</b>
<b>Government</b>	Corporate tax expenses	<b>55.3</b>
<b>Partner companies</b>	Purchase and services	<b>29.6</b>
<b>Others</b>	Other general administrative expenses	<b>148.6</b>

## The Strategy of Specialization for CSR Management

Reporting Issues (7)



Received the 2012 Korea Customer Satisfaction Management Award selected by the Korea Sustainability Management Evaluation

### We operate a theme-type social contribution program.

Based on Shinhan Life's basic spirit that only the company that is considerate of customers and society can maintain continuous growth, we are implementing the corporate social responsibility (CSR) management by selecting themes by quarter. In the 1st quarter, we selected 'volunteer activities on the anniversary of foundation' as the theme to donate blood, provide free lunch to senior citizens who live alone, donate cakes of love and donate charity money raised to help pediatric cancer and leukemia patients. In the 2nd quarter, the theme was 'Shinhan Financial Group's Volunteer Festival' where the affiliate's employees implemented the group's philosophy to fulfill social contribution by participating in diverse volunteer activity programs, including cultural heritage protection activity, harmful plant removal activities, tree planting and vegetable garden box sharing. In the 3rd quarter, the theme was 'Shinhan Life's 1004 Day', which implemented a nation-wide relay volunteer activity and street campaign, as well as held the social contribution photo exhibition and the donation signing ceremony. The nation-wide relay volunteer activity started with the volunteer activity of giving free lunch of love in the Seoul region, participated by approximately 400 employees from October to November of each year. The theme for the 4th quarter was 'helping financially marginalized neighbors', which shared kimchi and briquette, supported quilt with cotton to senior citizens living alone, gave lunch to poorly-fed children and provided scholarship to youngsters.

### We released insurance products for the socially disadvantaged.

Shinhan Life Insurance newly developed the 'Shinhan Hope and Love Insurance', which is a small amount of insurance to support the low-income class who have difficulty in receiving insurance benefits. It provides coverage on risks through the contribution from dormant insurances, including various diseases and disasters and fatal accidents. Also, we provide discount benefits on premiums for multi-child families, the disabled and low-income class. In particular, the preferential special support provided for the disabled was chosen as the best practice of developing public interest products. In order to create a warm-hearted world of living together with the financially marginalized citizens neighbors, Shinhan Life Insurance is striving to implement the sharing of love and to strengthen the insurance capabilities.



Shinhan Life <Relay Volunteer Works on 1004 Day>

## Customer-Oriented Financial Service

Reporting Issues (5)

### We operate the smart channel for customer convenience.

Shinhan Life is operating the smart channel where customers can conveniently receive insurance services through mobile phones anywhere all year round without having to visit in person. We improve customer convenience through the smart channel, provide quick liquidity to customers through the service of paying the insurance loan, installment of insurance benefits, withdrawal benefits, sleeping insurance, cancellation refund, dividend and maturity proceed, as well as repaying the principal and interest and paying for the insurance premium. The smart channel was developed to remove any inconvenience arising from waiting in line at the counter by looking from the customer's point of view. It was developed on a safe system that prevents financial accidents and protects customer's contract and personal information under heavy security to provide customer convenience. Therefore, it is a system that responds to the customer's needs by striving to ensure both customer convenience and customer safety.

### We minimize customer burdens through a direct sales channel.

Shinhan Life developed a direct sales channel so that customers can submit on-line applications directly without any help from life planners, which guaranteed minimum insurance premiums for customers. Through the direct sales channel developed by Shinhan Life, customers were given the opportunity to join pension savings insurance, children's insurance, cancer insurance and term life insurance in a short period of time at minimum costs because of a zero payment made to life planners. Shinhan Life has made continuous efforts to provide the opportunity to enjoy reasonable insurance services at minimum cost and time from the customer's point of view. Therefore, the development of direct sales channel is the product of these efforts made.

### We develop customer-oriented products.

Shinhan Life ensures customer's financial planning by developing customer-oriented insurance that can satisfy customers. We released the 'Shinhan Big Life Insurance', which is a hybrid insurance that combined the function of the life insurance that ensures protection against diseases and death for customers as well as the function of the pension insurance that ensures abundant old age security. If you join the 'Shinhan Big Life Insurance', customers can change their insurance to pensions after a certain period of time. Therefore, subscribers can receive the death benefits if they pass away before changing to a pension, while they can change to a pension during the period when the need for old age security increases and the need for death

benefits decreases. As a result, subscribers can make financial planning that guarantees safe and abundant old age security. We developed products based on a customer-oriented spirit while faithfully carrying out insurance business so that customers can be ensured to their fullest benefit whether it is through the life insurance or the pension insurance.



Shinhan Life <Operating Mobile Smart Channel>

보장은 그대로, 보험료는 저렴하게 인터넷으로 직접!



Shinhan Life <Release of Shinhan Smart Internet Insurance>



Shinhan Life <Release of Shinhan Big Life Insurance>

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## Acquiring Asset Quality

Reporting Issues (1)

### We strengthen our response to domestic and foreign environmental changes.

Insurance has the characteristic of a long-term contract because it receives insurance premiums from customers and pays the promised insurance money to customers when unexpected accidents occur in the future. Therefore, the insurance paying ability of insurance companies is considered as an important factor, such as having adequate equity capital by systematically and quantitatively identifying various risks that the insurance company might have.

Shinhan Life developed a plan to strengthen the company-wide management by recognizing low-interest risks as the top priority risk factor under the rapidly changing environment. Also, in order to proactively respond to the systematic changes, including the decrease of deferred limit of new contract money and the amendment of the risk-based capital system (RBC system), we established the Risk Management Headquarters to strengthen the risk management capabilities and acquire the organizational professionalism.



Acquired the highest grade of AAA in the 2012 insurance financial strength rating evaluated by the Korea Investors Service and hosted by the Korea Ratings

### We secure stability by focusing on managing core assets.

In 2008, despite the global financial crisis that was started by the U.S. subprime mortgage crisis, we achieved the industry's highest level of profits for asset management by focusing on managing core assets. As of the end of 2012, we are managing assets that are government and public bonds, bank debentures and commercial bank deposits with above 60% of them having above AA credit ratings on average. We also work on securing stability by managing other loans mostly including contract, collateralized household and corporate loans within the scope of return of reserve refunds stipulated in the insurance contract.

### We operate a professional review organization.

In order to safely manage the continuity of uncertainties internally and externally and the credit risks that arise from them, Shinhan Life went through reorganization to newly establish the 'Asset Management RM Division', which is an independent review sector under the Management and Strategy Division that was set up in January 2013. As a professional division that refer to the Asset Management Committee, the Asset Management RM Division will be ensured of its independence on reviews made on core assets by strictly examining the corporate loans of high amounts and the credit risks of corporate bonds. Meanwhile, the individual loans of small amounts are managed

by the review sector consisting of professional examiners under the Loan Division. We plan to systematically review individual credit loans through the Credit Scoring System (CSS) for individuals, which is expected to complete development by October 2013. In line with this, Shinhan Life will safely conduct financial transactions needed for consumers through professional organizations and systems.

### Shinhan Life received the highest grade in insurance financial strength rating for fifth consecutive years.

In 2012, Shinhan Life acquired the highest grade of 'AAA' in the insurance industry for insurance financial strength rating from the Korea Investors Service, which is an affiliate of Moody's.

Since 2008, Shinhan Life received recognition for its management stability in the industry by acquiring the 'AAA' grade annually. Also, we received AAA by the Korea Ratings.

The Korea Investors Service and the Korea Ratings made evaluations by taking consideration of the major evaluation indicators, including market status (marketability), profit-generation ability (profitability) and capital adequacy (stability), in the areas of insurance sales, asset management and capital adequacy.

In the case of insurance sales, the premium income came evenly from different types of insurances, including survival insurance, life insurance and mixed insurance, while high evaluations were made on achieving a balance between various sales channels, including FC, TCM, AM and bancassurance. In the case of asset management, we established a long-term stable portfolio based on strict risk management to greatly exceed the industry average of 4.9% to achieve the ratio of return on invested assets at 5.8% as of the 3rd quarter of the fiscal year 2012.

In line with this, despite the strengthening of capital adequacy by the supervisory authorities, Shinhan Life maintained an outstanding solvency margin ratio without acquiring supplementary capital. We continuously maintained outstanding financial stability because of the high ratio of safe assets among the assets being managed, including cash, deposit, government and public bond and special bond.

As of the end of December 2012, Shinhan Life is maintaining the industry's highest level of capital adequacy at 287.7% for solvency margin ratio according to RBC standard. We will continue to maintain outstanding solvency margin ratio through systematic risk management and continuous accumulation of profits.

## Strengthening of Customer Protection Reporting Issues (9)

### We received recognition for the excellence of our advanced customer protection system.

In November 2012, Shinhan Life Insurance represented the insurance industry to present its best practices at an event of 'Financial Customer Protection Presentation' organized by the Financial Supervisory Service (FSS). It was a venue where companies with outstanding customer protection systems were selected to announce their best practices among the companies above grade 2 in the evaluation of customer complaints by the FSS on the overall financial industry, including banks, credit card companies, life insurance companies and investment companies. Shinhan Life Insurance had the honor of making the presentation together with the banking sector's presenter, Gwangju Bank. Shinhan Life Insurance introduced their performances, strategies and best practices on implementing customer protection, including establishing a customer protection management system, focusing on improving the system and management to reduce customer complaints, and making efforts to improve the awareness of CEO leadership for implementing the Compassionate Insurance. They are best practices that received actual recognition on Shinhan Life Insurance's customer protection system through financial supervisory institutions and financial institutions.

### We newly established an organization exclusively for customer protection.

In order to make anticipatory response to the paradigm to strengthen the management supervisory policies for customer protection, Shinhan Life Insurance reorganized the organization to newly establish a customer satisfaction center underneath the existing CS Implementation Division as the 'customer protection division'. The customer protection division is divided into the planning support part and the private support part. The planning support part carries out the duties of achieving healthy growth through managing quality indexes, strengthening the management of incomplete sales ratio, and establishing strategies to achieve the indexes for managing customer complaints from the outside. The private support part leads in improving on-site sales focuses and protecting customer's rights through an exclusive channel system by actively responding to internal and external customer complaints. Furthermore, the customer protection division will act as a driving force in protecting customer's rights, realizing customer-oriented systems, and establishing sales culture of Jeongdo (right path).

### We improve our customer's service quality.

Shinhan Life Insurance is implementing 'quality innovation' and 'zero defect sales' throughout the whole process from the initial sales to the contract management by establishing the sales culture focusing on the process instead of the result. In January 2013, we adopted a customer quality index system consisting of 5 categories, including incomplete sales ratio, number of customer complaints from the outside, ratio of converted p calculation, ratio of happy call acceptance and Q & As. The evaluation results by index were reflected in the performance of sales managers (20%) so that there is voluntary quality innovation on the site. Also, the monthly results of evaluation were shared with the CEO and other employees to promote 'customer quality management' as one of the corporate cultures. The outstanding headquarters and branches that were selected based on quarterly results of evaluation received awards, while those that lagged behind received penalties to apply the principle of punishment and reward based on the evaluation results. Shinhan Life Insurance will continue to give clear motivations on quality management and implement the customer quality index by reflecting the CEO's strong commitment.



Shinhan Life <Invitational Meeting with Customer Panels>

## Job Stability and Employment Equality Reporting Issues (10)

### We are active in ensuring job stability by 'changing employees of temporary positions to permanent positions.

As of January 2013, we changed nearly 220 employees in temporary positions to permanent positions regardless of their rank and class so that they can challenge their dreams. In addition, we proactively realized social values by protecting the minority to provide equal opportunities without discrimination, along with job stability by giving clear visions to develop them into professionals.

**We create 'a great workplace for females' to ensure equal employment.**

In order to expand the vision of office workers who are mostly women and strengthen their compensation, we newly established a system where office workers can become professionals. As a result, 44 female employees and 29 female employees in 2012 and 2013, respectively, were promoted as professionals.

Also, the employees subject to promotion were expanded from the duties taking place at sales offices to other key areas, including planning, marketing and talent development.

Through personnel transfers without discrimination on gender, birth and academic background, we expanded the individual visions of female employees, as well as conducted career development programs for female employees who were promoted so that they can become managers without gender discrimination.

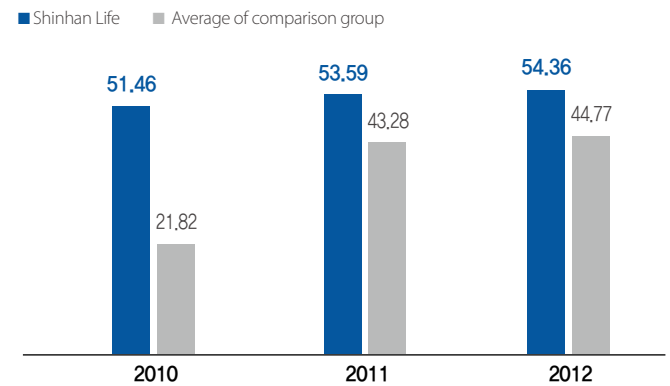
In line with this, we increased the employment of disabled women as part of the Compassionate Insurance to be considerate of the socially disadvantaged. In particular, in December 2012, we established a nail art center inside the company by hiring two female nail artists with disabilities. As a result, it greatly contributed to enhancing the satisfaction of our female employees.

**We operate an emotional system to achieve a work-life balance.**

Shinhan Life is operating a variety of systems to achieve a work-life balance, which improves the life values of employees and enhances the work efficiencies through refreshing.

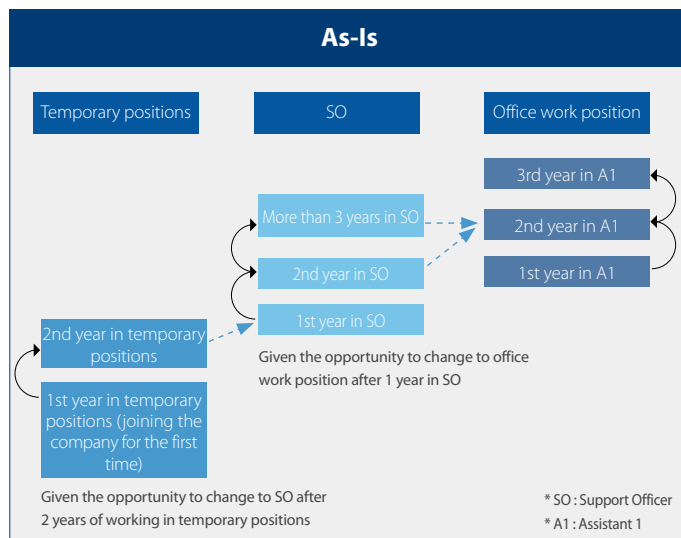
We implement various programs for employee satisfaction, including the children's camp for preschool age children together with our employees and their families, the children's camp for elementary school age children and the weekend experience program. Also, we operate a consultation system together with a research institute affiliated to university to get rid of stress that cannot be resolved easily, while also implementing the U & Me Shinhan, which is an emotional program, to communicate with the employees and life planners at different divisions and branches. In line with these systematic efforts made, we also pay attention to the smallest areas concerning our employees by sending hand written letters of encouragement to employees working in remote regions, sending letters from the CEO to employees and their families in case of reappointment, giving gifts to employee's children who are entering into elementary schools, encouraging employee's children who are preparing for university entrance examination, and sending gifts to employees who are giving child birth.

**Ratio of female employment for all professions**



\*Please refer to "affirmative action (AA-net)" of the Ministry of Employment and Labor.

**All employees changed to permanent positions**





# Shinhan BNP Paribas Asset Management



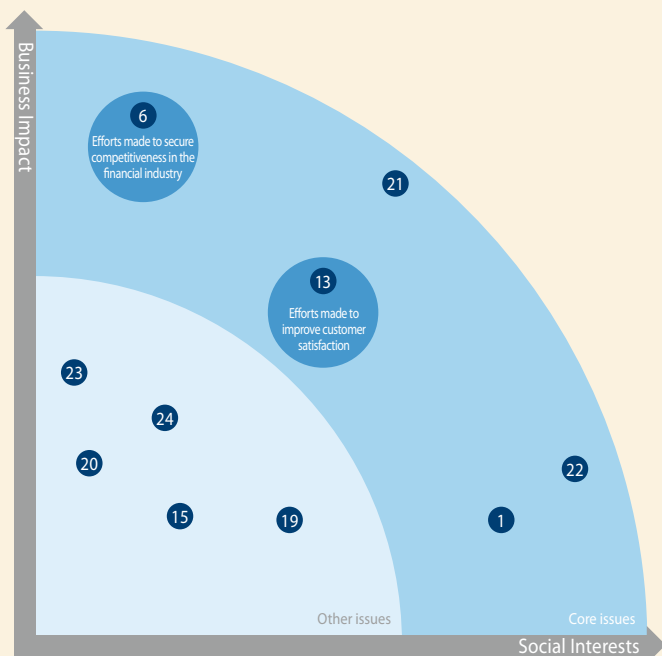
Shinhan BNP Paribas Asset Management attempted to make endless challenges and changes by thinking of developing our customer's asset values as the top priority. In order to take a step forward in developing the domestic investment market to become Korea's representative asset management company, we will work towards becoming the best asset management company that fulfills its social responsibilities that can be trusted by customers. Based on the people's love, we will strive to fulfill our role as a partner in the future dream that brings hope to all stakeholders, including customers.

Yong Byeong Cho CEO of Shinhan BNP Paribas Asset Management

## Company Introduction

Shinhan BNP Paribas Asset Management is meeting customer's expectations based on its safe operations, strict risk management and diverse products and services. We focus on Shinhan Financial Group's customer-oriented culture and BNP Paribas Group's global perspectives to provide customer-oriented services of investment training and customized information. Under the promise of becoming Korea's top asset management company, Shinhan BNP Paribas Asset Management established the vision of the 'Asset Management Company in Korea'. All employees are doing their best to become a long-term investment partner that provides diverse investment solutions based on the professionalism for customers.

## Material Issue Map



## Major Issues Reported in 2012

Shinhan BNP Paribas Asset Management evaluated material issues to produce reports on areas of interest for various internal and external stakeholders. As material issue evaluation results, we selected 5 Core issues, including 'efforts made to secure competitiveness in the financial industry', and 5 other issues, including 'evaluating the performance of boards of directors fairly'. The 2012 CSR Report covered various issues, including 'efforts made to secure competitiveness in the financial industry' and 'efforts made to improve customer satisfaction' being selected as Core issues.

## Distribution of Economic Value

(Unit: KRW 1 billion)

Employees	Employee salaries/ welfare benefits	<b>24.8</b>
Shareholders, investors	Dividends	<b>31.1</b>
Local communities	Social contribution investments	<b>2</b>
Government	Corporate tax expenses	<b>10.1</b>
Partner companies	Purchase and services	<b>22.6</b>
Others	Other general administrative expenses	<b>38.6</b>

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## Differentiated Operation through Global Network

Reporting Issues (6)

### We provide a variety of investment solutions based on professionalism for our customers.

Since the merger with BNP Paribas in 2002, Shinhan BNP Paribas Asset Management developed into Korea's representative asset management company with accumulated funds of KRW 36 trillion in its 11th year. In particular, BNP Paribas is a partner that pursues common strategic goals instead of simply making investment as a shareholder and shares its advanced management process with us. We are carrying out our duties at the same position as global partners located across the world, including management, research, product development and asset allocation. Compared to other foreign management companies, it has an advanced understanding of the Korean market and customers, while also having the advantage of seeking global research and investment opportunities unlike domestic management companies. Based on these advantages, we are working on meeting the demands of our investors by providing high-quality services to customers through safe and strict management of risks and products.

Moreover, Shinhan BNP Paribas Asset Management will strive to transfer into a 'Professional Service Firm' that plays the role of providing information on the latest trends of capital markets to investors, as well as providing creative solutions that include giving advice on the investment as a whole to individual investors who joined fund products and distributors who manage customers.



Received the 2012 Triple A Investment Award as Korea's Best Asset Management Company by Hong Kong's The Asset.

## Long-Term Customer Management

Reporting Issues (13)

### We strive to narrow the distance with our customers by listening to the voices at work sites and the voices of customers as our top priority.

Shinhan BNP Paribas Asset Management is working on narrowing the distance with customers by listening to the voices of customers as its top priority. We provide the same level of professionalism as fund managers to the sales division that is in charge of listening to the voices of customers so that they can provide a better understanding about the company's products and come up with appropriate measures by properly understanding the voices of customers. The voices of customers are the factor that is taken into consideration as the top priority when developing new products. Therefore, we strengthen the product development ability by focusing on work sites based on the strategic decisions made by incorporating the latest trends of the capital market and the voices of customers. Also, in order to strengthen the communication with customers in the field, we held the children's economic and arts camp each year. Since its start in 2009, a total of 3,500 participants participated in the children's economic and arts education program.

In 2013, we are preparing to hold the economic education program for the socially neglected to promote the Compassionate Finance to across society. Also, we are actively carrying out volunteer works on a regular basis, including providing meals for the elderly and the homeless people, which are implemented by internal employees as part of our social contribution efforts.

# Shinhan Capital



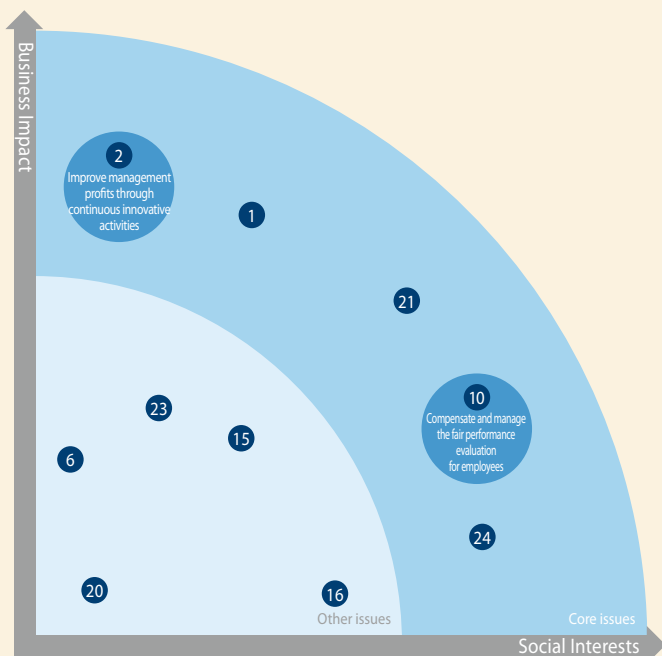
As the leader in the credit financial services, Shinhan Capital has provided competitive financial products to our customers based on Shinhan Financial Group's diverse sales channels and integrated risk management. We will take all measures to become an integrated credit financial service provider that grows together with our customers to be trusted by them.

Young Sup Hwang CEO of Shinhan Capital

## Company Introduction

Shinhan Capital provides lease and installment financial products needed for mostly small and medium-sized enterprises with highly versatile facilities, including shipbuilding, printer, automobile and medical equipment. Also, we engage in diverse corporate financial duties, including new technology financing (venture investment), corporate restructuring, real estate project financing and factoring. In line with this, we also actively implement retail finance duties, including auto financing, loan for middle payment on residential facilities, loan for rental fee and loan for business financing, to secure a stable asset portfolio.

## Material Issue Map



## Major Issues Reported in 2012

Shinhan Capital evaluated material issues to produce reports on areas of interest for various internal and external stakeholders. The results of material issues selected 5 Core issues, including 'compensating and managing the fair performance evaluation for employees', and 5 other issues, including 'efforts made to secure competitiveness in the financial industry'. In the 2012 CSR report, 'compensating and managing the fair performance evaluation for employees' and 'improving management profits through continuous innovative activities' were selected as Core issues.

## Distribution of Economic Value

(Unit: KRW 1 billion)

<b>Employees</b>	Employee salaries/ welfare benefits	<b>14.4</b>
<b>Shareholders, investors</b>	Dividends	<b>0.5</b>
<b>Local communities</b>	Social contribution investments	<b>1.3</b>
<b>Government</b>	Corporate tax expenses	<b>-1.3</b>
<b>Partner companies</b>	Purchase and services	<b>2.3</b>
<b>Others</b>	Other general administrative expenses	<b>6.2</b>

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## Innovative activities through continuous improvements

Reporting Issues (2)

### We provide an easier approach to financial services.

Shinhan Capital provides a variety of financial services especially for small and medium-sized enterprises by actively implementing various relevant businesses through Shinhan Financial Group's network. In particular, we newly established a finance center for small and medium-sized enterprises in Yeouido to provide fast and convenient financial services by expanding the contact points for small and medium-sized enterprises located in Seoul, Incheon and Gyeonggi western regions.

Also, we are implementing the next-generation IT system by providing consulting on information strategy planning. As a result, we are able to comprehensively manage customer information, as well as provide customized services to the applicable companies. In line with this, we plan to strengthen the web accessibility by reorganizing the company's homepage.

Meanwhile, in order to facilitate automobile financing where most of the customers are small and medium-sized enterprises and independent business owners, we increased the team in charge of relevant duties from one to two teams, while also worked on increasing an excellent workforce by hiring new employees and reassigning the existing employee's positions.

## Balance Between Work and Personal Life

Reporting Issues (10)

### We create a comfortable and warm workplace.

Shinhan Capital changed the office space layout so that the office space per employee is larger than before to generate higher productivity in a pleasant working space, and also changed all of the office furniture. We established the 'Book Café' within the company so that it can be used as a communication and resting space for employees and meet visitors in a comfortable atmosphere.

### We protect the motherhood of female employees.

We improved the vacation policy for employees by implementing the activities of the task force team to create a proud workplace. The maternity leave for spouses and the vacation to receive medical examination on the fetus are implemented to ease the burden on pregnant employees. We introduced the half-day off system to efficiently use annual leaves. Also, in the case of employees who were not able to use welfare vacations due to concerns raised from taking day off, we supported expenses for accommodations during vacations to ensure there is a balance between work and personal life.



Shinhan Capital <Opening of Yeouido Finance Center>

# Jeju Bank



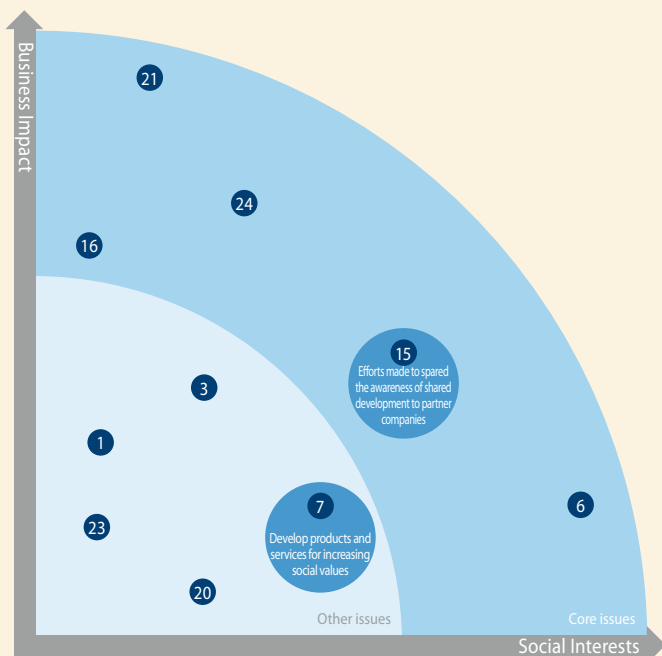
Jeju Bank has emerged as a financial partner that fulfills its responsibilities for local communities by establishing a regional financial system. Through the management that is focused on the Jeju region, we led in creating customer values and providing financial supports based on in-depth understanding about regional characteristics. We have become a representative bank in local communities through genuine social contribution activities in a variety of fields.

Chang Ki Heo CEO of Jeju Bank

## Company Introduction

In 1969, Jeju Bank was established with the passion of the Jeju residents to establish a regional bank solely on private capital. During the past 44 years, Jeju Bank has endured the joys and sorrow of Jeju residents to overcome difficulties and achieve growth. Based on the Jeju region's largest sales network, we strengthened our position as the financial symbol of the Jeju region by integrating systematic and scientific management systems to achieve the goal as the 'Local Top Bank'. Also, we did not forget that we are a regional bank deeply rooted in the region as the only listed company in the Jeju region, while making endless innovations to communicate with local residents and achieve a Win-Win management. Along with Jeju's future, we will develop into a strong financial partner with the lives of local people.

## Material Issue Map



## Major Issues Reported in 2012

Jeju Bank evaluated material issues to produce reports on areas of interest for various internal and external stakeholders. The results of material issues selected 5 Core issues, including 'efforts made to promote the awareness of shared development with partner companies', and 5 other issues, including 'developing products and services to increase social values'. In the 2012 CSR report, 'efforts made to promote the awareness of shared development with partner companies' was selected as Core issues, while 'developing products and services to increase social values' was selected as other issues.

## Distribution of Economic Value

(Unit: KRW 1 billion)

<b>Employees</b>	Employee salaries/ welfare benefits	<b>29.9</b>
<b>Shareholders, investors</b>	Dividends	<b>1.1</b>
<b>Local communities</b>	Social contribution investments	<b>1.8</b>
<b>Government</b>	Corporate tax expenses	<b>8.9</b>
<b>Partner companies</b>	Purchase and services	<b>3.7</b>
<b>Others</b>	Other general administrative expenses	<b>17.8</b>

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## Developing Social Enterprises in Jeju

Reporting Issues (7)

### We led the sharing culture as the partner of social enterprises.

In August 2011, Jeju Bank participated in the inauguration of a pro-bono group that was implemented by the Jeju Special Self-Governing Province, providing support on areas that need professional assistance in areas, including accounting, management and marketing, by signing sisterhood relationships with social enterprises in the province. In order to take the lead in establishing a support system between the private sector and social enterprises, we visited sites of social enterprises that signed the sisterhood relationship to provide customized management consulting, while also supporting promotional activities through diverse channels by purchasing various industrial goods to provide high-quality products. In particular, regarding the interior and exterior cleaning and quarantine of head office, we first outsourced the work to social enterprises to help create jobs at social enterprises. In February 2012, we signed sisterhood relationship with Jeju's research institute for social enterprise management to seek implementation plans for developing local economies and facilitating social enterprises, while also strengthened joint activities. Recently, we held the visiting explanatory sessions for social enterprises by employees of the head office, thereby contributing to spreading the good consumption culture and creating a consensus on social enterprises in the province. We will continue to expand the sharing culture as a partner of social enterprises by also holding educational support programs, including expanding opportunities for management consulting on social enterprises in the province and holding promotional activities and friendly educational services for social enterprises.

## Expanding Communication with Local Communities

Reporting Issues (15)

### We will draw Jeju's future together with the institutions of local communities.

Jeju Bank has provided a place of communication to develop local communities by signing sisterhood relationship with diverse institutions in the social welfare areas in the province. By signing with the administrative institutions, including local authorities, the Jeju Office District of Education, National Police Agency and volunteer centers, participated in various public interest campaigns and made efforts to increase volunteer works. In 2007, we signed a social contribution agreement with the Korean Red Cross of Jeju Special Self-Governing Province to implement various activities, including the relief activities for victims, the support for socially disadvantaged and the campaign of donating blood. We have shown our love for the neighbors by becoming a partner in supporting KRW 120 million to the vulnerable citizens. Also, we have carried out other activities to help the poor adolescents and neighbors by signing with the Child Fund of the Jeju Office and the Korean National Council on Social Welfare of the Jeju Special Self-Governing Province, including helping the children of families without parents and providing meals to the elderly living alone.



Received the Award of Minister of Security and Public Administration at the 2012 Korea Best Volunteer Award



Jeju Bank <2012 National Volunteer Contest>



# Sustainable Governance

Stakeholder communication

Governance structure

Ethical management

Risk management

# Stakeholder Communication

Shinhan Financial Group is realizing CSR management by working together with the stakeholders in various fields, including customers, shareholders, investors and local communities. Based on the stakeholder participation system established in 2009, we widened the scope of understanding and participation by listening to the voices of stakeholders through debates and seminars. Based on this, we implemented a transparent management activity.

Division of stakeholder	Communication channel	Communication method
Employees	Employee survey Employee session Shinhan In (company monthly magazine) Labor-Management Meeting Intranet Communication website WAF Internal broadcasting	Confirm the reputation and values of SFG among employees Monitor internal satisfaction of employees Measure changes in the employees' awareness caused by external effects Evaluate employees' awareness on sustainability
Customers	Customer satisfaction center Customer satisfaction survey Homepage Customer evaluation group SNS (Facebook, twitter) Smartphone application	Evaluate customer's awareness and expectations on products and services Evaluate the company's brand recognition Evaluate SFG's reputation and values among customers Create opportunities for dialogue to understand the customers
Shareholders and investors	General meeting of shareholders Investment explanatory sessions Business reports Homepage Annual report Conference call	Participate in strategic decision-making process Participate in collecting opinions in the process of developing businesses and markets
Local communities	Local community contribution activities Local community sessions Social contribution satisfaction survey Sports sponsorship	Evaluate SFG's reputation and values in local communities Evaluate SFG's sustainability and improve the awareness related thereto
Government, academia	Press releases Academic support activities	Conduct social verification of SFG's business activities Evaluate SFG's sustainability from the outside perspective Derive potential risk factors and future order of priorities related to SFG's activities Share the awareness of citizen groups and media representatives through online communication methods
Partner companies	Regular sessions Partner company's workshop CSR management support	Evaluate the impacts of partner relationship with SFG Evaluate SFG's reputation and values among partner companies Create opportunities for dialogue based on SFG's mutual cooperation and understanding





## Governance Structure

Shinhan Financial Group's operation of the Board of Directors faithfully complies with the outside laws and regulations such as the Commercial Act and the Financial Holding Company Act, the articles of corporation, and the regulation for the Board of Directors. Also, we introduced details that covered information related to the board of directors in the 'Governance Structure Model Standards' and faithfully implemented them. We communicate transparently with all stakeholders on the operation of governance structure, including explaining the difference between the governance structure and the model standard, while also disclosing the regulation on operating the board of directors and committees, the activities of the board of directors and committees, and the details of voting for and against the agenda. Moreover, we provided the basis for adopting the concentrated vote system to reflect the opinions of minority shareholders, while we are doing our best to protect the rights of minority shareholders by operating a system for voting rights in writing and providing real-time videos of the general meeting of shareholders.

### Composition of the board of directors

The board of directors consists of 12 directors, including the CEO, one non-executive director, and 10 outside directors. In the case of outside directors, we have 10 outside directors with professional authority and knowledge in relevant fields, including finance, economy, management, law and accounting. In order to operate the board of directors that focuses on outside directors, Shinhan Financial Group's regulation on the board of directors states that the chairman should be appointed from the outside directors. Currently, the chairman of the board of directors is the outside director Hoon NamGoong.

The board of directors complies with all relevant laws and internal regulations, including the Financial Holding Company Act. In particular, the ratio of outside directors that make up the board of directors exceeded 83% to be more than half of the composition, which is legally stipulated in law. As a result, we achieved the purpose of the outside director system to maximize the long-term profits of the company and shareholders by following the legality of management through supervision on actual duties carried out by the management.

### Overview of the board of directors

Division	Name	Profile
Inside director	Dong Woo Han	Vice President of Shinhan Bank, President and vice chairman of Shinhan Life Insurance, CEO of Shinhan Financial Group (present)
Non-executive 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)

Outside director	Hoon Namgoong	Chairman of Korea Deposit Insurance Corporation, member of Monetary Policy Committee, Chairman of Life Insurance Association
	Seok Won Kim	Head of Korea OECD-Multilateral Tax Center, president of Korea Federation of Savings Banks, Chairman of Credit Information Association
	Philippe Auginier	Head of BNP Paribas China, Retail Banking Head of BNP Paribas Asia Retail Division (present)
	Kee Young Kim	Vice President of External Affairs for Yonsei University, member of National Academy of Sciences (present), President of Gwangwoon University (present)
	Sang Kyeong Lee	Judge at Korea's Constitutional Court, General Attorney at Wonjeon Law Firm (present)
	Tae Eun Kwon	CEO of Nambuham, Professor of Nagoya University of Foreign Studies, Korean Certified Accountant (present)
	Ke Sop Yoon	Dean of College of Business Administration, Seoul National University, Professor of Seoul National University, Honorary Professor of Seoul National University (present), Korean Certified Accountant (present)
	Bu In Ko	Vice President of Korean Chamber of Commerce in Tokyo, CEO of Sansei (present)
	Jung Il Lee	Vice President of Korean Chamber of Commerce in Japan, CEO of Pyeongcheon (present)
	Hirakawa Haruki	CEO of International Development, CEO of Pyeongcheon Corproaton (present)

### Operation of the board of directors

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

### BOD operational regulations

Shinhan Financial Group establishes detailed regulations on the operation of BOD, including the articles of incorporation, BOD regulations and outside director operational regulation. Also, we set up the BOD Executive Committee as a subcommittee within the BOD to decide on the operation of BOD. BOD is convened by the chairman of the BOD as either regular or ad-hoc BOD meetings, and a regular meeting is held once every quarter, while an ad-hoc meeting is convened whenever deemed necessary by the chairman. Voting at the BOD requires the meeting to 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 to ensure the objectivity and transparency of the decision-making process.

### Performance of the board of directors

In 2012, the BOD held a total of 8 BODs, including 4 regular meetings and 4 ad-hoc meetings, to deliberate on major management agendas, including the agendas and convening of the general shareholder's

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meeting, the enactment and amendment of important regulations, the business plan and budget approval including affiliates, and the matters related to governance structure, and to receive reports on major issues, including the quarterly business performance report and major issues related to the group's status.

### **Strengthening the participation of outside directors in decision-making process**

BOD supports the opinions and participations of outside directors and we established the foundation for carrying out the most important duties of protecting shareholder values by also applying the employee's code of ethics on outside directors.

### **Compensation system**

The compensations of directors are given within the limits on director's compensation approved by the general shareholder's meeting. The compensation of outside directors considers the purpose of 'the model standards of outside directors of banks, etc.' to give some allowance for the post attached in the case of BOD's chairman and the chairman of subcommittees according to the level of responsibility and activities together with the basic pay. Also, in order to maintain the independence of outside directors and the control on the management by reflecting the same model standards, we don't give compensations on the management performances. All of these details are disclosed through the company's homepage and the Korea Federation of Banks' homepage in the following month after the month when the regular general shareholder's meeting was held. The compensation of inside directors consists of the basic pay and short and long-term compensations, while the level of compensation is decided at the BOD through the deliberation of the Compensation Committee consisting of only outside directors. In the case of the compensation, the standards are decided by the Compensation Committee or the BOD, while the amount of the short-term compensation is finalized in line with the company's management performance. In the case of the long-term compensations, the amount is decided later depending on the company's performance for 4~5 years after evaluating the performances made every 3 years. The details of compensations are transparently disclosed through the electronic disclosures website of the Financial Supervisory Service each quarter.

## **Committees under the BOD**

BOD operates seven subcommittees, including the BOD Executive Committee, the Risk Management Committee, the Compensation Committee, the Audit Committee, the Outside Director Recommendation Committee, the Audit Member Recommendation Committee, and the Governance Structure and CEO Recommendation Committee. All committees consist of more than half of outside directors to faithfully carry out the role of supervising and checking the management.

### **BOD Executive Committee** \* As of March 2013

BOD Executive Committee was held a total of 6 times in 2012. Currently, it consists of 5 directors and 4 of them are outside directors. It deliberates on the efficient operation of BOD and recommends members for the committees under the BOD.

### **Risk Management Committee**

The Risk Management Committee was held a total of 4 times in 2012 and consists of 3 directors who are all outside directors. From the perspective of management strategy, it establishes the basic risk management policies and implements the approval duties, such as adequate investment limit and loss tolerance limit.

### **Compensation Committee**

The Compensation Committee was held a total of 4 times in 2012. It consists of 4 directors who are all outside directors. The Compensation Committee adjusts and decides on the evaluation and compensation systems for the company's management.

### **Audit Committee**

The Audit Committee was held a total of 7 times in 2012. It currently consists of 4 directors who are all outside directors. We establish the foundation for monitoring the duties executed by the management and directors by strengthening the status of the Audit Committee and providing actual supervisory functions, such as making direct reports to the Audit Committee on important matters that require the independence of outside directors.

### **Outside Director Recommendation Committee**

The Outside Director Recommendation Committee was held a total of 3 times in 2012, which consists of 5 directors where 4 of them are outside directors. It recommends candidates who meet the qualification as outside directors and goes through the decision-making process based on the criteria needed for such recommendation.

### **Audit Member Recommendation Committee**

The Audit Member Recommendation Committee consists of only outside directors, which decides on matters related to recommending candidates for the Audit Committee.

### **Governance Structure and CEO Recommendation Committee**

The Governance Structure and CEO Recommendation Committee was held 2 times in 2012. It consists of 6 directors and five of them are outside directors. The Committee deliberates on matters related to the company's governance structure and establishes and reviews the management succession plan, while also recommending directors who are candidates as the CEO.

# Ethical Management

Shinhan Financial Group places great importance on its ethical reputation as its core asset. To achieve this, all of the employees regard ethical values as standards for desirable decision making and take part in activities to raise awareness in their importance. In order to become a number one financial group that is trusted by the group's stakeholders, including customers, shareholders, investors, and local communities, we will further strengthen ethical management.

## Concept of ethical management and compliance with its basic principle

Shinhan Financial Group declared the concept of ethical management and its basic principle through SFG's code of ethics. It includes the job ethics of employees, ethics on various stakeholders and details about social responsibilities and contributions. The ethical management system realizes the concept and principle by implementing and managing through the internal control personnel and compliance officer of each group company and SFG under the support of SFG's BOD and management. In particular, starting from February 2010, we appointed the group's compliance officer to effectively implement the ethical management at the group level consistently.

### Enactment and implementation of ethical codes

In order to improve the ethical awareness of employees, we enacted SFG's code of ethics in 2011. In 2012, in order to enhance the execution, we enacted the employee action standard and provided the ethical values that the group's employees should follow and the ethical values that should be protected as a corporate citizen. Each affiliate operates its own independent code of ethics that suits individual situations and work characteristics. Besides this, we enacted the group's code of ethics for employees in financial duties to maintain credibility on the financial data, which encouraged SFG and each affiliate's employees in the finance divisions to execute stronger ethical values.

## Ethical management programs

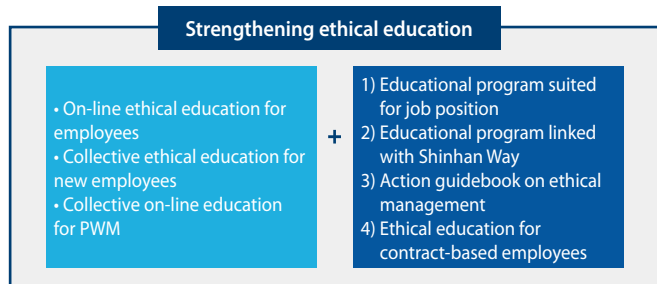
All employees of SFG signs and submit the pledge of ethics each year in accordance with each affiliate's code of ethics or the employee action standard. The pledge ceremony is held to make the employees remember the code of ethics once again. In order to prevent unfair practices of employees, we review the employees' transactions of financial investment products, while also operating the fair trade autonomous compliance program to prevent unfair competition that disturb the fair market order. In the case of [Shinhan Bank](#) and [Shinhan Card](#), it implemented relevant programs for a total of 103 participants in three occasions for the high risk divisions of fair trading. Also, in order to prevent unfair support actions between affiliates, such as unfair

funds, assets and manpower, we enacted and operated the guideline on group's internal trading. Each affiliate reviews the appropriateness of the group's internal trading and report on them to improve the transparency and fairness of the group's internal trading.

## Ethical management education

Shinhan Financial Group implemented the basic principles of the group's ethical management and established the foundation for legal compliance by providing ethical education and training programs for employees. All employees receive education on ethical standards and legal compliance more than once each year, including training by position, cyber training, new employee and promoted employee training, and group training

### Plan for strengthening ethical education



### Implementation system for the affiliate's compliance management

Shinhan Financial Group placed the inspection division and the management audit division underneath Shinhan Bank's Audit Committee so that the inspection division overlooked the domestic branches, while the management audit division was in charge of supervising the head office and overseas branches. The audit duties had the effect of improving the awareness on the risks that occurred at each division and sales office, but it was difficult to have an overview of the risks related to them. As a result, Shinhan Bank integrated the inspection division and the management audit division in 2013. The audit was no longer limited to each division and sales office, but the same risks were shared by changing to an audit system implemented in units. By transforming into an audit system based on risks, it was possible to improve, manage, recognize and discriminate risk factors on risks that occur throughout the whole process of high risk duties. Also, it was possible to implement efficient audit duties by focusing on high risk duties.

### Preventive education on financial accidents

In order to prevent financial accidents beforehand, [Shinhan Bank's](#) audit division holds preventive education on financial accidents for all employees through the collective job training, the new employee

training, the promoted employee training and the training for employees sent to overseas branches. During 2012, a total of 6,968 employees received the preventive education for 76 hours. Also, in 2012, we made an animation about the examples of recent financial accidents and precautionary measures to show to all employees through the SBN, which is Shinhan Bank's own broadcasting channel. In 2013, we plan to channel the educational methods and channels to be more efficient, such as avoiding holding preventive educations during the collective group training to have them for all employees through the SBN.

### Programs for preventing financial accidents

Besides the audit duties for strengthening internal control, [Shinhan Bank](#) is operating various programs that prevent financial accidents by strengthening the ethical awareness of employees. In the case of Shinhan Keeper, it is used as a system where all employees can be the subject of preventing financial accidents by personally reporting to the head of the audit division about financial irregularities and internal misconducts. In order to support internal control at sales offices, we share the Financial Supervisory Service's guideline and best practices with the branch managers at the monthly nation-wide meeting for divisional heads. Meanwhile, reports of 'Internal Control Talk! Talk!' are distributed to the sales offices to provide error cases, latest customer complaints and accidents and details of major notifications to the sales employees.

#### Preventive education on financial accidents (Unit: hours, persons)

Division	2010		2011		2012	
	Hours of education	Number of persons educated	Hours of education	Number of persons educated	Hours of education	Number of persons educated
Preventive education	21	1,059	66	5,726	76	6,968

### Implementing anti-corruption and incorruptible policies

We implemented the system for reporting on financial accidents where customers can report on employees if they violated laws and codes of ethics, while also implemented the whistle blowing system to report on matters that violated the codes of ethics. In 2012, the group's compliance officer requested the employees of each affiliate to prohibit receiving gifts among affiliates during the holidays to prevent internal misconducts beforehand. We educated the group's employees on prohibiting unfair trading and preventing money laundering through the group's cyber education on ethical standards, which improved our anti-corruption and incorruptible policies

### Education on employees who violated code of ethics

Division	Introduction
Providing program that prevent recurrence of unethical behaviors	Advanced ethical education program (on-line education on codes of ethics + education of social volunteer work experience)
Adopting the ethical education order system	Employees who violated the codes of ethics are ordered to complete the advanced ethical education with the condition of being able to adjust disciplinary, warning and caution levels.

### Internal control system of sales offices

In order to ensure internal control of sales offices, [Shinhan Bank](#) has appointed employees of regular monitoring, branch inspection, full-time monitoring and on-site monitoring. The regular monitoring system of the audit division notifies to the regular monitoring personnel by filtering real-time data of high-risk transactions taking place at the sales offices, while the regular monitoring personnel reviews whether or not the high-risk transactions have been properly filtered in real time. Shinhan Bank appoints one of the employees at the sales office to be in charge of branch inspection so that they can examine the trading taking place at the branch, while examinations are conducted on major transactions taking place by holding monthly or special audits periodically. Approximately 300 full-time monitoring personnel at the sales office who belong to the audit division of the head office checks on the trading taking place on the following day regarding matters that cannot be checked through the head office's computer system, such as loan contracts and the appropriateness of various materials drawn up. The audit division of the head office regularly examines the current status of the sales office's internal control through the branch inspection of sales offices, while holding preventive education and work guidance to branch employees. Shinhan Bank established its own internal control system through the branch inspection personnel, while preventing possible financial accidents beforehand through various inspection systems, thereby striving to protect the bank and customer's assets.

### Whistle Blowing system

[Shinhan Bank](#) is newly operating the Shinhan Keeper System, which is a whistle blowing system starting from 2010. Bank customers, partner companies and employees can easily report about financial irregularities by adding the whistle blowing system through the mobile application. Also, the local employees hired at overseas branches can directly report financial misconducts to Shinhan Bank's audit division by adding a reporting channel of sending emails. It facilitated a bank-wide whistle blowing system to eradicate financial irregularities within the bank and continually strengthen the ethical management.

# Risk Management

## Philosophy of risk management

In order to achieve sustainable growth, Shinhan Financial Group has established Shinhan's philosophy of risk management to pursue a balance between risk and profit by conducting overall business with all employees having ownership on risks, thereby sharing it as the basic philosophy in the work implementation of all employees within the group. Based on this basic philosophy, we manage diverse risks that might occur in each business area and establish a risk management system in the form of semi-matrix between the holding company and the affiliates so that it manages the risks of all affiliates, as well as provides integrated management and efficient adjustments at the group level.

### Key risks facing the Shinhan Financial Group

Risk type	Details	
Financial risks	Credit risk	Risk that may occur due to debtor's bankruptcy, noncompliance of contract by the counterpart, etc.
	Market risk	Risk due to changes of market elements such as interest rate, stock 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 risk	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 disadvantageous business decision, implementation of inappropriate decision, changes in business environment, etc.
	Reputational risk	Risk due to deteriorated outside opinions of customers and shareholders, etc. due to weak management, financial accidents, social conflicts, etc.
	Legal risk:	Risk that may occur due to misunderstanding of various contract documents or law suits

## Integrated risk management

Shinhan Financial Group identifies potential risks and Core issues in a timely manner through the risk management system at the group level and analyzes the risk impacts to come up with countermeasures. Also, the Risk Management Committee within SFG's board of directors establishes an integrated response strategy and policy on various risks facing the Shinhan Financial Group.

### Group risk management committee

Group risk management committee is the highest decision-making body consisting of outside directors of SFG's BOD, which establishes the basic policies and strategies on risk management. It determines the bearable level of risks for each affiliate, approves adequate investment

amounts and loss tolerance limits, defines the risk management regulations, and enacts and revises regulations for the group risk management committee.

### Group risk meeting

Group risk meeting is the body which discusses risk policies and strategies for the group, and votes on matters necessary for implementing the policies decided at the group risk management committee. It consists of personnel in charge of risk management at each affiliate and the group's CRO (chief risk management officer).

### Group risk management chief officer (group's CRO)

Group risk management chief officer (group's 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 personnel in each affiliate and conducts examination on the risk management situation of each affiliate. Also, it has a group risk management team, which is an exclusive team for assisting the CRO.

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

The affiliate's committees and organizations related to risk management implement the group's risk policies and strategies in detail. They report on the risk management situation to the holding company and continually improve the risk management system of each company by controlling risks that might occur within the affiliate.

### Major activities of the group's risk management system

Division	Details
Managing risk capitals	In order to maintain the adequate level of risk capitals by considering the risk appetite, we established a risk planning process that reflects the anticipatory risk plan when setting up management and financial/business plan. Also, we operate the risk limit management system to control risks at an adequate level.
Monitoring integrated risks	We regularly identify risk factors that might affect the group's management environment to establish a multidimensional risk monitoring system that manages risks beforehand. Also, we identify areas with symptoms to analyze reasons and come up with countermeasures by operating the risk reporting system.
Implementing risk review process	We review the risk factors according to the checklist defined in advance when changing major policies for new products and new businesses so that we can support reasonable decision making process and prevent excessive implementation of business without good judgment on risks.
Operating crisis management system	We operate a crisis management system at the group level to identify the possibility of crisis occurring beforehand and taking timely measures in the case of a crisis. SFG has consistent crisis situation recognition at the group level and manage them by establishing countermeasures.
Implementing risk expert network (REN:Risk Expert Network)	In order for the group to improve the overall capabilities of risk management, we organized a group of risk experts within the group by considering work experiences by risk business area and risk type, knowledge capabilities, etc. Also, we carry out activities for developing professional workforce and spread the culture of risk management through educational programs and workshops on risk management.



# Sustainable Key Figures

Economic Performance

Environmental Performance

Social Performance

# Economic Performance

Shinhan Financial Group implements a value-based management for stakeholders including customers and society through the Compassionate Finance. By creating transparent and stable economic values, we rediscovered public interests and social values and returned social assets.

## EC1. Creation and distribution of economic values

The economic values created are distributed by various methods, including salaries, tax and investment to local communities embracing the six stakeholder areas of employees, customers, shareholders and investors, local communities, government/ the academia and partner companies.

### Economic value creation

(Unit: KRW 1 billion)

Division	Total
Operating profits	4,527.4
Net profits	2,322.7

### Distribution of economic values

(Unit: KRW 1 billion)

Stakeholders	Category	Total
Employees	Salaries/ welfare expenses	2,393
Shareholders/ investors	Dividends	1,361.5
Local communities	Investment amount of social contribution	131.3
Government	Corporate tax expenses	578.2
Partner companies	Purchases and services	463.6
Others	Other general administrative expenses	1,544.1

## EC3. Scope of pension support

In order to respond to the aging population and to maintain a stable living after retirement, we adopted and operated the retirement pension system through the labor-management negotiations held in 2006.

### Overview of retirement pension system

Division	Details
The year of initial adoption in the group	FY 2006
Adopted type	Defined benefit retirement pension (DB) system and defined contribution retirement pension (DC) system
Subjects	All employees of the group companies' head offices and nation-wide sales offices
Operating institutions	14 business operators, including Shinhan Bank
Amount of operation	KRW 850.8 billion
Number of subscribers	20,770 persons (DB: 18,121 persons, DC: 2,649 persons)

## EC5. Ratio of wages of new employees to the statutory minimum wages

We provide wages fairly in accordance with the relevant regulations of continuous service year and job and business performances, etc. The group's new employees receive wages that exceed nearly 2.4 times that of the statutory minimum wages.

## EC6. Local purchasing policies and ratios

When selecting local suppliers and partner companies in the region engaging in business, we first take the suppliers and partner companies in the applicable region into consideration.

### Amount and ratio of local purchases

(Unit: KRW 1 million)

Division	2010	2011	2012
Amount of goods and equipments purchased through total suppliers	31,848	44,893	44,092
Amount of goods and equipments purchased through local suppliers	4,176	8,309	8,189
Ratio of local purchases (%)	13.1%	18.5%	18.6%

\* Source: Shinhan Bank

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

In order to increase the market by pioneering overseas branches, Shinhan Financial Group selected and educated local core talents by dividing them into the executive candidate group, the next-generation leader group, and the potential talent group.

### The ratio of local workers employed and managers

(Unit: persons / %)

Division	2010	2011	2012	
Total number of overseas employees	Number of local workers dispatched	172	173	183
	Number of local workers employed	1,116	1,247	1,404
	Ratio of local workers employed	86.6%	87.8%	88.5%
Number of local residents as managers	238	253	274	
Ratio of managers from local people	18.5%	17.8%	17.3%	

\* Source: Shinhan Bank

## EC8. Overview of social contribution activities

We invest to local communities based on the three principles of social contribution, including coexistence, sympathy and symbiosis, and the amount of investment and the number of participants show continuous growth.

### Amount of investment and number of participants for social contribution in 2012

(Unit: KRW 1 billion / persons)

Subsidiary	Amount of social contribution investment	Number of employees participating in volunteer work
Shinhan Financial Group	0.6	
Shinhan Bank	81	
Shinhan Card	24.2	
Shinhan Investment	2.1	
Shinhan Life	18.3	65,619
Shinhan BNP Paribas Asset Management	2	
Shinhan Capital	1.3	
Jeju Bank	1.8	
Total	131.3	

# Environmental Performance

Shinhan Financial Group came up with a systematic and comprehensive environmental management response system for the promotion of green finance. We established a company-wide environmental management system to manage environmental data and aggressively implement energy reduction activities.

## EN1. Amount of raw materials used

We don't use a massive amount of raw materials because of the characteristic of the financial industry, but we use papers in the process of doing our duties, including various receipts, office documents, and contracts. However, for the sake of protecting customer information, we destroy all of the papers used instead of recycling them. We are striving to reduce the use of papers by using IT technologies, such as environment-friendly on-line meeting facilities and web fax system.

### Overview of raw materials used

(Unit: Ton)

Division (ton)	Scope of data collection	2010	2011	2012
Amount of copying papers chased	Shinhan Financial Group	1,628.3	1,660.3	1,531.6
	Shinhan Bank			
	Shinhan Card			
	Shinhan Investment			
	Shinhan Life			
	Shinhan BNP Paribas Asset Management			
	Shinhan Capital			
	Jeju Bank			

## EN3/EN4. Amount of energy used

The total amount of electricity, heating fuel and the like used in the head office and branches of each affiliate showed a continuous decrease since 2009.

### Amount of energy used

(Unit: GJ)

Division of emission source	2010	2011	2012
Amount of electricity used	277,245	271,277	285,316
Amount of city gas used	34,468	31,826	33,198
Amount of gasoline used	161,025	160,487	144,567
Amount of diesel used	795	841	740
Total amount of energy used	473,533	464,431	463,821

## EN8/EN9/EN10/EN21. Water use and waste management

All of the water used comes from the water supply service without going through a separate treatment process. The water used received sewage treatment through the city sewage treatment facilities and separate facilities for using ground water and recycling water were not used. Meanwhile, various harmful substances that might affect the environment were not used or emitting due to the characteristic of the financial industry.

### Overview of water used

(Unit: m<sup>3</sup>)

Division	Scope of data collection	2010	2011	2012
Amount of water and waste water used	Shinhan Financial Group	256,611	250,594	269,626
	Shinhan Bank			
	Shinhan Card			
	Shinhan Investment			
	Shinhan Life			
	Shinhan BNP Paribas Asset Management			

Division	Scope of data collection	2010	2011	2012
Shinhan Capital	Head office (bank's Gwangkyo BD)	85.19	83.20	89.52
Jeju Bank	Head office and sales offices (18)			

## EN22. Waste generation management

### Overview of waste generation

(Unit: Ton)

Scope of data collection	2010	2011	2012				
Shinhan Financial Group	330	338	317				
Shinhan Bank							
Shinhan Card							
Shinhan Investment							
Shinhan Life							
Shinhan BNP Paribas Asset Management							
Shinhan Capital							
Jeju Bank							
Greenhouse gas emissions generated from wastes (CO <sub>2</sub> eq)				6.01	6.15	5.77	

## FS3/FS8. Values of green financial products by type

### Values of green financial products by type

(Unit: Account / KRW 1 billion)

Name of product	Details of product	Calculation standard	2010	2011	2012
Environment Love Card	Accumulate 0.1% of the amount used by card as the environment love fund	Number of cards	8,178	6,020	697
	Receive 20% discounts on eco-tourism and eco-traveling				
Shinhan Child Love Insurance	Provide guarantees in case of environmental diseases and traffic accidents while riding bicycles	Insurance premium at the beginning of the month	13.2	16.7	11.8
Shinhan Variable Insurance	Invest in companies that achieved environment-friendly CSR management through the SRI fund	Insurance premium at the beginning of the month	12.3	14.5	7.9

## FS4. Strengthen employee capabilities to implement environmental and social policies

Shinhan Bank produced the 'Guideline to Reduce Greenhouse Gas' for the banking sector together with the Korea Environmental Industry & Technology Institute under the Ministry of Environment. This was distributed to all divisions of Shinhan Bank's head office and sales offices to provide advice on environmental life for employees.

## FS5. Stakeholder engagement in the environment-friendly process of product development

In the process of developing the 'Green Love Energy Fixed Deposit Account', which is an environment-friendly financial product, Shinhan Bank conducted surveys on the customer evaluation group consisting of 200 participants regarding the awareness of energy conservation and green finance and the conditions for joining green fixed deposit accounts. The results of the surveys and the opinions gathered were reflected in developing products.



# Social Performance

Shinhan Financial Group is striving to protect human rights and prohibit discriminations in the supply chain, including internal employees. Also, we carried out employee satisfaction management, including the welfare and safety of our employees, while also strengthening the responsibilities and trust on customers by clarifying the service information and procedures for product responsibility.

## A. Human rights indexes

### HR2. Ratio of screening human rights for major suppliers/ contract companies

Shinhan Financial Group considered the values of partner companies, which are the group's partner, as being important in implementing the social responsibility management. Therefore, we provided opportunities to analyze its current status on their own by conducting self-diagnosis surveys on the partner companies' code of conducts to show respect for the autonomy and independence of partner companies and meet the principles and ideologies of the group's social responsibility management.

### HR3. Employee education on the human rights policies related to work

We held education to prevent sexual harassment for all employees at the head office and sales offices at least once a year in accordance with Article 13 of the Act on Equal Employment and Support for Work-Family Reconciliation. Through the ethical education and preventive education, we are working towards protecting the human rights of employees.

#### Education related to ethical management

Category	2010		2011		2012	
	Total education hours	Number of applicants (persons)	Total education hours	Number of applicants (persons)	Total education hours	Number of applicants (persons)
Education on fair trade regulations	11,669	6,257	17,281	6,662	23,225	3,612
Education on ethical compliance and prevention on sexual harassment	5,148	2,241	4,912	2,513	7,060	1,764
Ethical compliance on-line education	185,505	13,373	156,612	13,263	132,954	1,781
Ethical compliance education	48	7,019	-	8,028	130,035	8,669
Seoul metropolitan compliance monitor group training	1,130	536	1,349	660	2,476	619
Preventive education	22,239	1,059	377,916	5,726	529,568	6,968
Personal information protection education	-	120	396	132	1,203	1,093

### HR4. Total number of discrimination cases and related measures taken

We included the prohibition of discriminations and the implementation of fair personnel evaluation in the action plan and guideline for employees. Also, we politically established and operated systems on prohibiting discriminations, including an exclusive division to prevent sexual harassment, help desk, whistle blowing system, etc. In the case of any discrimination taking place, it is reflected in personnel evaluation and used as references.

#### Overview of reports on discriminations occurring (Unit: number)

Division	2010	2011	2012
Gender discrimination	8	7	0

### HR5. Freedom of association and collective bargaining

We have labor unions or labor management associations for each affiliate. The employees can freely join and withdraw from the labor union or labor management association. Also, employees are guaranteed of the freedom of association by joining the Federation of National Financial Industries to guarantee labor union education, various facilities and materials and labor union activities and various promotional activities during the working hours in accordance with Chapter 2 of the collective bargaining (labor union activities).

### HR6/HR7. Eradication of child labor and forced labor

We comply with the International Labor Convention (ILO), domestic labor-related laws and the Framework Act on Social Security. Also, we strictly prohibit forced labor and child labor in accordance with the principles of human rights and labor out of the ten principles of the UN Global Compact.

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

#### Implementation ratio of human rights education for security personnel at sales offices and the head office (Unit: %)

Division		Ratio of human rights education implemented
Shinhan Bank	Preventive education	Held in-company mail education frequently and once every semester 100
Jeju Bank	Human rights education	Implemented the job duty education together with the CS education regarding laws and work know-how by holding human rights education once every quarter 100

## B. Labor indexes

### LA1/LA13. Overview of employees

#### Overview of employees by employment method and employment diversity

(Unit: persons)

Category		2010	2011	2012	
Employees (Department heads- CEO)	Male	140	147	143	
	Female	1	3	6	
Employees	Managerial (Manager- CEO)	Male	8,298	8,460	8,559
		Female	1,702	1,825	1,974
	General (below manager level)	Male	3,859	4,157	4,267
		Female	7,210	7,653	7,957
Employment form	Regular	17,033	17,451	19,004	
	Unlimited contract	1,461	1,563	735	
	Non-regular	2,457	2,963	2,406	
	Total number of persons	20,951	21,977	22,145	

### LA2. Case/ ratio of employee turnover

In addition to diverse welfare benefits, including improving employee welfare benefits, supporting leisure activities, creating free vacation culture, and providing medical supports, we try to reduce the turnover rate by giving compensations based on a transparent and fair performance evaluation.

#### Overview of turnover

(Unit: persons)

2010			2011			2012		
Number of employees	Number of turnover	Rate of turnover (%)	Number of employees	Number of turnover	Rate of turnover (%)	Number of employees	Number of turnover	Rate of turnover (%)
17,033	613	4%	17,451	710	4%	19,004	327	2%

### LA4. Ratio of employees subject to collective bargaining

Shinhan Financial Group guarantees the freedom to unite, collective bargaining and collective action and does not force employees to join or withdraw from the labor union. We run a variety of labor-management communication channels, including the employee meeting and the labor-management meeting.

#### Ratio of persons participating in labor unions and labor-management meetings by affiliate

(Unit: %)

Division	2010	2011	2012
Shinhan Financial Group	57	59	67
Shinhan Bank	100	100	100
Shinhan Card	81	83	79
Shinhan Investment	75	72	70
Shinhan Life	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

We listen to the opinions of our employees on major issues and policies and prevent conflicts and controversies arising from the labor union and the labor management meeting according to business areas. In the case where there is a huge change in the business, it is necessary to notify at least 60 days in advance to improve work stability, while also enhance the mutual trust between the labor and the management.

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

As the representative decision-making body for the safety and welfare of employees, the labor union and the labor management meeting were established in accordance with collective bargaining to find a balance in the decision-making process.

### LA7. Ratio of work-related accidents, including injuries and occupational disease

(Unit: persons / %)

2010		2011		2012	
Number of victims	Ratio of accidents	Number of victims	Ratio of accidents	Number of victims	Ratio of accidents
4	0.024%	3	0.017%	4	0.021%

### LA8/LA9. Health management program

In order to provide health support to employees and their families, we provide diverse agendas and share the results at the labor management meeting.

#### Health management program

Name of program	Details of program	Subject to application
Health management system	Provide various health examination data and information Give advice from professionals and nurses	Employees and their families
Preventive vaccination	Vaccinations against hepatitis A, flu and cervical cancer	
Diet campaign	Conduct health campaigns Hold health lectures and mountain climbing programs for dieting Hold events for employee's families	Employees
Program for quitting smoking	Provide professional advice to internal employees Hold consultations by linking with external professional center	
Non-smoking campaign	Hold non-smoking campaign against employees Provide non-smoking patches to participating employees Operate non-smoking funds and non-smoking CoP	
Neck-shoulder-arm diagnosis	Study and diagnose obstacle factors of muscular diseases Provide employee training on muscular diseases	Employees
Special checkup	Hold special diagnosis separately for stores with poor conditions (lung, liver)	
Care for employees on disease-related leave	Hold TM for employees on disease-related leave	
Employee healing program	Hold meditating program Implement programs for strengthening mind and spirit	

## LA10. Overview of employee education and training

We focus on developing talents who implement the Compassionate Finance with global capabilities. To achieve this, we systematically operate a variety of fields of education, including global education, leadership education, etc. By investing the educational budget that is the largest in Korea, employees were given the opportunity to receive high-quality education.

### Overview of education and training

Education and training expenses per person (Unit: KRW 1million)			Education hours per person (Unit: hours)		
2010	2011	2012	2010	2011	2012
1.5	1.4	1.2	145.8	163.3	169.2

## 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. The total estimated amount of retirement payment is distributed according to the retirement payment regulation and the employee retirement payment regulation when an employee who has worked for more than one year retires to provide a stable working condition. It is calculated as the 'retirement appropriation debt' and included in the budget, and the deposit accumulated in the retirement pension (trust) is deducted as retirement appropriation debt. Also, Shinhan Financial Group implements a system of rehiring contract-based employees that uses the experiences of the employees of voluntary early retirement program, which recreates jobs by using a new form of the old aged workforce. We also established and operated an exclusive website for retirees and provided employment information through the applicable website.

(<http://www.shinhanfriend.com>)

## LA12. Performance evaluation and career development

We conduct a regular performance evaluation once every year against all employees below division heads. The performance evaluation is divided into the evaluation on work performance and the evaluation on multidimensional capabilities. Depending on the characteristics of the division, the evaluations take place once or twice and the final person confirming will decide on whether or not the evaluation has been appropriate.

### Ratio of performance application ratio

(Unit: %)

2010	2011	2012
94	94	93

## LA14. Ratio of basic wages between male and female employees

There is no discrimination on basic wages according to the gender. The basic wage is decided in accordance with the relevant regulations of continued years of work and work performance.

### Overview of basic pay of new employees

(Unit: KRW)

	2010	2011	2012
Basic wages for newly employed	1,896,325	2,201,966	2,326,928

## LA15. Return ratio after maternity leave

### Overview of return rate after maternity leave

(Unit: %)

Division		2010	2011	2012
Ratio of returning to work after vacation	Male	100	100	100
	Female	91	90	81
Ratio of working for at least 12 months after returning to work	Male	97	95	86
	Female	91	84	77

## C. Product responsibility indexes

### PR3/PR6. Types of product and service information needed in procedure

We enacted the 'financial product disclosure guideline'. Regarding the promotional materials on financial products provided by the affiliate, we implement an anticipatory screening by the internal control division to closely review and disclose the terms and conditions of contracts made through financial transactions. In order to effectively prevent customer complaints, we establish and operate an anticipatory system that reflects the opinions of relevant divisions on customer complaints from the product development stage. Meanwhile, during the report period, there hasn't been a single violation of advertising and marketing-related law and regulations.

### Overview of compliance with marketing laws and regulations

(Unit: cases)

Detailed category	2010	2011	2012
Number of cases of preliminary examination for financial product disclosure	2,078	2,857	3,709

## PR5. Customer satisfaction management activities, including survey results for evaluating customer satisfaction level

		2010	2011	2012
Shinhan Bank	NCSI (Korea Productivity Center)	71.0	73.0	73.0
	KS-SQI (Korea Standards Association)	72.6	73.5	72.8
Shinhan Card	NCSI (Korea Productivity Center)	69.0	70.0	72.0
	KS-SQI (Korea Standards Association)	69.0	71.3	71.6
Shinhan Investment	KS-SQI (Korea Standards Association)	70.1	70.7	72.4
Shinhan Life	KS-SQI (Korea Standards Association)	-	67.7	70.9
Jeju Bank	Customer Satisfaction (self-investigation)	93.4	96.2	95.7

\* Self-investigations are all conducted against different subjects in methods that are implemented separately by each affiliate.

## D. Social performance indexes

### SO2/SO4/SO8. Anti-corruption analysis and number of violation cases

We manage and supervise the corruption risks by workplace to prevent misconducts of fair trading beforehand and maintain a transparent management environment. We established a double-layered monitoring system for internal trading by the compliance team of each group company and SFG's audit team to carry out a transparent fair trading system. Also, we are striving to prevent risks related to corruption by implementing an integrated self-diagnosis on employees.

#### Overview of workplaces which received corruption risk analysis

(Unit: number)

Division	2010	2011	2012
Number of total workplaces	1,421	1,433	1,464
Number of workplaces where corruption risk analysis (diagnosis) were implemented	595	814	1,043

#### Overview and laws and regulations and regulatory violations

(Unit: number / KRW 1 million)

Detailed category	2010	2011	2012
Number of cases of financial restrictions	0	4	2
Amount of penalties	0	10.5	3,407
Number of cases of nonfinancial restrictions	14	1	5
Cases of being sued through dispute settlement means	0	0	58

### SO5/SO6. Position on Public Policies and Participation in Political Activities

Shinhan Financial Group prohibits all participation in lobbying activities, including joining political parties and making donations to political funds by employees.

### FS7. Values of Financial Products that Provide Social Values by Type

#### Insurance products containing social values

(Unit: Case / KRW 1 billion)

Division	Product explanation	Calculation standard	2010	2011	2012
Shinhan Children Love Insurance	Create and donate funds - Create funds with 1% of the commercial insurance premium for the first monthly payment Donate to children-related organizations at the end of the year	Number of cases	291,626	320,695	209,467
		Amount of discounts	13.2	16.7	11.8
Shinhan Hope and Love Insurance	Together with the Smile Microcredit ankProducts supporting the utilization of sleeping insurances - Insurance premiums coming from coverage insurance against the low-income poor children and supporters	Number of cases	318	473	119
		Insurance income	0.3	0.4	0.3

\* Source: Shinhan Life

### Discount on insurance premiums for multi-child families, disabled families and low-income classes

Division	Calculation standard (unit)	2010	2011	2012
Multi-child families	Number of cases	38,139	85,206	68,619
	Amount of discounts (thousand KRW)	13,439	29,271	25,587
Disabled families	Number of cases	2,047	2,700	2,410
	Amount of discounts (thousand KRW)	7,184	9,953	12,143
Low-income classes	Number of cases	-	-	186
	Amount of discounts (thousand KRW)	-	-	570
Subtotal	Number of cases	40,186	87,957	71,215
	Amount of discounts (thousand KRW)	20,623	39,366	38,300

\* Source: Shinhan Life

### FS11. Ratio of Assets that Received Environmental and Social Reviews

#### Current status of social investments

(Unit: KRW 1 billion)

Division	2010	2011	2012
SRI funds	90.9	104.6	130.1
BTL investments	298.7	369.9	568.7
SOC investments	459.4	617.6	840.0

\* Source: Shinhan Life



# Appendix

UN Global Compact

Ruggie Guiding Principles

Independent Assurance Statement

Contact

# UN Global Compact

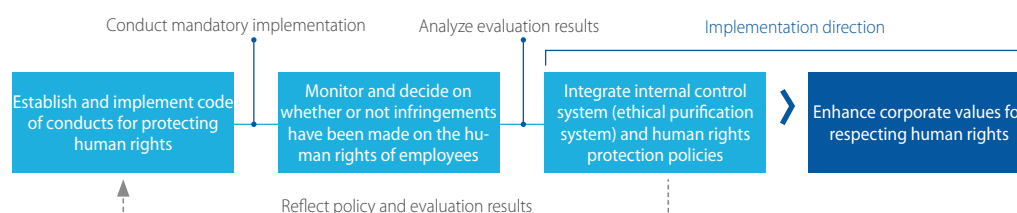


In May 2008, Shinhan Financial Group joined the UN Global Compact to notify its commitment in implementing the corporate social responsibility management domestically and internationally by reflecting the international standards on sustainability management. We led a sound financial culture and green finance by complying with the 10 principles in 4 areas, including human rights, labor, environment and anti-corruption, to respond to climate change and maintain stable labor relations. The results were transparently disclosed to show that we have fulfilled our social responsibilities as a representative global financial leader.

Division	Principles	Indexes of activities and performances	GRI index	Page
Human rights	1. We support and respect internationally pronounced human rights	Employee education Human rights education Implementation of employee education Implementation of sexual harassment prevention education	HR1, HR2, HR3, HR4, HR5, HR6, HR7	88, 93
	2. We do not participate in human rights violation activities	Total number of discrimination cases	HR4, HR8	88, 93
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	89
	4. We abolish all types of forced labor	Compliance with the Labor Standards Act and International Labor Organization (ILO) Whether or not complied with collective bargaining	HR7	88, 93
	5. We abolish child labor in an effective manner	Compliance with the Labor Standards Act and the International Labor Organization Compliance with collective bargaining	HR6	88, 93
	6. We abolish discrimination in employment and business	Ratio of disable employees Ratio of female employees	HR4, LA2, LA10, LA13, LA14	88-90
	7. We support preventive approaches to environmental problems	UNEP FI Carbon neutrality program	4.11	35-36
Environment	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	36-39, 87
	9. We support environment-friendly technology development and supply	Environmental development investment Green financial products and services	EN5, EN6, EN7, EN10, EN18, EN26	38-39, 87
Anti-corruption	10. We make efforts to eliminate all types of corruption including unfair profits and bribery, etc.	Shinhan code of ethics Strengthen and self-diagnose ethical codes	SO2, SO3, SO4	82-83

## Guidelines for Business and Human Rights (Ruggie Guiding Principles)

In June 2011, Shinhan Financial Group openly declared its human rights policies in accordance with the UN Commission on Human Right's Guidelines for Business and Human Rights (Ruggie Guiding Principles). For this reason, we are complying with the responsibilities for respecting human rights. Also, we are leading in human rights protection by establishing a system for supervising and managing the overall human rights matters arising from business management, including respecting the human rights of employees, responding to negative impacts, conducting monitoring and evaluation and following code of conducts.



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# Independent Assurance Statement



## Introduction

Det Norske Veritas Certification (hereinafter the “DNV”) received a request for the independent assurance engagement of the 2012 CSR Report (hereinafter the “Report”) from Shinhan Financial Group (hereinafter the “SFG”). SFG is responsible for collecting, analyzing and organizing the information necessary to generate the Report as well as the claims made therein. DNV has the responsibility to carry out limited work for SFG according to contract conditions. In relation to this Independent Assurance Statement, DNV disclaims any responsibility to a third party other than the contracted party. SFG’s Report contains information for its stakeholders.

## Scope of Assurance

The data that was examined for this assurance include the data from 2012. The scope of assurance for this Report is as follows:

- Data and activities related to the environmental, health and safety management, social issues and corporate governance between the period from January 2012 to December 2012
- Evaluation of the Report and its principles for defining quality in accordance with GRI G3.1
- Evaluation of the accountability principle and its results (moderate level Type 1) in accordance with the AA1000 Accountability Principles Standard 2008 and the AA1000 Assurance Standard (2008), including special information and data (moderate level Type 2)
- Confirmation of the application level of GRI
- For financial data, verification of whether or not the financial data has been correctly derived from the financial statement that received SFG’s auditing

## Limitations

The verification was made by confirming the data and information collected and provided by SFG, while we made no visits to its affiliates. The sustainability management, performances and practices of a third party, including SFG’s suppliers and partner companies, is not included under the scope of assurance for this Report. We do not meet with any external stakeholders during the assurance period. SFG’s financial information and data was not included in the scope of assurance for this Report. Therefore, the financial data, including the economic performances, was verified by comparing with the audited financial statement of the auditor with SFG’s internal documents. The verification was made based on the assumption that the audit team was provided with complete, sufficient and original data and information. As a result, the conclusion we made is based on the interviews conducted with SFG’s employees and the documents provided by SFG.

## Assurance Method

We applied the AA1000AS (2008) in this assurance process. The conclusion we made was reached by complying with the protocol as shown below:

- Compliance with the principles of inclusiveness, materiality and responsiveness as stated in the AA1000AS (2008)
- Verification of GRI context index on SFG’s homepage with the application standards under GRI G3.1

The assurance team confirmed and reviewed the documents, data and other information provided by SFG as part of our verification process. Also, we reviewed the sampling method. The verification was made at SFG’s head office between the period from May 2013 to June 2013.

## Conclusion

Based on the assurance activities performed, DNV did not make any discoveries that lead to the judgment that significant errors or omissions were made in this Report. Therefore, we verify that this Report meets the ‘A+’ level requested by GRI G3.1. Additional opinions and observations are as shown below.

### Inclusiveness:

We verify that SFG includes stakeholder engagement on sustainability management issues. It includes diverse stakeholders and this Report provides details on the stakeholder communication channels. In particular, the areas of interest and expectation were confirmed by conducting surveys using homepage, email and twitter. This Report identifies the 6 stakeholder groups as customers, shareholders/ investors, employees, local communities, partner companies and the government/ academia. Each affiliate utilizes direct and indirect methods to identify areas of major concerns for stakeholders

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and actively communicating and participating in the relevant process. The stakeholder engagement is conducted independently and the level of compliance with inclusiveness principle is at satisfactory level.

**Responsiveness:**

The opinions, interests and expectations of stakeholders were reflected in making this Report and conducting SFG's sustainability management. This Report provides details on how important issues were resolved. SFG established goals for important issues to notify the stakeholders that the sustainability management is being implemented as planned. We recommend that the results are monitored and measured before disclosure. Also, we recommend that opinions on response policies for important issues that were not mentioned to be provided. The level of compliance with responsiveness is at average level.

**Materiality:**

We verify that SFG conducted the materiality evaluation through a four-stage approach. Based on this, SFG selected material issues for the group and affiliates by identifying internal and external CSR issues and reflecting the stakeholder's opinions. The results of material issue evaluation were applied when selecting the topics for the Report. We confirm that the results of the issues presented in the Report are major issues of SFG's activities and highly relevant to the stakeholders. The level of compliance for materiality is at satisfactory level.

**Completeness:**

The scope and limitation defined in this Report by SFG handles issues and activities that involve stakeholders and the major issues and activities of SFG. We did not make any discoveries that lead to the judgment that significant errors or omissions were made in this Report. We recommend that the scope of assurance is expanded to all affiliates of SFG. The level of compliance for completeness is at average level.

**Quality Principle:**

We verify that this Report provides relatively balanced information. We did not discover any biased information in this Report. The transparency can be strengthened by providing detailed information on measures taken for legal compliance. We confirm that the data and information in this Report can be trusted. The comparison of performances shown in graphics was appropriate, while the data on greenhouse gas and the environment was collected and organized through the computer system. However, we recommend that the official internal evaluation process should be set up to verify the data by utilizing regular information from the latest internal management system. The level of compliance for quality is at average level.

**Discoveries made on specific information for sustainability management:**

As mentioned above, in addition to the evaluation of SFG's compliance characteristics and levels for the AA1000 APS to verify Type 1, we conducted Type 2 verification on environmental performances (amount of water used, amount of waste generated), distance of business trips and credibility of sick leaves. We confirmed the documents and records provided by SFG to verify the contents stated in this Report. The specific data and information mentioned above can be distinguished and traced.

**Recommendation for Improvement**

The following was provided to SFG's management as additional observations made regarding areas for improvement. It did not affect the conclusion of this Report and only provided to encourage continuous improvement.

- SFG should establish sustainability goals and its affiliates should regularly report on them by setting up specific goals to achieve the group's goals
- Standards for calculating and reporting various documents should be established according to indexes so that they maintain consistency and shared internally

**Eligibility and Independence**

DNV provides a variety of sustainability management services, including verification of sustainability reports. DNV has environmental and social verification experts in about 100 countries across the world. DNV did not participate in preparing for documents or its contents when making this Report other than this Independent Assurance Statement. DNV kept neutrality when conducting interviews with stakeholders during the assurance period. DNV clearly states that it takes no responsibility to compensate for any individual or organization that made decisions based on this Independent Assurance Statement.



June 2013  
Seoul, Republic of Korea  
CEO, In Kyoon Ahn

A handwritten signature in black ink, appearing to read "In Kyoon Ahn".



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## Contact

### For additional information and inquiries

If you visit the homepage of Shinhan Financial Group (<http://www.shinhangroup.com>), you can find more detailed information through the Interactive PDF and the Web Reporting. Also, you can get Shinhan's CSR Report since it has been published starting from 2005. For further information, please make inquiries to the contact number shown below.

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# History of Shinhan Financial Group CSR Report



Date of publication\_ June 2013

Published by\_ Shinhan Financial Group

Designed by\_ Lucrebeyond

Certified by\_ Det Norske Veritas (DNV) Certification



2005



2006



2007



2008



2009



2010



2011

# GRI 3.1 Index

In- dex	explanation	ISO 26000	Extent of reporting	Page 추가정보
<b>Common</b>				
<b>I . Visions and strategies</b>				
1.1	CEO message	6.2	Fully	10 ~ 11
1.2	Opportunities and challenges	6.2	Fully	10 ~ 11
<b>II . Organization profile</b>				
2.1	Corporation name		Fully	12
2.2	Major products and brands		Fully	12
2.3	Operational structure	6.2	Fully	13
2.4	Location of main office		Fully	96
2.5	Country where major business place is located		Fully	12 ~ 13
2.6	Ownership structure and legal format		Fully	12 ~ 13
2.7	Sales market		Fully	13
2.8	Corporation volume		Fully	13
2.9	Major changes of corporation volume, organization structure, and ownership structure		Fully	13
2.10	Awards		Fully	11
<b>III . Report medium variances</b>				
3.1	Report period		Fully	1
3.2	Recent report date		Fully	1
3.3	Report cycle		Fully	1
3.4	Contact for questions related to the report		Fully	96
3.5	Process for determining report matters		Fully	14 ~ 17
3.6	Report boundaries		Fully	1
3.7	Limiting reporting scope and boundaries		Fully	1
3.8	Report boundaries that can have significant effect on comparability of information		Fully	1
3.9	Data measurement technologies and ground for calculation		Fully	1
3.10	Readjusting information provided in the previous report		Fully	1
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	
3.13	Policies on independent assurance and recent practices		Fully	94 ~ 95
<b>IV . Governance structure, responsibilities, participation</b>				
4.1	Corporate governance structure	6.2	Fully	80 ~ 81
4.2	Whether CEO and chairman of BOD can be the same person	6.2	Fully	80
4.3	Structure of BOD	6.2	Fully	80
4.4	Mechanism where shareholders and employees can present opinions in the BOD	6.2	Fully	81
4.5	Connecting corporate performance and compensation to executives and management	6.2	Fully	81
4.6	Process at the BOD level to avoid conflict among stakeholders	6.2	Fully	81
4.7	Process for determining professionalism of executives leading economic, environmental, social strategies	6.2	Fully	81
4.8	Management principles	6.2	Fully	1
4.9	Procedures that BOD use in supervising the economic, environmental, social performances	6.2	Fully	81
4.10	Processes for evaluating performances of BOD, especially, economy, environmental, and social performances	6.2	Partially	81
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	6.2	Fully	84
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	6.2	Fully	8, 93
4.13	Memberships in associations(such as industry associations) and/or national/international advocacy organizations	6.2	Fully	8, 93
4.14	List of stakeholder groups engaged by the organization	6.2	Fully	79
4.15	Basis for identification and selection of stakeholders with whom to engage	6.2	Fully	79
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	6.2	Fully	79
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	16 ~ 17

In- dex	explanation	ISO 26000	Extent of reporting	Page 추가정보
<b>1. Economic performance</b>				
EC1	Direct economic value generated and distributed	6.8, 6.8.3 6.8.7 6.8.9	Fully	86
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.5.5	Fully	36 ~ 37
EC3	Coverage of pension support		Fully	86
EC4	Significant financial assistance received from government		Fully	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	86
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	86
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	86
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	26, 86
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	26 ~ 33
<b>2. Environmental performance</b>				
EN1	Materials used by weight or volume	6.5 6.5.4	Fully	87
EN2	Percentage of materials used that are recycled input materials	6.5 6.5.4	Fully	No recycled paper used do to information security problems
EN3	Direct energy consumption by primary energy source	6.5 6.5.4	Fully	87
EN4	Indirect energy consumption by primary source	6.5 6.5.4	Fully	87
EN5	Energy saved due to conservation and efficiency improvements	6.5 6.5.4	Fully	37
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	39
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	6.5 6.5.4	Fully	37
EN8	Total water withdrawal by source	6.5 6.5.4	Fully	87
EN9	Water sources significantly affected by withdrawal of water	6.5 6.5.4	Fully	87
EN10	Percentage and total volume of water recycled and reused	6.5 6.5.4	Fully	87
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	None due to characteristics of the financial industry
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	
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	36
EN17	Other relevant indirect greenhouse gas emissions by weight	6.5 6.5.5	N/A	None due to characteristics of the financial industry
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	6.5 6.5.5	Fully	36
EN19	Emissions of ozone-depleting substances by weight	6.5 6.5.3	N/A	None due to characteristics of the financial industry
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	87
EN22	Total weight of waste by type and disposal method	6.5 6.5.3	Fully	87
EN23	Total number and volume of significant spills	6.5 6.5.3	N/A	None due to characteristics of the financial industry
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	
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	39
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 due to characteristics of the financial industry
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	36
EN30	Total environmental protection expenditures and investments by type	6.5	Fully	39

In- dex	explanation	ISO 26000	Extent 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	89
LA2	Total number and rate of employee turnover by age group, gender, and region	6.4 6.4.3	Fully	89
LA3	Benefits provided to full-time employees	6.4 6.4.3 6.4.4	Fully	61, 71, 89
LA4	Percentage of employees covered by collective bargaining agreements	6.4 6.4.3 6.4.4 6.4.5 6.3.10	Fully	89
LA5	Minimum notice period(s) regarding significant operational changes	6.4 6.4.3 6.4.4 6.4.5	Fully	89
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	89
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	6.4 6.4.6	Fully	89
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	89
LA9	Health and safety topics covered in formal agreements with trade unions	6.4 6.4.6	Fully	89
LA10	Average hours of training per year per employee by employee category	6.4 6.4.7	Fully	90
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	90
LA12	Percentage of employees receiving regular performance and career development reviews	6.4 6.4.7	Fully	90
LA13	Composition of governance bodies and breakdown of employees	6.3.7 6.3.10 6.4 6.4.3	Fully	89
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	90
LA15	Ratio of returning to workplace after maternity leave		Fully	90
<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	Partially	42
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	Partially	88
HR3	Percentage of employees trained on policies and procedures concerning aspects of human rights	6.3 6.3.5	Fully	88
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	88
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	88
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	88
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	88
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	88
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	91
HR11	Number of human rights related complaints raised through official complaint delivery mechanism		Fully	No cases of human rights related complaints raised

In- dex	explanation	ISO 26000	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	26 ~ 33
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	Fully	91
SO2	Number and ratio of business units where corruption risk has been analyzed	6.6 6.6.3	Fully	91
SO3	Ratio of employees who received education on anticorruption policies or procedures	6.6 6.6.3	Fully	91
SO4	Actions against corruption incidents	6.6 6.6.3	Fully	91
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	91
SO6	Donations to political parties and politicians	6.6 6.6.4 6.8.3	Fully	91
SO7	Number of cases of legal actions on unfair and monopoly activities	6.6 6.6.5 6.6.7	Fully	91
SO8	Fines and non-financial sanctions for violation of legal regulations	6.6 6.6.7 6.8.7	Fully	No unfair activities
<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	49, 59, 64, 70
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	90
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	90
PR6	Communication related policies and programs such as advertisements and sponsors etc.	6.7 6.7.3 6.7.6 6.7.9	Fully	90
PR7	Number of violations cases of communication related(advertisements, sponsors etc.) regulations	6.7 6.7.3 6.7.6 6.7.9	Fully	No cases of violations of regulations
PR8	Number of complaints related to violation of customer information protection	6.7 6.7.7	Fully	
PR9	Number of cases and amounts of violations of regulations related to product & service provision	6.7 6.7.6	Fully	

In- dex	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	1
FS2	Environmental social risk assessment and inspection procedures in the industry field	Fully	1
FS3	Process of monitoring implementation and compliance of customers' environmental social demands during contract or transaction	Fully	87
FS4	Process of strengthening employees' capabilities for implementing environmental social policies and procedures in the industry field	Fully	87
FS5	Mutual reaction with customers/investors/business partners related to environmental and social risks and opportunity elements	Fully	87
FS6	Portfolio ratio of industry field per particular area, size(large/intermediate/small), industry	Fully	12 ~ 13
FS7	Monetary value of products and services designed to provide particular social benefits to each industry field segmented per purpose	Fully	91
FS8	Monetary value of products and services designed to provide particular environmental benefits to each industry field segmented per purpose	Fully	87
FS9	Scope and frequency of application of audit which assess implementation of environmental social policies and risk assessment process	Partially	84
FS10	Ratio/number of corporations which report on environmental social issues of among financial institution portfolio incorporated corporations	Partially	36 ~ 37
FS11	Ratio of assets that are subject to environmental social inspection in positive method and negative method	Partially	91
FS12	Shareholders' decision making policies regarding environmental social issues within the boundaries where reporting institution has decision making influence	Partially	14 ~ 17
FS13	Access points of areas that have little population or do not receive economic benefits	Fully	54
FS14	Initiatives for improving financial service approaches for people who cannot receive benefits	Fully	54
FS15	Policies on fair designing and sales of financial products and services	Fully	20 ~ 25
FS16	Initiatives for strengthening finance knowledge(education) per beneficiary type	Fully	28