

Drawing a Sustainable Future

SHINHAN FINANCIAL GROUP CSR REPORT 2016





Cover Story

This image is the 'Grow rapidly with hope' (By Kyung Hoon Kim) from the 23rd Shinhan Natural Environmental Photography Contest.

Shinhan Financial Group has always put emphasis on being a healthy corporate citizen as it grew together with local society since its early founding days. Starting with its 2005 CSR report, the first of its kind from a financial company, Shinhan Financial Group has been leading the way for responsible management through establishing CSR strategies, participating in global initiatives, and operating the CSR committee within the board of directors.

With the new paradigm in sustainable management, the Shinhan Financial Group is proposing the new '2020 CSR Strategies' in 2017. With 'Responsible growth', 'Social partnerships', and 'Investments for the future' set as ultimate goals, the Shinhan Financial Group is proposing the Six Commitments along with definitive goals and direction to become a world-class financial group.

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‘Compassionate Finance, Your Companion for the Future’ Leading the Way for Sustainable Growth

Accomplishments Increasing Customer, Social and Company value

Commitment

Business

Social & Company Impact

Business

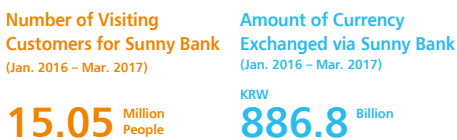
Social & Company Impact

Business

Social & Company Impact

We upgrade financial technology for customer service improvement

We have improved customer convenience by providing non-face-to-face services for opening new accounts and account transactions along with currency exchange through a dedicated mobile bank, ‘Sunny Bank.’

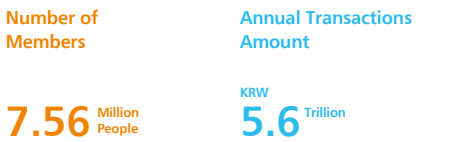


We provide optimized financial solutions that increase value

‘Shinhan M-folio’ pursues stable investment performance through customized investment management services provided by robo-advisor and investment experts.



The Shinhan FAN which was introduced with the slogan ‘Changing the way of life’ is a lifestyle platform through which you can enjoy life companion services and easy payment services.



We propose an optimal product that caters to the characteristics of customers by establishing Code9 model which subdivides male and female customers based on big data.



Shinhan Bank has established the ‘Paperless Bank’ by replacing all types of paper applications with electronic document through use of tablet PCs and electronic pens at all of its branches.



We have implemented the ‘Customer Return Rate Evaluation System’ to increase rate of return for investors through focused portfolio management from asset management experts (PB) and for the growth of the company as well.



Shinhan Financial Group has inherited its founding philosophy and established a mission for the group as a whole with a slogan 'Compassionate Finance, Your Companion for the Future', having the spirit of 'Benefit the world through the power of finance'. Compassionate Finance, Your Companion for the Future shows that the corporate value and the customer value(social) can 'coexist' and do not have to confront one another. We will continue to develop a virtuous cycle and help all customers, Shinhan, and society to grow together as we accomplish our group mission in a creative way.

As of the end of 2016

● Client, social (environmental) value ● Corporate value

We assist with safe financial transactions

We provide the 'Self FDS' service which can prevent wrongful usage of cards from stolen/lost/ altered cards while our customers travel abroad.

Number of Users

177,739 ^{People}

Number of Cards Registered

210,000 ^{Cards}

We incorporate financial integration of the working-class people and SMEs

We have widened the scope of support for financing of the working class by developing a credit evaluation model for mid-range interest rate loans which utilizes analysis methods such as big data analysis and machine learning.

Increase Rate of Approval

2.2 ^{Times}

Increase Rate of Loan Application

1.9 ^{Times}

We contribute to solving social and environmental issues through the power of finance

We are contributing to supplying clean energy by delivering the initial investment for equipment through PF and financing for renewable energy like solar energy.

Solar Power Generated

56,793 ^{MW}

Solar Power Generation Project Cost

181.5 ^{KRW Billion}

We have launched the 'Safe Gold Service' which safely manages the exchange notes and certificates that you receive after purchasing gold in the form of gold bars through the blockchain, a revolutionary security technology.

Exchange Note Application Rate

64%

System Improvement

We are currently supporting the 'New Hope Spore Loan' which is a socially responsible product to expand the benefits of using finances for low-income customers and low credit customers.

Total Loan Users

32,554 ^{People}

Total Loan Amount

471.8 ^{KRW Billion}

We are currently operating a website dedicated to donation, 'Arumin(arumin.shinhan.com)' for our customers to donate through their card points and credit cards.

Total Amount of Donations

5.1 ^{KRW Billion}

Total Number of Users

260,000 ^{People}

You can easily conduct safe financial transactions at the 'Smart Lounge' through non-face-to-face identity authorization service via palm vein recognition.

Number of Possible Tasks Compared to Traditional Banking Service Counters

107 ^{Tasks}

Number of Transactions

350,000 ^{Cases}

We are conducting classes for small business start-ups with small business start-up institutions to provide useful education for the working-class people who hope to start their own businesses.

Number of People Trained

412 ^{People}

Support Amount for Small Businesses and Individual Business Owners

662 ^{KRW Billion}

We are issuing the 'Integrated Welfare Card for the Disabled' which unifies various welfare improvement services for the disabled into one platform.

Number of Users

53,000 ^{People}

Total Amount

446.5 ^{KRW Billion}

CEO MESSAGE



Dear Customers, Shareholders, and Stakeholders,

Ever since the founding of the bank which serves as the core of our group in 1982, Shinhan has continued to pioneer a new path for the Korean financial industry through challenging itself in unconventional ways. In 2001, we established the first private financial holding company in Korea and succeeded in enlargement and diversification of the company and overcame great challenges both within and outside of the company to achieve first place in terms of profit for 9 years in a row, as we made our way to being recognized as the best financial group in Korea.

In 2016, we recorded a net profit of 2.77 trillion won which was the second highest performance since the founding of our financial holding company and solidified our status as the leading financial group in Korea. This was a very noteworthy result as we had to overcome various hardships in terms of management environment with growth weakening as uncertainty increased in the global economy and the domestic economy suffering from the slowdown of exports and a lack of performance within the domestic market.

We were able to achieve such results due to the fact that our bank has managed continuous growth of its assets and efficient cost management while recording satisfactory performances in terms of cards, life insurance, and other non-banking products. Most of all, this was possible through our group's mission of 'Compassionate Finance, Your Companion for the Future' increasing customer value and establishing a virtuous cycle in which Shinhan and the local society coexist to pursue sustainable growth.

Such effort from Shinhan has been widely recognized by the public. Shinhan Financial Group was listed on the '100 Most Sustainable Global Corporations' of the Davos Forum for 5 consecutive years, included in the DJSI World for 4 consecutive years, and selected for the Carbon Management Honors Club of CDP Korea for 3 consecutive years to achieve its mission for socially responsible management.

We have achieved such honors and performances but Shinhan will not grow complacent and continue to innovate to take bold leaps further for the future. This is because the low growth rate has now become constant rather than a variable and the disruptive revolution brought upon by technological advancement is becoming a new threat to the financial industry and a new environment that is very different from the past is forming before our very eyes.

We will first expand the territory of Shinhan in order to achieve a new level of progress for Shinhan Financial Group by responding to the environmental changes head on. We will discover a new way to grow

within Korea and expand our largest business sector to expand our reach as a leading financial group in Korea. We will globally promote both organic and inorganic growth as well. We will reinforce the synergy between the companies within our group and provide the products and service that our customers truly need in order to establish our group as the leading financial group within the hearts of our customers as well.

Next, we will take a major step over the boundaries of financing. The Fourth Industrial Revolution has blurred the boundaries between industries and we will utilize this blur as an opportunity for our advancement to create a new customer base and market. We will also equip ourselves with advanced ICT capability and organization to upgrade our group digitally to create a Shinhan financial ecosystem in which the financial and non-financial sectors coexist through various partnerships with various businesses overlapping the sectors of ICT, culture, education, and medicine.

Lastly, we will continue our efforts for our mission of 'Compassionate Finance, Your Companion for the Future' to benefit the world through our core business of financing. We have established the '2020 CSR Strategies' which is an upgrade from the 9 CSR Strategies established in 2014 by reflecting the global megatrends and the altered sustainable management initiative and we will actively carry out these new strategies.

Also, we will carry out our responsibility for human rights aligned with the UN Guiding Principles on Business and Human Rights and will actively participate in the 2030 Agenda for Sustainable Development (UN SDGs) to create decent jobs, foster economic growth, and resolve economic inequality issues as well to fulfill our responsibility to resolve social issues. Furthermore, we will maintain the ISO14001 to lead the way for environmental management and expand the scope of environment-friendly products and services in society.

We have been writing our success stories for a long period of time because of the solid trust and support from our stakeholders. We are always grateful and we urge you to continue to trust and support Shinhan in the future. We sincerely hope for the best for your health and well-being.

Thank you.



Chairman & CEO of Shinhan Financial Group **Cho Yong-byoung**

2020 CSR Strategies

Shinhan Financial Group promises to operate under a systematic and socially responsible management which responds in advance to constantly changing sustainable management environments with the goal of becoming a socially responsible, world-class financial group. In order to achieve this goal, we have revised the Nine CSR Strategies that were established in 2014 to establish the 2020 CSR Strategies. The 2020 CSR Strategies sets a new direction for 'Responsible growth,' 'Social partnerships,' and 'Investments for the future' (The Three Pillars) and suggests the Six Strategical Directions (Commitments) spanning products, services, and management.



The Three Pillars

Responsible Growth

Provide Solution to Improve Customer Value

We will provide customer-oriented products, services, and solutions to improve customer satisfaction and will provide new products and services that can respond to environmental changes such as digitalization and aging society to improve customer value for the future.

Fair and Ethical Business

We will provide fair information stemming from ethical management to our customers and improve corporate reliability through strict protection of consumer rights and benefits along with privacy protection.

Social Partnerships

Improvement of Financial Inclusion

We will contribute to the collective growth of entire society through financing support for the working class and the SMEs and will establish digital global business expansion and financial platforms to provide more financing support for more customers in the future.

Establishment of Creative and Open Culture

We will secure professionalism by improving employee competency and continue to establish a smart working environment and cultivate a flexible and creative corporate culture.

Investments for the Future

Realization of Positive Social Responsibility

We will provide environmental solutions and information, and responsible investment in consideration of ESG to customers to lead a positive change for the entire society, and we will also contribute to help solve major social issues through coexistence, sympathy, and symbiosis.

Risk Management Considering Environment and Society

We will become carbon-neutral through actively responding to climate change and performing continuous environmental efficiency management and share our emphasis on the environment with our stakeholders to help contribute socially for environmental management.

Stakeholder Engagement

Shinhan Financial Group defines customers that directly and indirectly influence business operation along with shareholders, investors, employees, government institutions, local communities, NGO, and partner companies as major stakeholders. We have established and have been operating different communication channels depending on the characteristics of each group of stakeholders as we have been listening to various expectations, interests, and opinions from our stakeholders. We check on the items that have a significant influence on corporate management, economy, society, and environment among the expectations of stakeholders and reflect them in our managerial activities to reinforce our trust level with our stakeholders while creating new business opportunities.

Customers



Communication Channels

Customer Evaluation Group, Customer Panel System, Customer Satisfaction Survey, VOC and Customer Complaint Data Analysis, Shinhan Poll, Social Media, Website

Major Issues

Customer Return Rate, Customer Satisfaction, Financial Consumer Protection, Financial Inclusion, Customized Solutions Based on Big Data, Privacy Protection

Shareholders and Investors



Communication Channels

Meeting with Investors, General Meeting of Shareholders, Disclosures, IR Presentations

Major Issues

Improvement of Corporate Value, Financial Health, Transparent Information Disclosure, Corporate Governance

Employees



Communication Channels

Internal Suggestion and Debate Systems, Intranet, Company Magazines, Internal Broadcasting, Communication Programs, CoP (Community of Practice), Clubs, Opinion Leader Groups, Labor Unions, Labor-Management Committee

Major Issues

Improvement of Employee Competency, Creative Organizational Culture, Female Leadership, Health and Safety

Government Institutions and Relevant Associations



Communication Channels

Partnership Agreements with Government Agencies and Public Institutions, Consulting Groups Related to Policies of Financial Authorities, Consultations and Responses to Issues Raised at the National Assembly, Making Recommendations to the Government Through Relevant Associations

Major Issues

Protection of Financial Consumers, Support for FinTech Companies, Prevention of Money Laundering, Financing Support for the Working Class, Environmental Policies

Local Society and NGO



Communication Channels

Local Community Contribution Activities, Meetings and Partnership with Local Community and NGO, Sports and Mecenat Sponsorships, Scholarship Foundations

Major Issues

Corporate philanthropy, Financial economic education, Provision of Cultural Benefits for Minorities, Sports Sponsorships

Partner Companies



Communication Channels

Transaction Satisfaction Surveys, Joining Volunteer Works, Invitational Financial Seminars, Continuous Business Meetings and Presentation Monitoring, Meetings for Coexistence

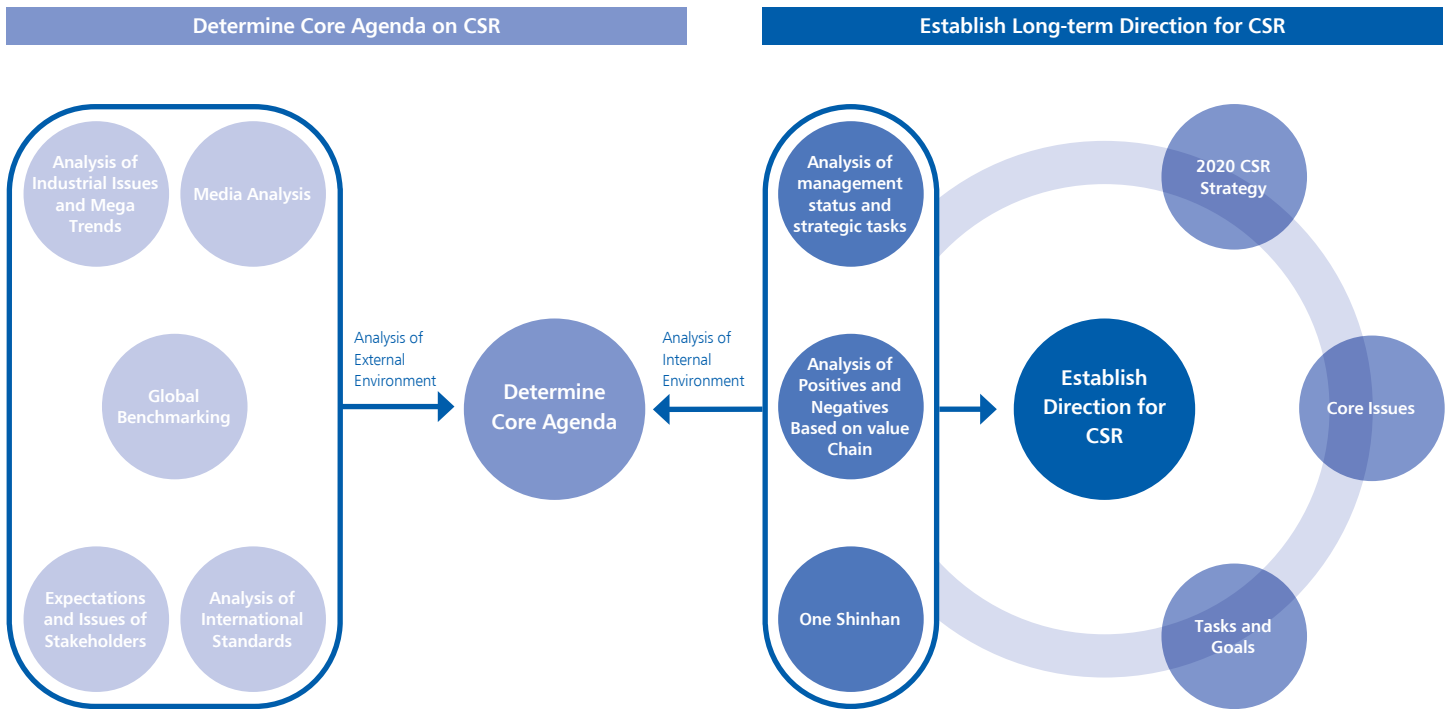
Major Issues

Fair Trade, Fair Trading Relationships, Guarantee of Fair Pricing, Supply Chain CSR

Materiality Assessment

Shinhan Financial Group has been annually conducting materiality assessments and identifying stakeholders based on 5 Part Materiality Test of the AA1000SES (Stakeholder Engagement Standards) along with the principles on reporting content from GRI Guidelines. Also, since 2005, when we first published our CSR report, we have continued to improve our evaluation system through expansion of global initiatives, and reflection of industrial trends and issues that affect business. In 2016, we have reflected the UNGP Reporting Framework and SDG Compass to our materiality assessment in order to set goals for SDGs and to identify material human rights issue.

Materiality Assessment and CSR Strategy Establishment Process



Media Research Analysis

- 2,225 Cases (Jan. 2016 ~ Feb. 2017)

Determining Industrial Issues Based on Macrotrend Analysis

- Aging Society, Digitalization, Reinforcement of Financing Regulations

Benchmarking Companies Leading in CSR

- The Long Term Strategies and Goals, Activities, and KPI of 10 Selected Companies

Checking Expectations of Major Stakeholders

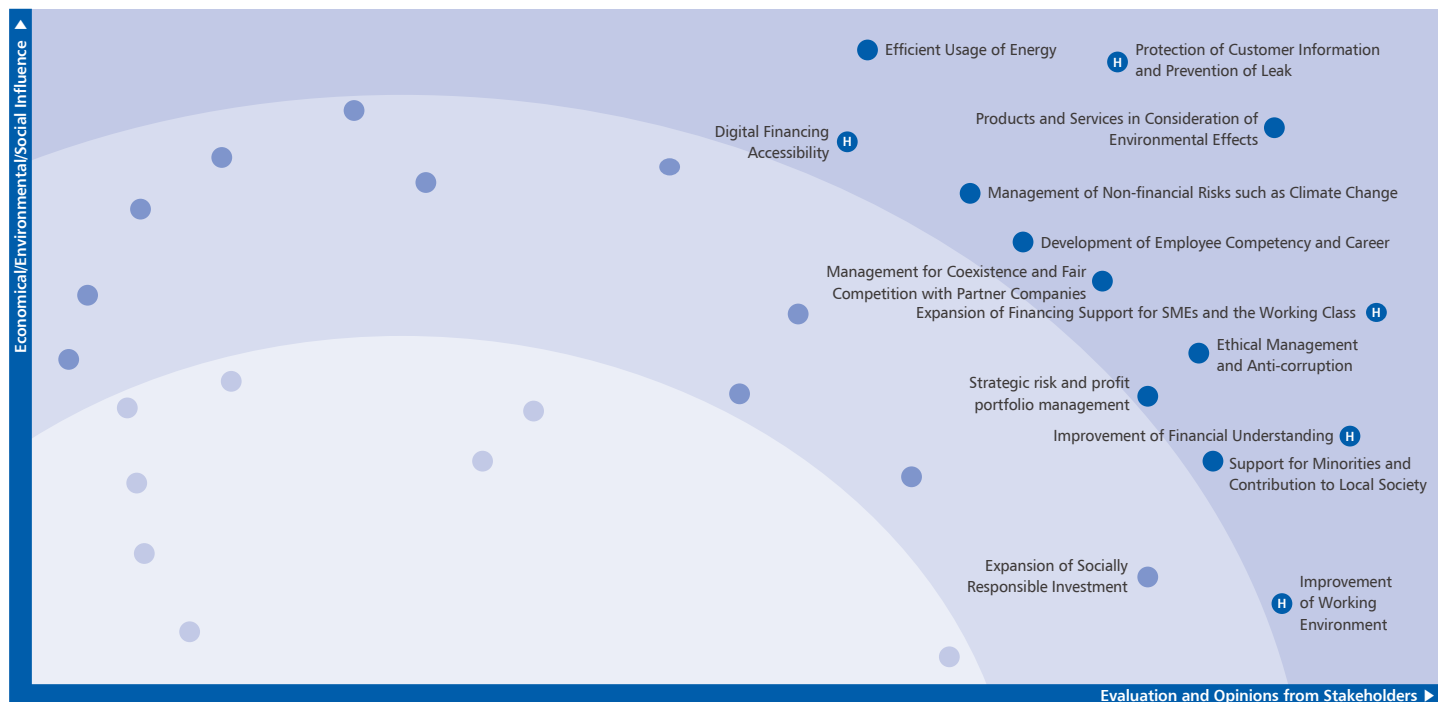
- Refer to page 07 of this report

Analysis of Requirements and Index for CSR Standards

- SDGs, UNGC, ISO 26000, SASB Material Topic & Metrics, GRI Guideline(G4 & Standards), UNGP, UNEP-FI

Results of Materiality Assessment

Materiality assessment is performed in a 3-step procedure involving CSR environment analysis, determination of pool of issues, prioritization through level of social attention business influence level analysis and 5 core issues and agenda were derived as a result. We have set goals for risk minimization and systematic management of risks regarding core issues and reported our current progress in this report. Also, we have established tasks and goals for 2020 CSR Strategy based on this agenda.



H Issues Related to Human Rights

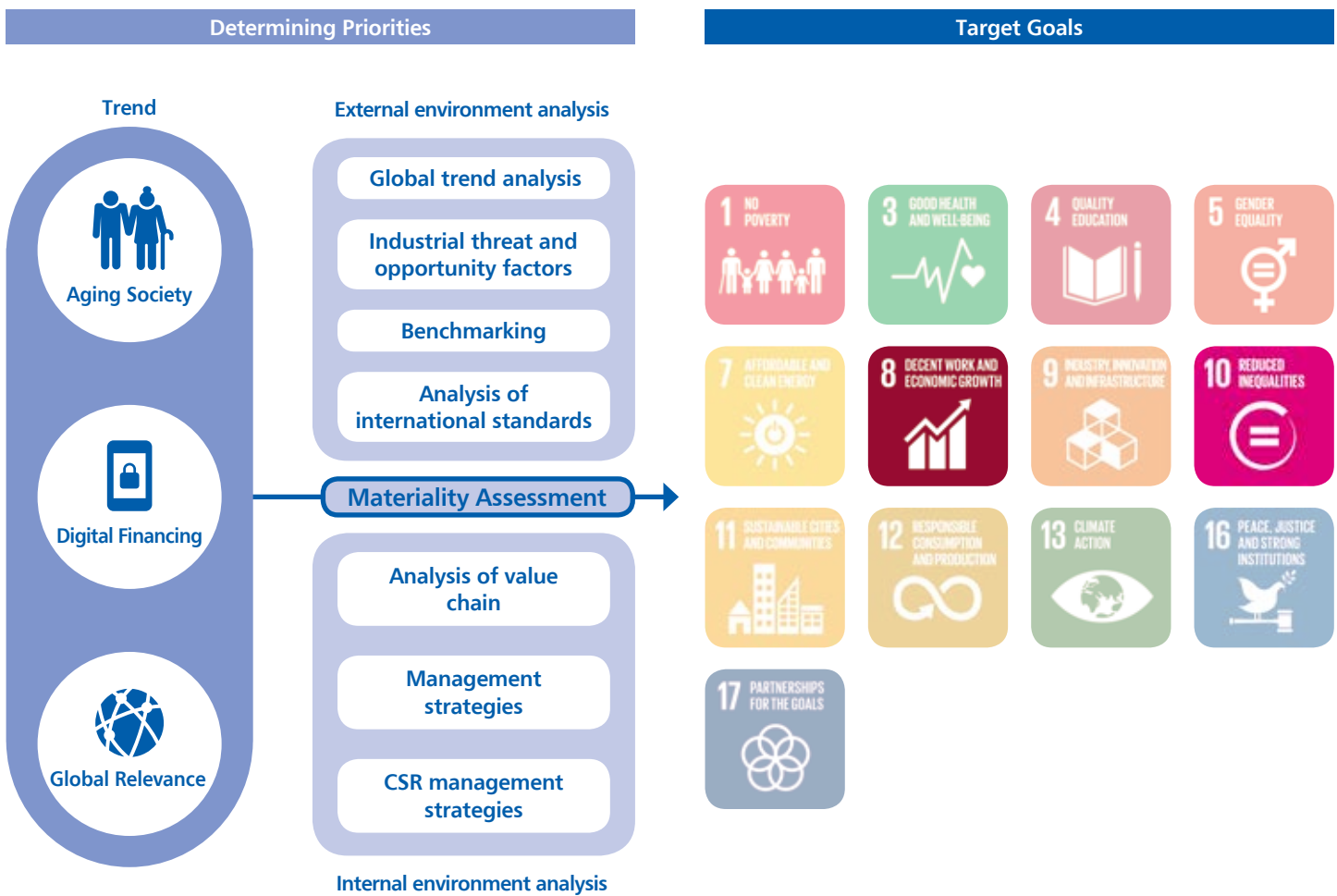
	Protection of Customer Information and Prevention of Leak	Improvement of Financial Understanding	Products and Services in Consideration of Environmental Effects	Expansion of Financial Support for SMEs and the Working Class	Efficient Usage of Energy
Boundary	Shinhan / Customers / Government	Shinhan / Local Communities / Government / Partner Companies	Shinhan / Customers	Shinhan / Customers / Local Communities	Shinhan / Local Communities
Achievements of 2014	<ul style="list-style-type: none"> Establishment of personal information protection standard management system A day dedicated to information protection every month 	Number of beneficiaries from financial education 117,272 People	Provide 'S-Force Service' which conducts tasks that are done at banks via tablet PCs	<ul style="list-style-type: none"> Financed KRW 353.8 billion through New Hope Spore Loan Balance of KRW 79.5 billion for 'New Hope Savings Installment', a high-interest savings account for the working class 	Reduced permitted greenhouse gas emission amount by 20.60%
Achievements of 2015	<ul style="list-style-type: none"> Established a system for detecting abnormalities in internal control Established information protection compliance standards Reinforced monitoring on external leakage of customer information through document export system 	Number of beneficiaries from financial education 135,983 People	Implementation of 'Digital Kiosk' which can process paperless counter services	<ul style="list-style-type: none"> Financed KRW 369 billion through New Hope Spore Loan Financed KRW 19.1 billion through Smile Microfinance 	Reduced permitted greenhouse gas emission amount by 19.66%
Achievements of 2016	<ul style="list-style-type: none"> Examination of sales status through information protection compliance online manual and checklist PIN encryption and storage 	Number of beneficiaries from finance education 140,866 People	Obtained ISO14001 certification for environmental management system	<ul style="list-style-type: none"> Financed KRW 471.8 billion through New Hope Spore Loan (Achieved accumulated amount over KRW 2 trillion for banks for the first time) Financed KRW 59.5 billion through Mid-interest Rate Loan 	Reduced permitted greenhouse gas emission amount by 20.40%
Goals for 2017	<ul style="list-style-type: none"> Analysis of future threats regarding information protection and establishment of preliminary response system Revision of management system for minimization of risk towards information protection 	Number of beneficiaries from financial education Over 100,000 People (2020 Target)	Expanded 'Digital Counters' to all branches in Korea	Financed KRW 520 billion through New Hope Spore Loan	Reduced permitted greenhouse gas emission amount by 17.5%
SDGs	Establishment of overall approachability in terms of private law and inclusive system	Resolving Inequality	Response to Effects of Climate Change	Decent Jobs and Economic Growth	Response to Effects of Climate Change
UNGP	Privacy	-	Opportunities Through Financial Products and Services		
Aspect	Customer Privacy	Indirect Economic Impacts	Economic Performance		Energy / Emissions

⬆ Not yet achieved ⬆ In progress ⬆ Achieved

UN SDGs implementation

Humanity is facing daunting economic, environmental, and social challenges. The UN has suggested Sustainable Development Goals (SDGs) composed of 17 goals and 169 tasks to be accomplished by 2030 in response, and all governments around the world have agreed on this common goal. Shinhan Financial Group promises to participate in carrying out the tasks to achieve the SDGs through its financing and accumulated competency over the years. Among the 17 target goals for SDGs, the goal of 'Guarantee healthy life and improve welfare for all generations(Target goal 3)', 'Decent work and economic growth(Target goal 8)', and 'Reduced inequality(Target goal 10)' have been evaluated as the most relevant to our group as a result of the materiality assessment by considering coexistence, sympathy, and mutualism which are the CSR strategies.

Therefore, Shinhan Financial Group intends to continue to generate new business relevant to these two goals and reveal the progress such as activities and performances(KPI) in its CSR report transparently.



Primary Goal 8. Decent work and Economic Growth

Reporting and Communication



Expansion of the gap between the poor and the rich around the world and the reduction of the employment growth rate have adverse effects on labor conditions including discrimination, and contractual relationships while also driving hundreds of millions of people into poverty. Shinhan Financial Group intends to contribute to accomplishing SDG target goal 8 by providing an opportunity for jobs and funding to companies, youth, and socially marginalized groups through its financing business.

SDG	Major Progress by Shinhan Financial Group	Related Goals
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	<p>We support startup businesses and SMEs to contribute to create decent work and growth sustainable for them.</p> <ul style="list-style-type: none"> • We are supporting the business through mentoring and investing directly into FinTech startup businesses that are competitive in terms of technology through Shinhan Future's Lab. • We are promoting the 'Best Company-Best Employee Matching Project' to resolve the issues of lack of manpower for SMEs and youth unemployment. • We have launched the 'Shinhan Female Business Support for Success Loans' to provide a growth power for female-owned businesses and family-friendly companies. • We have signed an MOU with Wadiz, a crowdfunding company and helped the growth of startup businesses by allowing investors to invest in promising startup businesses via website and investment seminars. 	
8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	<p>We provide job training opportunities to the youth from low income families to help them become financially independent.</p> <ul style="list-style-type: none"> • Shinhan Financial Group is securing footholds in major Asian markets such as China, India, and Vietnam as it establishes a network abroad with its bank at the center. Among these footholds, the 'Shinhan Vietnam Bank' which is a local corporate in Vietnam is expanding its business to the local companies and individual customers. As it searched for social contribution projects that can generate performance consistently as part of its localization strategies to build trust and improve brand image in the local community, it ended up building a job training center in 2013 that helps the youth from low income families to secure the capability for acquiring financial independence and has supported about 1,500 young men and women since then. <p>KPI (Business) stakeholder participation, number of communication performance (Social) education participants, number of students who complete the course, employment rate of graduates</p>	
8.9 By 2030, devise and implement policies to promote sustainable tourism which creates jobs, promotes local culture and products	<p>We promote the tourism industry growth through developing local travel routes and supporting the establishment of policies that cater to tourist needs that utilize big data.</p> <ul style="list-style-type: none"> • We have arranged a business agreement with the Korea Culture and Tourism Institute for mutual sharing of public and private data utilizing big data to contribute to tourism marketing vitalization policies. • We provide big data related to card transactions in Jecheon as basic data for tourism to contribute to creating local jobs and vitalization of the local economy. 	
8.10 Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all	<p>We provide the opportunity of financing low income and low credit customers through various financial products for civilians such as the Smile Microcredit Bank and the New Hope Spore Loan.</p> <ul style="list-style-type: none"> • We are currently offering small loans without collateral or guarantee to be used for starting businesses and business funding to socially marginalized groups in terms of financing with low income or low credit scores through Shinhan Smile Finance Foundation, and we have financed KRW 120.4 billion to 8,983 people as of 2016. • We have improved accessibility of financing by launching a small credit loan program for factory workers in Vietnam and have achieved outstanding financial performance through new low-interest loan products that went viral. 	

Primary Goal 10. Reduced Inequalities

Reporting and Communication



All corporations have a responsibility towards respecting human rights. However, prejudice and discrimination based on income, gender, disability, and region still exist, and they are worsening across the globe. Shinhan Financial Group contributes to SDG target goal 10 by establishing a system to resolve such inequalities of stakeholders, and reducing the gap between income through products and services targeting socially marginalized groups while generating new business opportunities at the same time.

SDG	Major Progress by Shinhan Financial Group	Related Goals
10.2 By 2030, empower and promote the social, economic and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	<p>We are conducting financial economic education to eliminate financial illiteracy among the socially marginalized class.</p> <ul style="list-style-type: none"> As the complexity of financial products increases and various conflicts occur, the debate for educational activities to help the financial consumers to make logical financial decisions as a fundamental solution is expanding. Shinhan Financial Group is sharing its knowledge and know-hows by conducting social contribution programs for the financial economic education that contributes to the society in order to provide financial consumer protection and promote society development, and we expect that this will lead to securing trust from customers and society over the long term to reinforce the group's foundation for business. <p>KPI (Business) number of employee participants, reputational improvement (Social) number of participants in financial economic education, number of financial economic education sessions</p>	
10.3 Ensure equal opportunity and reduce inequalities of outcome, including through eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and actions in this regard	<p>We are improving recognition through education and improving the system to ensure that human rights issues do not take place within work.</p> <ul style="list-style-type: none"> We are endeavoring to expand the culture of mutual respect and human rights protection amongst employees through Shinhan Financial Group's Declaration of Human Rights. We are building a healthy organizational culture by establishing 'Workplace etiquette.' We are running the 'Open Counseling Center,' a website dedicated to resolving discrimination and difficulties at work along with a performance-based evaluation and reward system to expand the performance-based compensation system. 	
10.5 Improve regulation and monitoring of global financial markets and institutions and strengthen implementation of such regulations	<p>We are responding to financial regulations in advance by participating in the global initiative.</p> <ul style="list-style-type: none"> We are striving to meet our environmental responsibility as a financial company by participating in the UNEP-FI since 2008. We have joined the UN Global Compact and publicly announced our intent as Shinhan Financial Group to promote taking on social responsibility. We are making our human rights report within CSR report available to the public based on the 3-step framework suggested by UNGP (The Guiding Principles on Business and Human Rights) to improve customs regarding human rights. We are responding to any changes in law and regulation such as 'The Act on Corporate Governance of Financial Companies', 'Improper Solicitation and Graft Act', and 'Best Practices for Internal Control and Compliance Officer of Banks' by reflecting them in our regulations and drafting manuals as well as training our employees and checking up on our branches. 	
10.b Encourage ODA and financial flows, including foreign direct investment, to states where the need is greatest, in particular LDCs, African countries, SIDS, and LLDCs, in accordance with their national plans and programs	<p>We are supporting the poorest nations and developing nations such as Myanmar, Vietnam, and Indonesia.</p> <ul style="list-style-type: none"> Shinhan Financial Group is promoting various global CSR activities through its global network and is currently promoting CSR strategies and activities to resolve local social issues through its global CSR partners. We are currently operating social contribution programs for health, educational environment improvement, and job training along with microfinance and direct funding for the world's poorest nations and developing nations such as Myanmar and Indonesia. 	

Effort to Achieve SDGs

Shinhan Financial Group is also contributing to 6 SDG target goals other than the 2 major SDG target goals above amongst the 17 target goals suggested by UN SDGs as well for expanding its financing business and for the 'Compassionate Finance, Your Companion for the Future'.

SDG	Major Progress by Shinhan Financial Group	Page	
	<p>Guarantee healthy life and improve welfare for all generations</p>	<p>Health is a basic human right and weak health can lead to loss of opportunity for learning for children and negatively affect their economic activities. There are still millions of people who have no access to basic medicine and medical supplies and millions of children suffer from malnutrition. Shinhan Life Insurance is selling insurance for children that includes necessary guarantees for children regarding cancer, surgeries, and disasters and forms a fund with 1% of the monthly premiums for children's insurance to donate as treatment expenses for children with incurable diseases from low income families every year which helps to improve the product recognition and to maintain insurance sales performance.</p>	-
	<p>Guarantee access to sustainable modern energy offered at an appropriate and fair price for everyone</p>	<p>Securing energy economically is a must when it comes to sustainable and fair development for humanity. Coal and fossil fuel were the main sources of energy throughout history, but they are also the major causes of greenhouse gas and, as a result, have created demands for developing new clean energy. Shinhan Financial Group is currently financially supporting the renewable energy industry such as solar power and turbine power through loans and PF. Particularly in regard to solar power generation business, Shinhan Bank has signed an agreement to participate as the leading financing institution in the 56,793MW Japanese Solar Power Generation Project PF with a total budget of KRW 181.5 billion in 2016.</p>	50-54
	<p>Build sustainable cities and residential areas that are tolerant, safe, and stable</p>	<p>It is expected that 70% of the world's population will reside in cities by 2050 and, therefore, the need for developing safe, resource efficient cities is being raised. This raised a discussion for constructing an integrated city infrastructure ranging from buildings, energy, transportation, communication, and financing. Shinhan Financial Group is launching the 'Monthly Rent Loan for Residential Stability' for the residential stability of tenants that pay monthly rent and the 'My House Pension Loan' to offer an opportunity for civilians to purchase their own homes. Also, Shinhan Data Center was established as an environment-friendly center from initial design and has been certified with Gold grade in LEED.</p>	44-46, 58
	<p>Guarantee responsible style of consumption and production</p>	<p>It is projected that the middle class will continue to increase in number for the next 20 years and the demand for resources will increase as well. This would require a response plan that can reduce the environmental load within company operations and its value chain. Shinhan Financial Group is making an effort to reduce its waste emissions by strict standards. It is currently focusing on factors that create the biggest environmental loads throughout its operation by donating renewable PC parts, reduction of paper usage by printing double-sided, etc.</p>	55-58
	<p>Take emergency actions regarding climate change and its aftermath</p>	<p>The increase in temperature, unusual weather, change in precipitation, rising sea levels, and ocean acidification due to climate change are greatly affecting both nature and survival of humanity. Shinhan Bank has been designated as a company to manage greenhouse gas emissions and energy goals based on the Act on Green Growth and is reporting the greenhouse gas emission plans and performance to the government. We are making efforts through replacement of LED lights, improvement of air conditioning and heating systems, improvement of energy efficiency, and video conferences to reduce energy usage according to the group's environmental management regulations. We are also offering products such as 'Green Energy Factoring' and 'New Green Corporate Loan' to support environment-friendly industries.</p>	50-54
	<p>Promote a peaceful and tolerant society, ensure legal accessibility for all people, and establish a tolerant system that is effective and trustworthy in all aspects of sustainable development</p>	<p>When a business isn't being operated in a responsible manner, it can face legal, reputational, and financial risks while also generating social anxiety and weakening the effectiveness of law. This hinders the growth of ethical businesses and ultimately leads to market inefficiency. Shinhan Financial Group has established a code of ethics and code of conduct for employees to build a trustworthy, clean organizational culture. We also require all employees to sign the Ethical Compliance Oath applied to the Foreign Corrupt Practices Act of the US and operate the whistle-blowing system and Internal Control System as well. We have also established a code of conduct for suppliers and conduct self-diagnosis along with supplier CSR diagnosis to spread ethical management to our supply chain.</p>	24-26, 47-49

Report on Human Rights

Shinhan Financial Group respects the basic rights of all stakeholders and makes best efforts to protect human rights and to ensure that human rights are not violated. We have established the 'Group Declaration of Human Rights' in 2014 based on the Universal Declaration of Human Rights and UNGP to participate in the international trend of demanding responsibility for human rights, and we are intending to take on this responsibility by reporting items relevant to human rights within the group based on the UNGP reporting framework.

Promise to Respect Human Rights with Stakeholders



Management of Factors that Affect Human Rights

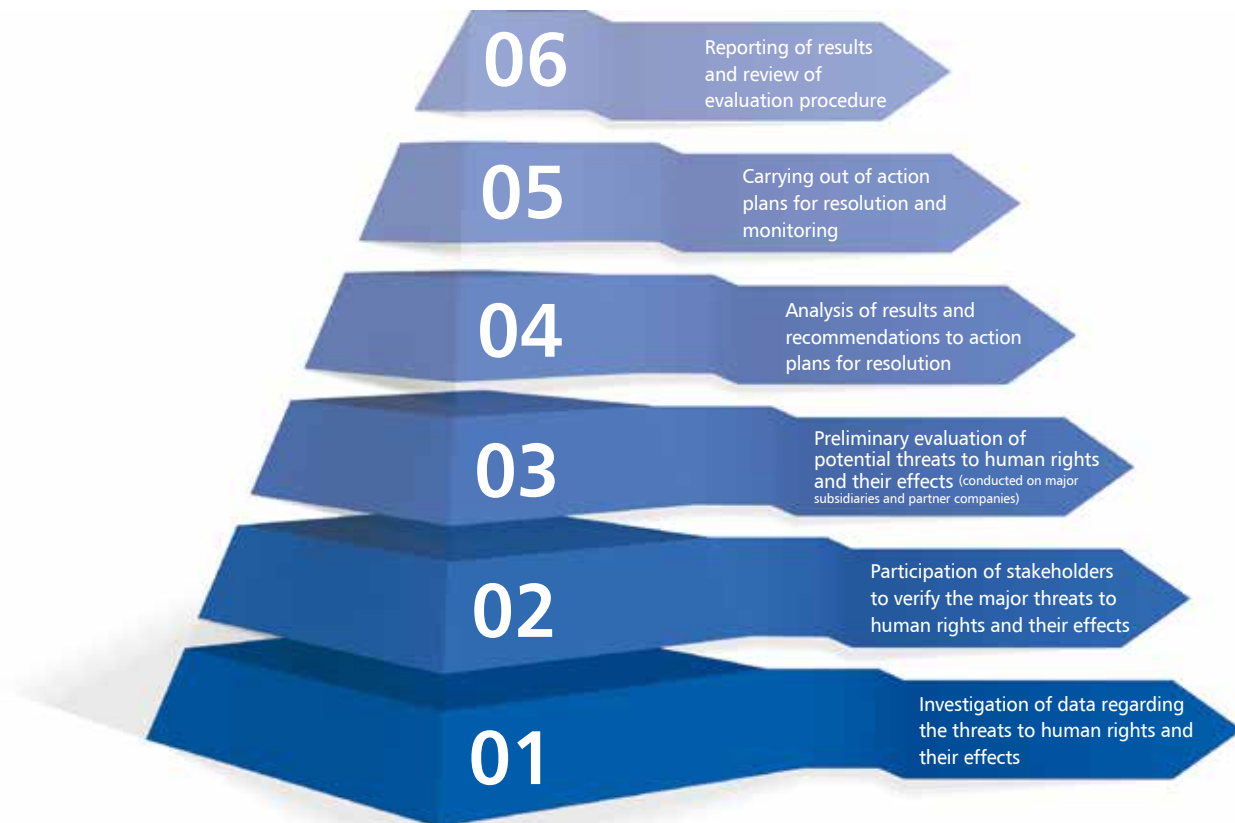
Shinhan evaluates the actual and potential items that may affect human rights through its management activities and business relationships. First, analysis of global initiatives and macro trends along with benchmarking, media surveys, and participation of stakeholders took place in order to verify the potential threats to human rights, and we have confirmed the Four Core Human Rights Issues. To verify the progress we made on the Four Core Human Rights Issues, we have conducted a Human Rights Assessment on the 7 major subsidiaries and 24 partner companies in 2016. As a result, potential threats to human rights were confirmed in 1 subsidiary and 3 partner companies, and these companies have established plans to resolve these issues internally.

The confirmed potential threats to human rights were the lack of measurements to ensure safety in terms of protection of customers' personal information pertaining to financial transactions. Also, it was confirmed that there was not a proper channel for employees to voice their complaints due to lack of a system for handling struggles of employees along with the agreement for additional labor being foregone despite the fact that there are holiday shifts and overtime labor.

To resolve these confirmed issues, the subsidiaries have conducted lectures on the protection of customers' personal information to put emphasis on complying with personal information processing guidelines. The partner companies are also reinforcing the management of records regarding activities to improve working conditions and communication programs between labor and management.

Shinhan Financial Group reports the results of monitoring of assessment and management of factors that affect human rights to the Group CSR Council which is composed of CEOs of subsidiaries along with the CSR Committee within the board of directors, for them to review.

Process of Managing Factors that Affect Human Rights



Major responsibilities to respect human rights and related activities

Customer Privacy



Shinhan Financial Group collects personal information from customers in order to provide the best financial products and services and resolve the inconvenience that comes with financial transactions and to provide more satisfactory financial services. During this process, Shinhan Financial Group has the responsibility to prevent the leakage and abuse of personal information of customers. The issue regarding personal information is particularly greater with the recent advancement of information communications technology along with an increase of big data analysis that utilizes customer data.

Shinhan Financial Group manages the information under strict standards of personal information processing policy when it comes to handling personal information of customers and operates the Customer Information Protection System and an electronic data center equipped with a world-leading security system. We are reinforcing the management standards by establishing information protection compliance standards within the group rather than just complying with personal information protection related regulations and systems while also improving awareness on information protection by conducting responsive training and education for our employees.

Also, the document export system was established to monitor the leak of customer information to the outside, and we are also conducting on-site inspections on departments that handle customer information. We also hold a liability insurance to carry out our duty for monetary compensation in case of leakage or abuse of personal information of customers occurs despite these efforts.

Work Environment



Shinhan Financial Group's core business is financing, which is a knowledge-based industry, and we develop products and services through our employees' competency and ideas despite new products and services may cause high levels of difficulty in terms of work for our employees along with increased levels of stress. This could lead to a decrease in productivity of employees, an increase of absence rate, and loss of talented staff.

Shinhan Financial Group is endeavoring to raise the level of happiness and satisfaction of our employees by balancing work and life by providing efficient work environment through digital innovation. Employees are experiencing efficiency in terms of labor through digitalized work processing such as work closing and document transfer. Also, Shinhan balances work and family for our employees by expanding the Smart Working Center and the Autonomous Commuting System of the Smart Work System for our employees to resolve their issues regarding the limitation of work space and time. We manage the utilization with KPI for prompt settlement of the Smart Work System and conduct monitoring and assessment for each branch regarding 'Normalization of Work Hours.'

Shinhan conducts employee satisfaction surveys from the perspective of work and life balance in order to evaluate our efforts and discover items for improvement. The results of this investigation lead to improvements of systems and activities every year.

Discrimination at Work



Approximately 27,000 regular and contract employees work at Shinhan Financial Group where they are all exposed to discrimination within work based on their affiliation, gender, birthplace, and schools. The discrimination within work affects performance evaluation and rewards as well as promotion, and it limits the ability of employees and has a negative effect on the sustainable development of the company.

Shinhan Financial Group strictly prohibits discrimination towards the employees of its subsidiaries and partner companies through the group’s ethics charter and codes of conduct for partner companies along with declaration of human rights while also participating in global initiatives such as UN Global Compact and SDGs to lead the way in building a culture that protects human rights.

Also, we are endeavoring to improve the awareness of our employees by establishing the Rules for Business Etiquette in the Workplace and by educating our employees with relevant animation videos. We are particularly operating various systems and programs to resolve social prejudice and workplace discrimination towards gender and to increase female leadership.

In case discrimination within the organization occurs despite such company-wide efforts, we also operate the Open Counseling Center along with channels for resolving distress such as the channel for counseling on bad etiquette at work. We are endeavoring to process and to resolve complaints such as conflict and discrimination between departments and to improve our management activities regarding factors of discrimination.

*You can check the results of materiality assessment and stakeholder communication at page of 8-9.

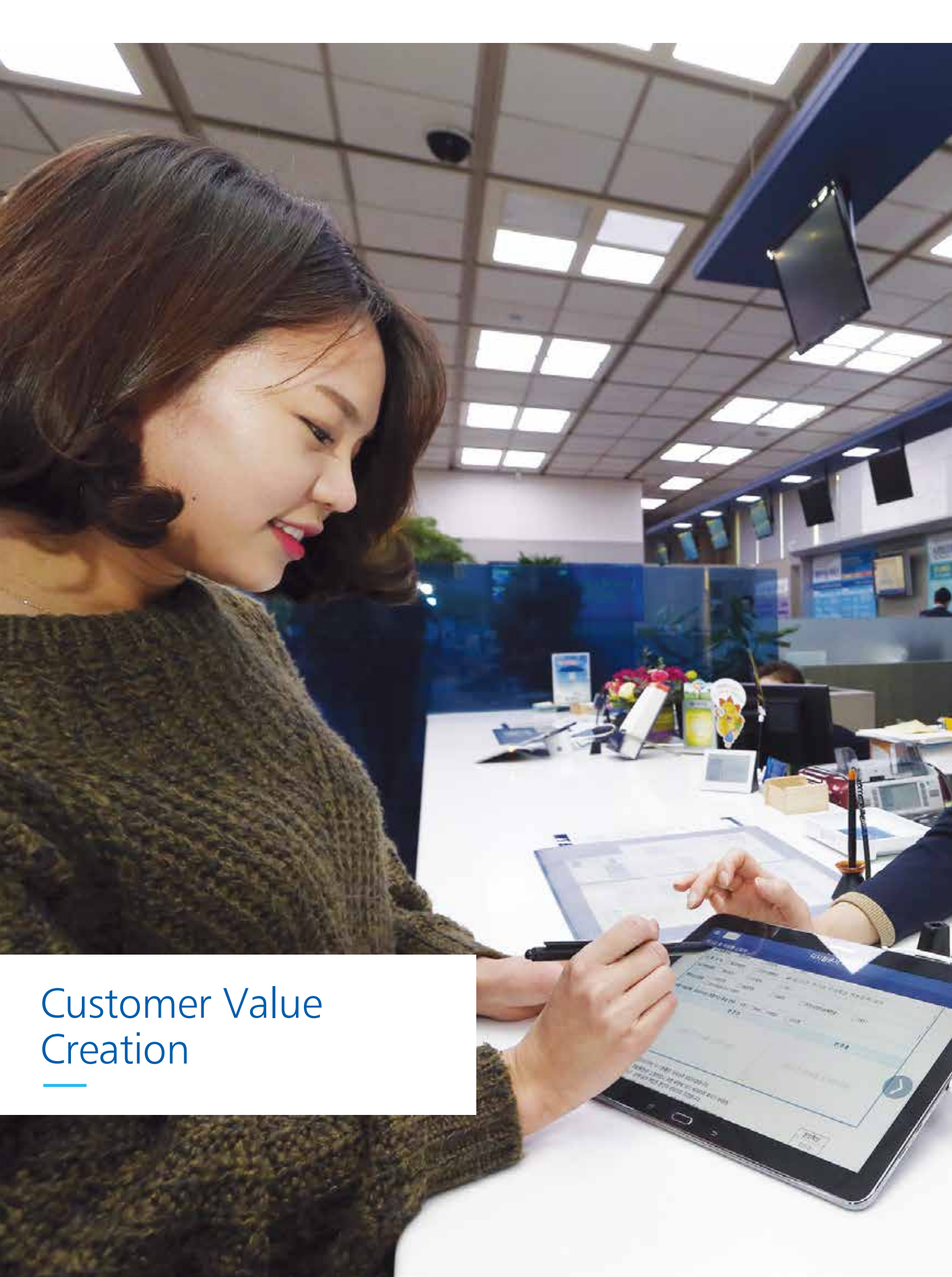
Opportunities Through Financial Products and Services



There are socially marginalized groups in terms of finance with low credit scores or low income in the blindspot of financial products and services that are neglected in our society. Shinhan Financial Group does not think that people should be discriminated against when approaching the financial services when people need to purchase houses or when they need emergency funding.

Shinhan Financial Group lowers the barrier of financial products and services for socially marginalized groups in terms of finance and intends to provide the opportunity for them to become independent through various financing and loan products for civilians such as Smile Financing, New Hope Spore Loans, and Mid-interest Rate Loans. Also, for systematic support of financing for the working class, there are the separate council, managers, and committee to discuss and perform tasks for financing for the working class.

We also issue the e-Cards of Retirement Benefits for Construction Laborers for construction workers who are temporary laborers that lie in the blindspot of social security in order to protect their benefits and to improve the structural issue with the social welfare system. We also launched ‘Factory Laborer Loans’ which are small loans for factory workers in emerging markets in order to ensure that these workers are not denied the opportunity for financial services.



Customer Value Creation



Customer Value Creation

After implementing the installment fund in 2004, the sales of fund type investment products for all financial companies increased and the global economy at the time allowed the assets to grow as long as you invest. However, in 2008, a significant portion of investment assets was lost as a result of the global financial crisis, and investment products were beginning to be recognized as an 'area of management' rather than an 'area of sale'.

Also, customers could no longer be satisfied with the yield rate of the traditional financial products as the New Normal of low growth and low-interest rates approached. The extended life expectancy along with income falloff after retirement were factors for customers becoming more concerned with asset management and preparing for retirement.

Ultimately, high yield rate has become one of the greatest values that a financial company can provide its customers, and Shinhan Financial Group is focusing on endeavoring to increase customer yield rate through reinforcement of asset management capabilities of employees and by establishing an investment performance management system.

On the other hand, social and technological changes such as digital innovation and aging society resulted in new forms of financial products and services which led to increased variety and complexity of financial products and services. The paradigm of financing is also changing in the direction of reinforcing the benefits of consumers according to such trends.

Shinhan Financial Group developed and sold products and services for effective prevention of damage to consumers and for prompt assistance along with post-sale management in which the entire process is controlled internally to resolve the complaints of consumers and to improve the reliability and competitiveness of a bank.

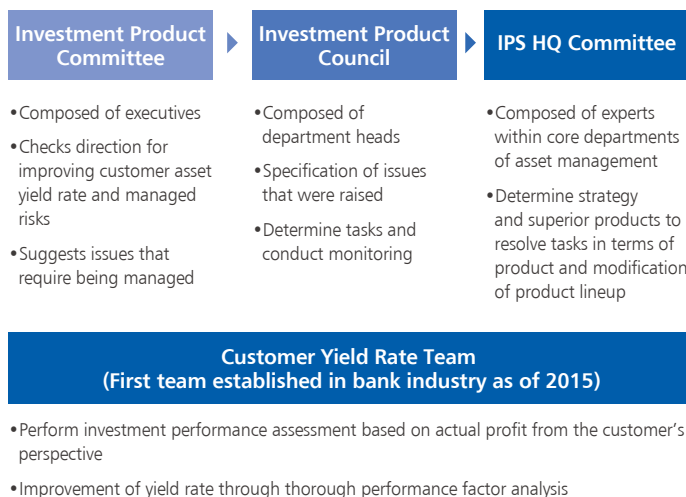


Products focused on customer’s benefit that provide differentiated value

Shinhan Financial Group, pursuing the core value focused on customers, provides products and services focused on yield rate to deliver better value for customers through which we improve the customer value.

Shinhan Bank makes investment decisions as a whole company based on the customer asset yield rate improvement process (establishment of investment strategy-promotion-feedback) and operates a customer yield rate team to establish strategies to improve yield rates and to perform relevant tasks.

Shinhan Bank, Customer Asset Yield Rate Improvement Process



Shinhan Investment establishes post-sale management standards by risk level and operates a yield rate management council to manage the yield rate for customers. It is being managed so that when variability depending on the market circumstances increases, cooperation with the product department can take place to instruct the employee and customer appropriately in ways such as rebalancing and collection of profit. Furthermore, an alert system regarding each financial product is being operated to provide the customer with the opportunity to inspect and determine their product on their own.

Shinhan Financial Group is discovering ideas for products through market and strategy analyses for the purpose of providing better products to our customers in this uncertain global economic environment.

In 2016, Shinhan Bank has sold KRW 300 billion worth of ‘Shinhan BNPP Covered Call’ funds within 10 months of launch and achieved 8.06% yield rate, receiving positive reviews as an intermediate risk-intermediate profit product. We are also operating a specialized fund consultation team for our customers that utilizes non-face-to-face channels in terms of post-management of customer’s assets as we transcend the borders of a business branch. In 2016, many customers were able to rebalance at the appropriate time through the consultation support from the fund consultation team when values of some resource-rich countries such as Brazil and Russia were rapidly increasing.

Shinhan Investment is operating the ‘Customer Yield Rate Assessment System’ which is the first of its kind in the industry and reflects the results of employee evaluation. Five years after its implementation, the financial product balance has increased by 4 times from KRW 16.8 trillion to KRW 68 trillion while the total customer asset increased by 2.7 times from KRW 40.5 trillion to KRW 110 trillion. The yearly yield rate for customers that received PB consultation is 5.6% (including financial products) on average for 2016, which exceeds 2.3% superior than KOSPI increase rate 3.3%.

Customer Experience Management

Shinhan Bank has considered ‘Customer-oriented Management’ as its most important management philosophy since its foundation, and all employees are endeavoring to carry out this philosophy.

Shinhan Bank conducts customer satisfaction surveys every month for differentiated customer-oriented management, and the survey results are reflected in management and business branch KPI and utilized as evaluation indicators. We have also raised the level of utility by developing the ‘Total SCALE System’ which is a service quality management index to measure and improve not only the service capability of business branches but employees as well. Also, we have created the ‘Consumer Protection Index’ that quantifies the compliance of sales principles including the prohibition of authority abuse, information protection, good faith, and propriety throughout the sales process of financial products in order to put emphasis towards carrying out consumer protection.

We are operating on-site CS RM support to increase the service quality at business sites that deal with customers face-to-face and have launched the ‘All-Pro Shinhan Personnel’ campaign with themes every quarter in order to make efforts toward providing quality service to our customers. The results of such efforts led to Shinhan Bank earning the 1st place in 4 categories including KSSQI and national customer satisfaction.

Shinhan Card operates the ‘Hidden Voice’ program, which discovers hidden voices from customers, and offers rewards to customers who make outstanding suggestions on work improvement through the ‘Yes-Reward’ program through which we have discovered 71 cases of task improvement from the customer perspective. Also, Shinhan Card has launched the Shinhan Poll which is a survey on the website to ensure constant communication.

‘Financial Customer Protection’ that Ensures Trust

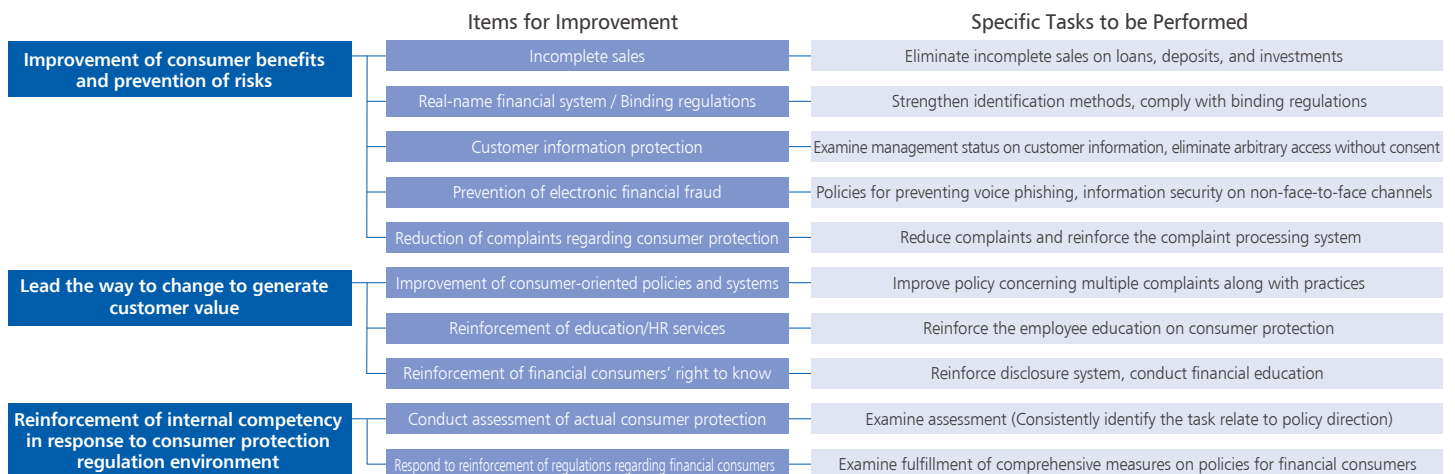
Shinhan Bank has been reinforcing the rights of consumers to know regarding prevention of losses and performing consumer protection activities based on its strategic goal of ‘reinforcement of platform for creating consumer value’. 195 tasks were selected for consumer protection to be enforced company-wide, and all tasks have been completed through execution and management throughout the year. Also, Shinhan Bank has published the ‘Shinhan Financial Information Guide’ which contains cases for consumers to learn essential information with relative ease and these guides are distributed through the branches and the website.

Shinhan Card is regulating the items relevant to consumer protection through work regulations for consumer protection and guidelines for processing complaints. The protection of financial consumers lies at the heart of all tasks as it leads the way to protect the rights and the benefits of the consumers. The ‘Consumer Protection Logic System’, which is an integrated portal for consumer protection that integrates all consumer protection related information that was previously scattered throughout the internal system, has been opened to protect consumers systematically and the ‘M-FDS(Merchants Fraud Detection System)’, a fraudulent merchant detection system to prevent wrongful usage of cards, was developed to prevent illegal transactions in advance while monetary loss to customers is being minimized.

Shinhan Investment has also integrated the financial product sales process guide into a system in accordance with Standard Guidelines for Investment Recommendations for systematic management to allow duties for consumer protection to be carried out throughout the sales process while also making an effort to increase financial consumer protection and customer satisfaction through the complete sale of investment products. Shinhan Investment also conducts Happy Calls to verify if there were any issues in the sales process after the product was sold as it improves its monitoring tasks, and monitoring relevant to elderly investors and high-risk products were especially reinforced.

Shinhan Life Insurance is internalizing product quality improvement throughout the entire process from sales to contracting as well as the culture of appropriate sales behavior centered around the sales process through the ‘Product Quality Index System’ and also operates programs such as a full-time monitoring system for prevention of incomplete sales and usage of product quality improvement penalties as well.

Shinhan Bank, the Three Major Directions for Consumer Protection



Safe Management of Assets in the Form of Customer Information

Customers' personal information is not just a method to verify the identity of the customer but also a part of the customer asset that the company should take responsibility for and protect. 'Digital' is the keyword for a new communication channel with the customers and Shinhan is continuing its efforts for stable system establishment and operation in terms of information protection.



Shinhan Bank complies with all regulations related to information protection such as the Privacy Protection Act and the Credit Information Act. The 'Compliance Online Manual', which lists all legal regulations a financial company should comply with, and a checklist are used to manage the state of customer information management at sites of business and to inspect legal compliance regularly.

To safely protect customer information, Shinhan Bank has been the first bank in the market to store individual identification numbers such as encrypting resident registration numbers, and when customer information is printed, it is masked(*) to be impossible to identify. The authority to access customer information is granted when necessary during work procedures, and the instances of customer information usage must be reported to managers in charge on a daily basis, identifying the purpose and reason. Shinhan Card also has prepared 'Personal Information Masking and Propriety Guidelines' to prepare in case of customer information being utilized for analytic tasks such as big data and for new businesses.

Shinhan has established and operates various customer information protection systems that apply the most recent information communication technology to prevent cyber hacking, accidental customer information leaks, and security accidents. The group's integrated data center has a security control center which is equipped with a world-leading physical and managerial security system that operates 24 hours a day and 365 days throughout the year. There is also liability insurance (legal limit of KRW 2 billion) in case of the worst-case scenario as well as an appropriation fund relevant to such cases to establish a practical plan regarding all types of information protection accidents.

There is also an online lecture that is conducted once a year in which all employees participate in order to improve employee awareness, and there are separate group lessons for personal information protection managers. Shinhan Card has also created the mobile app security guide to reinforce the security capability in response to changes in the environment such as FinTech vitalization and digital conversion and has conducted new ICT technology-related seminars and themed lessons.

Innovation of Digital Channels and Services

Due to the advancement of communication and device technology, financial services can be used anywhere at any time, and the pattern of financial transactions is also changing from face-to-face channels to non-face-to-face ones. Shinhan Financial Group is leading the way for such change in channels to respond to changes in trends and is pushing for digital innovation based on optimized channel infrastructure.

Shinhan Bank provides differentiated experience value and convenience to customers through digital innovation at the branches that serve as face-to-face channels for customers, and the bank itself is internally building an efficient working environment through work process improvement to focus more on customer consultation. As of March 2017, 7,200 branch counters which were converted into digital counters, which used to take over 15 minutes for typical bank tasks and now has been reduced to 7 minutes, to raise customer service satisfaction level. Shinhan Bank plans to continue to expand digital counters and service improvement through upgrades as well as reducing paper documents to save costs.

Also, consultation counters and non-face-to-face channels (Smart Lounge) have been combined into Smart Branches, a new form of omni-channel branch platform in order to create conditions where customers can perform banking even during weekends and holidays when the banks are closed. Simple tasks can be quickly processed through the Smart Lounge within a Smart Branch (previously known as Digital Kiosk), and financial accessibility has been reinforced through opening channels in smaller markets that are having difficulty moving into regular stores.

Shinhan Bank was the first bank in the market to implement internet banking and is continuing to lead the way for mobile and internet services regarding loan services for customers that are having difficulty visiting the branches due to their busy daily schedules. Shinhan Bank offers the most types of loan products amongst banks such as credit loans and mortgage loans through non-face-to-face channels, and in 2016, mortgage loans have been granted without the need for a visit in order to improve convenience in the financial lives of customers.

Shinhan Card utilizes digital technology in all processes to create new customer values and businesses. In 2013, Shinhan Card launched the first mobile app card payment service in the industry and it has been reformed as 'Shinhan FAN,' a lifestyle platform service integrating the existing app card (Convenient payment) with lifestyle and financial services. Shinhan FAN has secured a customer base consisting of over 7.6 million customers in total and the transaction amount reached KRW 5.6 trillion in 2016, leading the mobile payment industry.



Customized Solutions Based on Big Data for Customers

The importance of big data in providing a more convenient new service to customers is increasing. Shinhan Financial Group utilizes big data to forecast changes in the world and provides customized solutions to customers.

Management at KAIST to develop a main trade index model for retail customers by reflecting not only the size of bank transactions but other variables such as frequency of trades, the conduct of regular trades, and channel usage as well. Through this, Shinhan Bank was able to escape from its traditional perspective of determining its major customers based on the size of bank transactions and was able to measure the main transactions from the perspectives of both the bank and customer by reflecting various variables such as frequency of trading, the conduct of regular trades, and channel usage.

Shinhan Card's 'Code9,' a product marketing system based on big data, has been developed to provide customized products and services to 22 million customers through big data analysis. The customers of each gender were categorized by 9 similar groups(Codes) and the future consumption patterns were predicted through analysis of recent trends to launch 22 types of Code9 products and have achieved 4% higher customer usage compared to regular products. Also, the customer categorization of Code9 wasn't useful just for product development and recommendation but also useful for customized service at a discount to the customers while increasing the sales for the company and ultimately resulting in a win-win situation.





Trust & Ethical Management

Trust & Ethical Management

The ethics standards and their application are being more reinforced in international society with the enactment of ISO 26000(International standard regarding social responsibility), OECD Anti-Bribery Convention, and the Foreign Corrupt Practices Act (FCPA) of the US. The 'Act on Corporate Governance of Financial Companies' (Enacted August 1, 2016) along with the 'The Improper Solicitation and Graft Act' (Enacted September 28, 2016) have been enacted as legal regulations regarding illegalities, corruption, and bribes and these Acts are being reinforced throughout the society.

Also, the scopes of management and area regarding ethical management involving customer information leaks and financial accidents committed by employees are also being expanded as the management environment changes due to digitalization and globalization of management systems. The importance of reinforcement of execution is growing regarding such reinforced ethics standards at home and abroad along with willing legal compliance and carrying out ethical management to improve credibility with stakeholders.

Shinhan Financial Group is upgrading ethical compliance programs and various monitoring activities for all employees within the group to quickly respond to the reinforced legal regulations as it sets its goal to become a quality ethical corporation that is demanded by stakeholders and continues to reinforce the standards of its ethical management.

Strict Ethical Standards and Enforcement of Principles

Shinhan Financial Group has internalized the concept of ethical management as corporate culture and has established and is operating the 'Shinhan Financial Group Code of Ethics' and 'Employee Code of Conduct' to reinforce the ethical awareness of employees.

All Shinhan employees partake in the 'Ethical Practice Pledge' to swear to carry out the 'Shinhan Financial Group's Code of Ethics' and 'Employee Code of Conduct' as Shinhan continues its efforts to establish a clean organization culture that is trusted by customers. Also, group-wide ethical compliance cyber lectures and other lectures specialized to job characteristics are conducted autonomously to reinforce the awareness towards ethical compliance.

Shinhan Bank designates the second week of every month as 'Legal compliance monitoring education week(ABC week)' and distributes the Compliance Letter that mostly consists of financial regulations, money laundering prevention, and exemplary cases of ethical compliance which are to be taught by the legal compliance managers in each department. Global expansion is becoming more common, and employees overseas need to improve their awareness of ethics, and the popup video showing cases relevant to the group's Code of Ethics that are shown group-wide is translated into English and is distributed to all local corporations and branches overseas spread across the US, Japan, and Vietnam, while the ethical compliance lectures for locally hired employees have been reinforced as well.

Shinhan Card is conducting training to improve the competency of the legal compliance manager of each department as well as legal compliance reinforcement education for all new and experienced employees while also conducting lectures on spreading the culture of appropriate sales activity for normalization of orders regarding the credit card signup process. Shinhan Card also reinforced its education for reduction of incomplete sales and its subsequent monitoring as well as continuing to conduct ethics compliance education for employees.

Shinhan Investment conducts training regarding the items that changed in terms of finance-related regulations and systems, major legal compliance tasks, and accident prevention during visits to its branches to improve the awareness of ethical compliance, and Shinhan BNP Paribas Asset Management inspects the financial product transaction history of all of its employees for any unfair transactions or improper monetary benefits to strengthen its regulations regarding unhealthy sales activities.

Internal Control

The internal control of Shinhan Financial Group is being supervised by the legal compliance managers of the holding company and each subsidiary has legal compliance managers to carry out internal control activities. The subsidiary legal compliance managers are regularly informed through the legal compliance audit report and internal transaction report in order to manage and oversee the internal control activities to determine whether they are being carried out appropriately while also conducting yearly themed inspections regarding the subsidiaries and on-site inspection of internal control execution.

As the 'Act on Corporate Governance of Financial Companies' was established and enacted in August of 2016, each subsidiary reflected the major contents regarding internal control(insider reporting system, instructive holiday system, job separation system for highly dangerous office jobs, development of new products and establishment of sales process, and branch self-inspection system) in the company's internal control regulations and legal compliance audit work regulations to quickly respond to the reinforced financial supervisory regulations and established an internal control system within the group to be consistent and efficiently operated.

We have produced and distributed a standard manual and conducted online lectures, special lectures featuring experts from outside of the company, and on-site education through visits to our subsidiaries in response to the 'Anti-Corruption and Bribery Prohibition Act of Korea'(Anti-Graft Act)'. Also, Shinhan Bank and Shinhan Card have reflected the major contents of the Anti-solicitation Act into their company regulations and have developed and distributed the Anti-Graft Act app for their employees (Anti-Graft Act in My Hand) as well as reinforcing their internal control to prohibit improper solicitations and bribes.



Whistle-blowing system

The factors leading to the bankruptcy of global corporations Enron Corporation and WorldCom lay in the lazy management of internal problems that were brought up by the employees rather than fraudulent accounting and unethical management. If internal problems within the organizations can not be solved early, they will eventually be known to the outside and this could lead to greater danger. Shinhan Financial Group has vitalized the Insider Reporting System as it makes efforts towards preliminary inspection and measures against unethical behavior as well as the operation and vitalization of an internal control program.

The 'Shinhan Keeper' is the whistle-blowing system and the number of reports in 2016 increased by 45% compared to 2015 through stronger system promotional activities and diversification of channels for reporting. The reported items are in wide variety as they range from suspicion of legal violation, complaint from partner companies, unfair work directives, and the insider reporting system is being operated in a practical manner by taking appropriate measures after investigation.

Meanwhile, Shinhan Card announces its insider reporting system to its employees every quarter and has reinforced accessibility to its employees by allowing them to access the reporting system through the intranet banner. Shinhan Card protects and manages the identity of reporting persons and content of reports through its anonymous reporting function among others while also ensuring that the reporting person are not at a disadvantage in terms of personnel or discrimination in labor conditions. Shinhan Investment also operates an insider reporting system that reports directly to the full-time auditor via intranet, in-person visits, landline, and email and announces the reporting system to all employees every quarter while also increasing accessibility for its employees through the intranet banner. Shinhan Life Insurance operates the reporting system within its company website and the range of its qualified users have expanded as it ranges to external stakeholders such as customers, employees of partner companies, etc while also making an effort to vitalize the reporting system.

Money Laundering Prevention System

The money laundering prevention standards were suggested by the Financial Action Task Force (FATF) in 2012, which is an international money laundering prevention institution, in order to efficiently evaluate and manage the risks of money laundering and terrorist funding. KoFIU has announced the 'Standards of Approach and Processing Based on Threats' for financial institutions to set up the foundation for financial institutions to appropriately carry out those standards.

Under these circumstances, Shinhan Bank has launched the Money Laundering Risk Assessment System Establishment Project in 2016 in order to devise the process for preliminary identification and evaluation of risk factors regarding possible money laundering within banks, along with a process for improvement. An organizational diagnosis was conducted by the departments of the headquarters and the branches in order to identify and to analyze the risks of money laundering. A department within the headquarters that is highly exposed to risk was designated for an interview with the investigator and had its work process analyzed while also being measured in terms of its money laundering risk factors and threat level. The branches were subjected to analysis of business environment, customer characteristics, types of customers to quantify the money laundering risk factors and to establish a response strategy. Through this, we were able to diagnose company-wide risks regarding the organization, work environment, work process, employees, and information system and improved countermeasures against these threats as we continue to reinforce internal control activities related to prevention of money laundering.

Reinforcement of Education Regarding Disturbance of Market Order

Employees understand the regulations regarding the capital market and the financial investment business which were amended in 2015 for the purpose of regulating the actions that lead to disturbance of market order as well as to ensure that no employees violate these regulations.

Shinhan Bank	Shinhan Investment	Shinhan BNP Paribas Asset Management
<ul style="list-style-type: none"> • Inspection of financial investment accounts and reported items of transaction <ul style="list-style-type: none"> - Purpose of preventing unfair trading and conflict of interests with investors - Reclassification and extensive investigation of departments that are highly likely to handle undisclosed information (12 times a year) • Conduct training through Compliance Letter 	<ul style="list-style-type: none"> • Participated in the 'Briefing Session on Regulations Regarding Market Order Disturbing Behavior' hosted by the Korea Financial Investment Association • Distribution of brochures on method on safe usage of capital markets (Cases of market order disturbing actions and preventive measures) to employees • Training of compliance monitoring managers by headquarters, group, and region (10 times a year) • Conduct training during on-site inspection of branches 	<ul style="list-style-type: none"> • Declaration of intent from employees to not conduct unfair trades • Conduct internal training on all employees • Reflect the market order disturbing actions in the internal company regulations • Conduct monitoring to prevent unfair trading • Expand the range of people subject to compliance with the financial investment product transaction reporting system <ul style="list-style-type: none"> - Employees of relevant departments and their immediate families



Integrated Risk Management

Integrated Risk Management

The environment surrounding financial companies is facing various changes as internal and external economic environmental uncertainties are increasing as new finance related technologies continue to be implemented and the scope of global business expansion continues to accelerate.

The speed of change is even faster as the fusion of industries which is referred to as the Fourth Industrial Revolution is in progress, and the scope is widening even more. Therefore, the importance of systematic risk management in advance is growing greater in order to examine such changes and to support balanced growth.

The field of risk management does not only include traditional financial risks but also includes various risks that can threaten the survival of a company such as leaking of personal information, natural disasters, industrial safety and health, and environmental pollution. Shinhan Financial Group is operating loan and investment policies that take environmental, social, and governance issues into consideration in order to lead the sustainability of the economy and to manage reputational risks.

Management System to Read the Essence of the Change and for Successful Response to Risks

Shinhan Financial Group has internalized risk recognition and management while performing all organizational tasks for all employees, not just the risk management groups, based on its risk management philosophy of 'All members of the organization should own up to the risks and conduct all businesses in balance of risk and profit for sustainable growth'.

Shinhan Financial Group has established the basic principles of risk management that comply with its management strategies through the Risk Management Committee within the board of directors of the holding company. The CRO advises the group's Risk Management Committee and discusses the policies and strategies regarding the risks through the Group Risk Council composed of CROs from each subsidiary. The Risk Management Councils of each subsidiary and risk-related affairs committee along with teams dedicated to risk management establish and carry out specific policies relevant to group risk policies and group risk strategies.

Also, we have prepared a group-wide threat management system through the integrated analysis of threatening situations based on scenarios and various preliminary alert index monitoring in order to determine threat level through threat recognition and effect analysis as well as to execute a subsequent response plan. The Group Risk Council will share these relevant contents and consider the level of importance of such matters to execute a group-wide threat response through the Group Risk Management Committee.



We also operate the Risk expert Network (hereinafter referred to as ReN) which involves participation from risk management managers and experts from each subsidiaries. REN holds a meeting at least once per month on a regular basis, and it is a group-wide research organization that conducts learning, research, and debate through topics. Through REN, the status on risks against the group are shared and creative solution plans to maximize the synergy within the group are made. In 2016, 4 units have covered the group-wide risk strategy tasks along with relevant asset distribution and portfolio management as well as topics including Fintech, customer asset risk management, and global business risk management.

Shinhan Financial Group Risk Management Principles

- All business activities have to be conducted in consideration of the balance between risk and profit within the preconfigured range of risks.
- The holding company will suggest the model group risk management standards and supervise its compliance and retains the duty and power to monitor the entire group.
- Operate a system of decision making regarding risks that enhances the participation of management.
- Establish and operate a risk management organization that is independent of departments dedicated to sales.
- Operate a performance management system that clearly considers the risks when making business decisions.
- Pursue anticipative and practical risk management functions.
- Share a cautious perspective that prepares for the possibility that situations may get worse.

Financial Risks

Credit Risk	Risk that may occur due to debtor's bankruptcy, non-compliance of contract by the counterpart, etc.
Market Risk	Risk due to changes of market elements such as interest rate, stock prices, exchange rates, product prices, etc.
Interest Rate Risk	Risk that may affect financial situations such as changes of net asset values due to changes in interest rates
Liquidity Risk	Risk where a problem may occur in payment due to lack of asset liquidity

Non-financial Risks

Operational Risk	Risk due to inappropriate workforce, incorrect business procedures, system error or external incident
Strategy Risk	Risk due to disadvantageous business decisions, implementation of inappropriate decisions, lack of response measures to changes in business environment, etc.
Reputational Risk	Risk due to unfavorable views of customers and shareholders, etc. due to weak management, financial accidents, social conflicts, etc.
Legal Risk	Risk that may occur due to misunderstanding of various contract documents or law suits
Environmental Risk	Risk that may result in fines or business losses due to lack of response to environment-related laws and regulations

ESG Risk Management

Shinhan Financial Group operates under loan and investment policies that take the social, environmental, and governance issues into consideration to promote economic sustainability and to manage its reputational risks.

First, we prohibit loans to unhealthy types of businesses such as manufacturers of unhealthy entertainment tools, adult entertainment bars, and loan sharking establishments on principle, and any new applications must be approved by the loan review committee.

Also, we evaluate the items involving the environment, society, and governance(ESG) overall to reflect in credit ratings during the process of reviewing loans and investments. The annual credit evaluation performed on all businesses that were offered credit includes factors such as governance, management system, social contribution, and occurrence of environmental issues. We review the data for credit evaluation for authenticity and perform a more detailed investigation through phone and interview if necessary.

As for project financing, we review to ensure that the environmental change from the development project does not threaten the homes of native inhabitants by adhering to IFC standards for overseas project financing, and we also take environmental effect assessment and other social factors into consideration for project financing in Korea as well.

Meanwhile, the asset management subsidiaries within the group prohibits investment into any businesses that are involved in manufacturing, trading, storing, technology, and service of Controversial weapons which can cause great damage to human life. Controversial weapons refer to weapons such as antipersonnel mines, cluster weapons, nuclear weapons, biological and chemical weapons, and depleted uranium ammunitions. Also, we apply the guidelines prohibiting investment to companies involved in controversial weapons to the management of our stock type public offering fund.

Flexible and Sustainable Risk Management Infrastructure

Shinhan Financial Group is being evaluated as an exemplary case regarding risk management infrastructure and reinforcement of internal control. We developed the first group wide liquidity risk management system for a holding company in 2016 and this allowed us to not just calculate the LCR (Liquidity Coverage Ratio) but also to diagnose the weaknesses regarding liquidity management for each subsidiary and prepare appropriate response plans. Also, we are currently operating a new process that allows us to share preliminary alert information within the group in order to perform loan inspections more efficiently.

Meanwhile, we have established a response system for potential threats from global expansion of our business by discovering various financial and non-financial indicators that can help us determine the sovereign credit rating with other factors than just the sovereign credit rating in order to reflect the threat level by country more systematically when we configure the exposure limit by country.

Shinhan Financial Group is upgrading its credit evaluation system continuously in order to respond flexibly to changes in trends of digital financing and business and to prepare loan management strategies based on the risk level. As of 2016, a new model development methodology is being applied to Shinhan Bank, Shinhan Card, Shinhan Capital, and Shinhan Savings Bank to develop a credit evaluation model for mid-level interest rate loans.



*Fuel cell generation plant financed (PF) after completion of environmental effects evaluation (Internal)

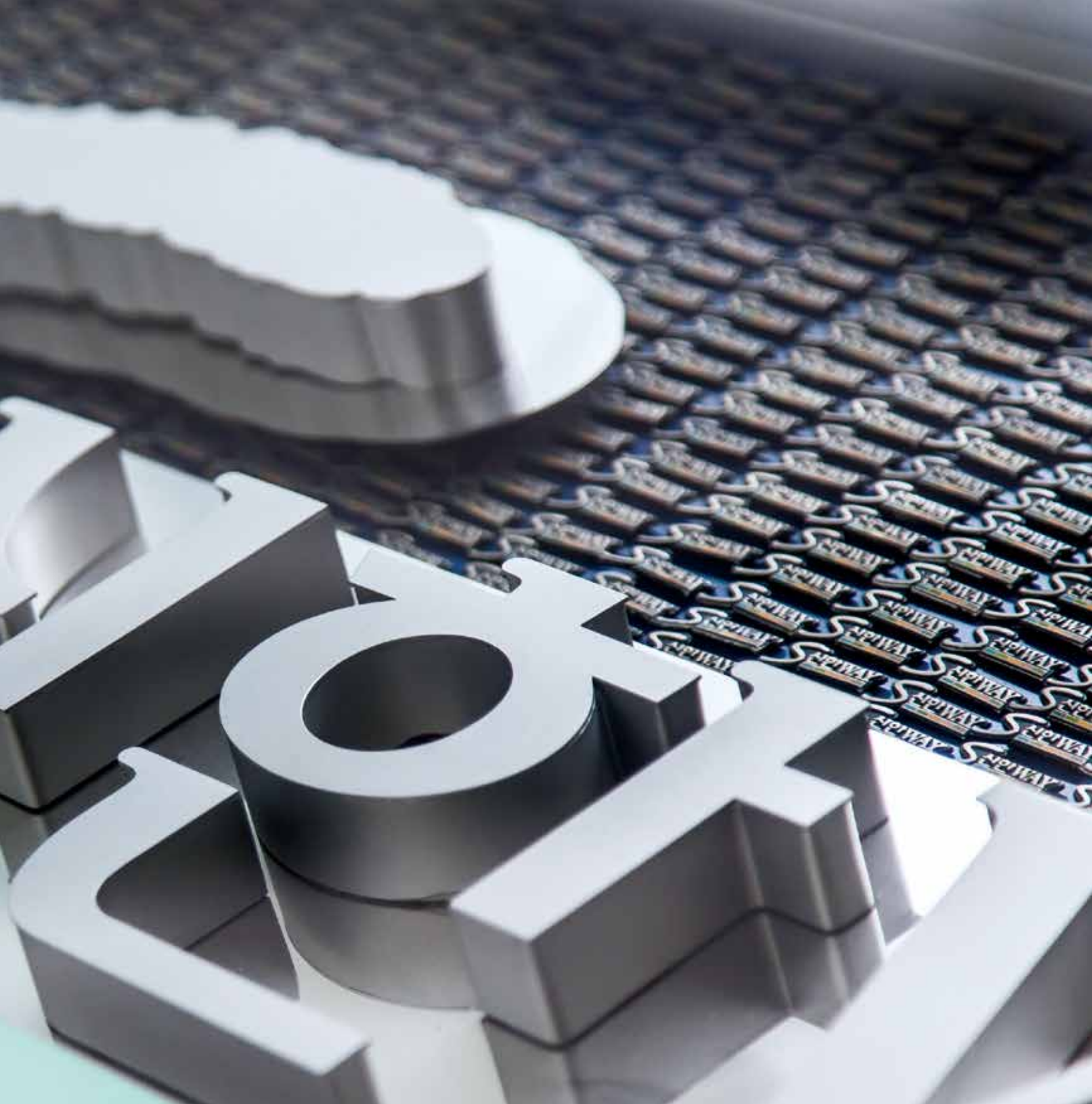


Proactive Creativity

Proactive Creativity

A corporation requires constant change and innovation for its survival and prosperity and the basic human value and development of competencies are especially more important in the Fourth Industrial Revolution. The digital innovation particularly has created revolutionary services that incorporate various technologies and is changing the market rapidly. The competitiveness of a corporation is determined by how fast a corporation can understand and utilize the change.

Shinhan Financial Group is striving to establish a creative organizational culture and to improve the competency of employees with creative and flexible organizational culture as its strategic direction and makes an effort to inherit the education and culture to raise the competitiveness of employees and to drive change. Also, we focus on the development of talent that truly understands technology and trends that can be utilized from the perspectives of customers and finance in order to combine the most recent technology and trends with finance.



Suggesting a New Leader Type for the Era of Financial Revolution

Shinhan Financial Group has announced its ideal business leader type to prepare for the future management environment with a stable internal system in January of 2017. The ideal management leader type redefines the conditions that are specifically and accurately required in the new environment for the management of Shinhan.

The newly established management leadership consists of 6 types that include 'Emissary of Shinhan culture' based on ownership, 'Creator of customer value' based on a customer-oriented focus, 'Partner who promotes open cooperation' based on mutual respect, 'Leader of change' based on the idea of leading the change, and 'Businessman that creates sustainable performance' and 'Developer of future talent' based on the idea of pursuing the best. Our ideal leader of management will suggest the mission, core values, and vision that serve as systems of value within our group along with a desirable outlook to the future leaders of Shinhan and become the standard and foundation for Shinhan's sustainable management.

Technology, Trends, and Nurturing of Finance-oriented Talent

Shinhan Bank is reinforcing the competency of its professional workforce in the field of asset management and corporate financing for developing professional manpower with consulting capabilities and developing talent that can respond to environmental changes in the future through ensuring job flexibility. Shinhan Bank has established an intensified 2-month course for corporate financing and asset management to educate its employees and is assigning employees to their respective positions. Also, Shinhan Bank operates its 'Career Plus School' program which improves problem-solving skills through an understanding of jobs, tasks, and deduction of solutions for employees who hope to work in certain positions in the departments at the headquarters (IB, Dealer, Risk, Digital Banking, Big Data, IPS). This is all part of an effort for developing talent and also to help our employees make their visions come true and to become happier.

Meanwhile, digital competency reinforcement of employees has been selected as an important strategic task as the group as a whole is being managed in terms of a talent pool. Shinhan Bank is also operating a digitally innovative organization (Digital Innovators) and a digital training program for employees. Shinhan Bank is conducting dedicated graduate school lectures and practice projects to develop experts on the core financial technologies of the future including AI, block chain, open API, and big data. We are planning to secure 1,000 digitally talented employees and about 100 experts within the next 3 years.

Female Leadership

Shinhan Financial Group supports self-directed career development through the improvement of working conditions and the establishment of an environment for our female employees to freely showcase their abilities. Shinhan Bank has increased the female employee quota for promotion and appointments for training in order to increase the proportion of the female workforce and has a designated target proportion of female workforce for departments at the headquarters every year. We have established a goal of raising a portion of female workforce in the headquarters to 20% by 2017 in which we have already reached 15% by 2016, continuously attaining our goals with the utmost effort.

Also, Shinhan Bank operates the 'Shinhan Mompro Program' which is a work system of selective work hours for female employees on paternity leave as well as the 'Part-time Retail Service Positions' system to support females that are having their careers cut short and seek to get back to work. Shinhan Card operates an onsite-based curriculum that includes professional education courses for female sales staff, sales talks, and CS related special lectures given by lecturers from outside the company. The company regularly listens to complaints from its female workforce and resolves them through discussion meetings with the CEO, and regular meetings with local branch directors.

Creative and Innovative Culture Leading to Employee Satisfaction and Trust from Customers

The happiness of employees is delivered as positive energy to our customers, and we operate programs to balance work and family in the belief that this would lead to trust and support from our customers. Working at the Smart Working Center, working from home, and Flexible Commuting System are all parts of the Smart Work System and it is leading the way towards changing working patterns, along with creative and innovative culture as well as increasing the level of satisfaction among employees.

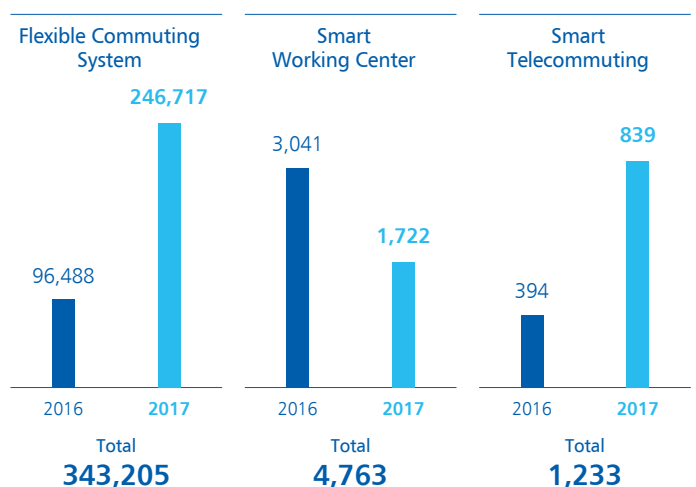
Shinhan Bank has implemented the Smart Work System in July of 2016 to support the happiness of employees through work and family balance and to expand creative and innovative culture through changes in the way of working. Flexible Commuting System* was widely implemented, along with the Smart Telecommuting System that has appointed 105 employees to make the Smart Work System a permanent part of the culture in Shinhan Bank. Furthermore, the Smart Working Center (Headquarters, Gangnam, Yeongdeungpo, Jukjeon) was established to create an environment where employees can work without being limited in terms of space.

*Flexible Commuting System: A system where employees can freely choose to come to work between 7-11 am for 3 times per week

Meanwhile, the opinion leader group S-Force and Young-Force, a group equivalent to that of the deputy manager level, were newly established as a result of reflecting the current trend in 2016 and perform various activities to continue Shinhan culture's creativity and its advancement. Also, there is S-SQUARE, which discusses the major items on the agenda within Shinhan Bank and makes suggestions to employees, and the Smart Work Campaign which shares the management philosophies of the CEO with the employees and makes an effort to reflect the opinions of the employees in company policies.

Also, Shinhan Bank has built a creative and innovative platform 'SPARK' to establish a creative organizational culture based on collective intelligence. SPARK goes over the entire process from the discovery of the idea to its realization and also contributes to developing products and services that can resolve issues for our customers.

Smart Work System Usage Status (Based on Number of Days Utilized)





Shinhan Financial Group runs various programs for employee welfare and health improvement. The ‘Shini Hani Children’s Homes’ were built in four regions spread throughout Seoul and the metropolitan area to create a job where both children and parents are happy. We guarantee menstrual leave(Paid holiday) for fertile women and provide allowance for infant care and childcare while also strongly recommending the usage of holidays through our healing holiday policy as we operate vacation centers both at home and abroad.

Also, Shinhan Bank predicts the risk of heart and brain disease and recommends items for medical evaluation through health risk assessment in order to discover critical illnesses of our employees early. Furthermore, we also conduct programs such as happiness index diagnosis, healing camp, and employee healing concerts while also helping our employees with their stress consultation and management through a professional stress care and consultation program.

Shinhan Card operates a health improvement system that includes the Employee Assistance Program(EAP), Grievance Committee, and Occupational Safety and Health Committee for systematic management of employee health. Shinhan Card also operates other various health improvement programs such as an employee health checkup system, medical expense support system, and employee marathon tournament for health as well.



In 2016, Shinhan Bank also built the ‘Shinhan Career Consulting Center’, which is the first of its kind in the financial industry, and supports the lives of our employees after retirement through life planning programs for active employees and former employee programs for retired employees.

Creating a Healthy Working Environment

Ergonomic Working Environment	• All employees are provided with ergonomically designed chairs with a synchronized tilting function where the backrest and the seat of the chair move independently so as not to strain the body
Lighting	• LED lighting installed in all branches to keep an appropriate luminous intensity for the protection of employees’ eyes • Flexible lighting instruments installed according to working conditions
Noise	• Silence machines installed in offices subject to high noise levels, such as the call center and telephone exchange office, in order to improve employees’ concentration and prevent productivity deterioration
Indoor Air Quality	• Anion generator installed and operated to maintain good air quality in the working space of the head office • Air purifiers provided to branches when requested
Humidity	• Temperature and humidity in building checked and centrally controlled
Temperature	• Temperature control operation plan implemented to keep an appropriate indoor temperature at 25°C

A family of four (two children, a woman, and a man) are jumping joyfully in a grassy field under a large tree. The scene is captured from behind, showing their arms raised and hands held together. The background is a soft-focus green landscape with a large tree on the left.

Philanthropy & Creating Social Value

Philanthropy & Creating Social Value

Helping society to develop which serves as the foundation for a corporation is both a natural responsibility and a strategic management activity to prolong corporate activity.

The non-financial factors particularly play an important role for a company's financial performance as stakeholders including consumers, shareholders, and investors consider not just profit but prefer corporations that consider their impact on society.

According to a global research institute, over half of the consumers in Korea have revealed that they are willing to pay additional costs to purchase products and services from a corporation that has a positive effect on society and environment, in other words, a 'Good corporation', and such trend of pursuing value consumption is continuing to grow stronger.

Also, it has been revealed that Millennials(Those born in 1980~2000) prefer investments that not only earn money but investments that are also able to resolve social and environmental issues while making a profit at the same time.

Shinhan Financial Group recognizes such 'Social contribution' as a 'Mutually beneficial activity' that raises values for the customers, Shinhan, and society and designated the Three Major Fields of Social Contribution that includes 'Welfare, culture, and environment', while performing volunteer work and donation activities in the form of activities relevant to our core business of 'Financing'.



Social Contribution with Emphasis on Our Collective Coexistence and Empathy

Shinhan Financial Group pursues 'Mutual benefit' to improve the values of everyone including the company and members of society and has been conducting businesses in support of the social minorities and socially marginalized groups along with the culture and arts, and the environment as well as volunteer activities. The 'Grand Festival of Volunteer Work' consisting of various activities for solving local society issues was first held in 2008, and all group employees attend the event between April and May every year. The 2016 Grand Festival of Volunteer Work was held under the slogan of 'Happiness Shared Together' and recorded over 1,000 performances of volunteer activities such as 'Handicap-free Playground

Environment Building' to build a playground that even disabled children on wheelchairs can use, with over 17,900 employees and family members participating. Also, Shinhan has solidified its status as the 'Bank Leading in Protecting Cultural Properties' through preserving the values of Korean traditional culture and hosts volunteer-based cultural property maintenance activities all over the country and has also launched the 'Cultural Assets Preservation Group' program in 2015 to lead the way in cultural asset maintenance work along with utilization of cultural assets such as experiencing traditional game culture, and historical education.



We have also been continuing with Mecenat activities as well as the preservation of traditional culture and have established the 'Shinhan Music Awards' in 2009, which was the first of its kind in the financial industry, to discover and sponsor prominent classical music artists ever since. We provide practical and differentiated benefits such as scholarships, intense training at renowned music schools overseas, and hosting of concerts at Shinhan Art Hall to winners of each respective field, including piano, violin, cello, and vocal music, to fulfill the purpose of discovering purely native musical geniuses and developing them into world's best-known artists. Meanwhile, Shinhan Bank has entered into a business agreement for cultural and social contribution with Child Fund Korea and hosts performances on 'Culture Day' of every month and has provided an opportunity for cultural experience to over 800 people in 2016.



Furthermore, the 23rd 'Shinhan Natural Environmental Photography Contest' has solidified its status as Korea's largest environmental photography contest that preaches nature's preciousness and the importance of the environment. Also, Shinhan Financial Group has hosted the 'Youth Environmental Volunteer Activity Camp' in partnership with the University of Seoul Community Welfare Center since 2007 to provide an opportunity for students to escape the city and live in farming areas to feel appreciation for nature.



Sincere Communication with Emphasis on Social Ripple Effect

Shinhan's social contribution enterprise with the motto of 'Sincere social contribution' has been expanding the social ripple effect and performance through continuous support over a long period of time to bring practical changes to local society.

The fund of 100 billion won endowed from the group was used to establish the 'Shinhan Scholarship Foundation' in 2006 and it has given out scholarships amounting up to 22.6 billion won to 6,031 scholarship students since its establishment as it discovers prominent students that are unable to focus on their academics due to harsh living conditions, in order to develop them into pillars of the nation.

Meanwhile, 'The Dream Team of Disabled Young People, Challenging the Six Continents', which has operated in partnership with the Korean Society for Rehabilitation of Persons with Disabilities since 2005, has had 760 disabled and non-disabled youth performing self-directed learning activities all over the world for over 13 years. These activities served as opportunities to strengthen their competencies and to improve their awareness towards disabilities.

Shinhan Card has been operating the 'Arumin(<http://arumin.shinhan.com>)', the first website dedicated to donations operated in the financial industry since 2005 and, as of the end of 2016, over 260,000 customers have participated to collect approx.5.1 billion won in total. This has helped us to lead the way for the culture of small donations as an exemplary channel of donation in the financial industry. Also, the 'Arumin Library' project has been in progress since 2010, and currently, 452 libraries (including the 3 libraries overseas) have been opened. The Arumin Library project began to supply quality recommended books and an eco-friendly reading environment to children of low-income households and has opened libraries in local children centers, community centers, and children's hospitals throughout the country.

Furthermore, Shinhan Financial Group has been promoting the global CSR project that fulfills local needs at abroad. Shinhan Bank has been performing medical volunteer services in developing countries such as Cambodia, Myanmar, and Uzbekistan in partnership with SNU Hospital and SNU Dental Hospital and has also visited Nepal in the wake of a massive earthquake to repair the local school facilities and to perform cultural exchange activities.

We have also built job training centers for youth from low-income households in Vietnam and achieved an average employment rate above 90% through practical job education and employment support activities. We have contributed to reinforcement of competencies and improvement of income for local youth while Shinhan Card has dispatched the 'Arumin Overseas Volunteer Group' to Myanmar in 2016 after Vietnam and Indonesia to conduct hygiene education and school environment improvement activities.



Volunteer hours:

266,325 hours

In 2016, 69,981 group* employees have practiced compassionate sharing of over 266,325 hours of talent donation and volunteer activities and invested 49.4 billion won towards social contribution to support marginalized groups and further advance the global social contribution project.

*Based on all group companies including 8 group companies and 5 group affiliates

Transparent Endowment Management System

Shinhan is endeavoring to see that its social contribution is made in a fair and objective manner. We are currently in the process of developing endowment management guidelines to operate and manage the endowments and the 'Endowment Affairs Committee' will be established to decide on endowments. Any endowments greater than 1 billion won will require approval from the board of directors. Also, the endowments are given under the condition that nonprofit organizations will use their endowment for their social purpose. If a large shareholder exercises pressure to commit endowments to nonprofit organizations or if employees of both the bank and its subsidiaries are receiving improper benefits from the nonprofit organizations, endowments will be prohibited and any endowment will cease once such occurrence is confirmed through the annual review of nonprofit organizations' expenditure history. The state and propriety for endowment committed to nonprofit organizations are to be reported to the board of directors every year and the results of endowments are to be published on Shinhan Bank's website.



Sports Sponsorships

The intensity, inspirational stories, and spirit of fairness in sports go along with the core values of Shinhan Financial Group, characterized by mutual respect and aspiration to be the best. Under the belief that 'Corporations must develop together with their customers', Shinhan Financial Group is creating an environment where sports can flourish in Korea, and is striving to provide opportunities where customers can become more familiar with sports. Shinhan Donghae Open will host its 33rd tournament in 2017 and it is a large-scale sports sponsorship from Shinhan Financial Group

that was established in 1981 to develop athletes who are internationally competitive to contribute to the advancement of Korean golf. Many famous professional golfers from Japan, Taiwan, and other countries have participated in this tournament since the beginning. It has become internationally renowned and has been assessed as a big contributor to solidifying the foundation of Korean golf and advancement of community athletics.



Shinhan Bank S-Birds Women's Basketball Team was established in 2004 and won the summer league of women's professional basketball league in 2005 which helped it to make a bold leap as a new elite basketball team in the league. The team also won the league championship for 6 years in a row until 2012 and it was the first to perform such a feat throughout all professional sports in Korea, thus earning its nickname as 'Real Shinhan' as it solidified its status as one of the elite professional women's basketball teams.

In 2014, the team relocated to Incheon and the growth of Korean women's basketball, along with a healthy sports leisure culture, has expanded as we also lead the way for compassionate finance through talent donation such as operating girls' sports clubs and basketball clinics as well as inviting socially marginalized groups to the games and donating the profits.

Shinhan Financial Group launched the 'Shinhan Rookie Sponsorship Program' in 2011, which is a program that sponsors prominent Korean sports athletes over the long term. This is a program that discovers and nurtures athletes with the ability to become internationally competitive athletes who compete in events that aren't prominent yet or those who face hardship in terms of training.

The most exemplary case of success for this program is Hak Seon Yang, the first Korean athlete to win the gold medal in gymnastics at the 2012 London Olympics, and we are also sponsoring Jae Woo Choi, Kwang Ki Lee, and Magnus Kim who are all prominent ski athletes, despite skiing being an unpopular event in Korea, but the sport will be featured at the Winter Olympics to be held in Pyeongchang in Gangwon-do in 2018.



'Path to Employment' for Youth Around the Globe



Nguyen Minh Trung is a 25-year-old man living in Ho Chi Minh City of Vietnam and he is now a full-time employee at a Korean company. His family consists of his parents and three younger siblings. His father works as a security guard, but the family was barely able to put food on the table. Nguyen couldn't attend college under such circumstances and immediately started to work. He was working part-time teaching elementary school students, and he learned of the Korean language course at the 'Korea-Vietnam Youth Economy & Technology Education Center' which is a job training center for youth from low-income families sponsored by Shinhan Vietnam Bank. He always had an interest in the Korean language and he registered without hesitation, and later got a job at a Korean company with the Korean language skill that he acquired at the training center. His monthly wage is now three times greater than what he was making as a part-time worker.

Shinhan Vietnam Bank has opened the Korea-Vietnam Youth Economy & Technology Education Center in 12 districts within Ho Chi Minh City of Vietnam in November of 2013 as part of its global social contribution project and it has been sponsoring these centers for the youth from low-income households in Ho Chi Minh City for 4 years. We have been supporting Korean language education through providing educational infrastructure, supplying learning materials, and dispatching Korean language teachers to the Intermediate Economic Technology Schools in 12 districts of Ho Chi Minh City. Many of the youth from low-income households that have been taught at these centers have accomplished their dream of employment. This showed how much actual help job training is helping employment and the increase of income for local youth in difficult environments.

The center's education course included not just regular classes but also included various elements such as special cultural and employment lectures and physical activities. Vu Thi Quy, who has taken the course from the beginner's class for learning the Korean language, stated that 'Natural

conversation with Korean language teachers, along with the conversations with alumni, and special employment lectures was a time that built my confidence towards employment'. The students also learn the Korean culture and participate in the athletics competition to raise their level of understanding of Korea and create special memories as they become closer through these experiences.

The average employment and college entrance rate from the first graduating class to the fifth is 90%. We have achieved not only the primary goal of 'Supporting the reinforcement of competency of youth from low-income households and improvement of their income' but also have achieved the effect of the positive image of Shinhan along with the improvement of Korea's image as a nation in Vietnam. Shinhan Vietnam Bank seeks beautiful coexistence with local society and is the symbol for the future of Shinhan that contributes to mankind as a global corporate citizen.

Financial Inclusion & Digital Innovation



Financial Inclusion & Digital Innovation

According to the data disclosed at the 2015 OECD World Forum, the top 10% income in the 1980s was 7 times higher than the bottom 10% income and this multiplier has reached 10 as of 2013, thus confirming that the disparity between the rich and the poor is continuing to grow.

The income for the top 10% in Korea makes up 44.9% of the total income (World Top Income Database as of 2012) and the income imbalance is getting worse, leading to social issues such as youth unemployment and an increase in household debt due to an increase in economic uncertainty and prolonged low growth.

Shinhan Financial Group is actively participating in resolving social issues through expansion of accessibility towards finance for socially marginalized groups such as the elderly and disabled people, along with financial support of small entrepreneurs and SMEs and civilian financing in order to uphold its mission to 'Benefit the world through the power of finance'.

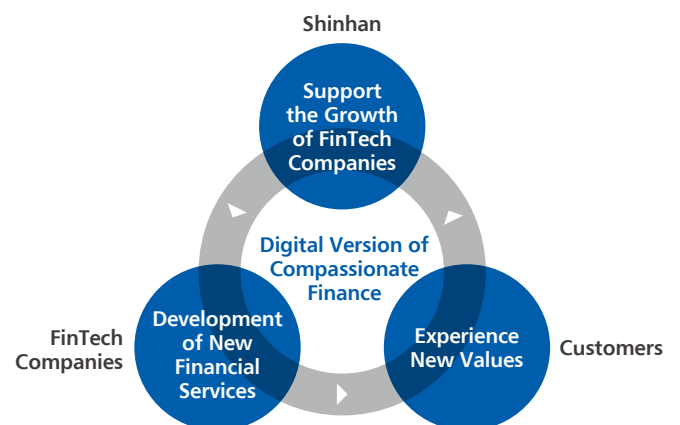
Future's Lab, an Ecosystem Where FinTech Companies Coexist with Shinhan

The level of competition among companies in the global financial service market is increasing as ICT companies that provide easy, fast, and cheap service have entered the market. Shinhan Financial Group has recognized the emergence of FinTech companies into the finance industry not as a threat but rather an opportunity for innovation of service and improvement of financial convenience for customers, and has been operating the 'Shinhan Future's Lab' program to build an ecosystem where Shinhan and FinTech companies can coexist.

The Future's Lab that was launched in 2015 allows FinTech companies to focus on developing innovative technologies and ideas through providing the support they need in their early startup stages, and these technologies and ideas are utilized to develop more useful and convenient support for customers through both the Shinhan Financial Group and FinTech companies.

The Future's Lab is operated jointly by the 6 major subsidiaries including Shinhan Bank and it is expanding on partnership opportunities through continuous discovery of FinTech companies from a survey that takes place twice a year. The support necessary for business is supplied with not only just cooperative work between departments necessary for financial service development but with external expert mentors, and investments for business operation and infrastructure such as testing equipment and office space are being provided as well. Also, when FinTech companies expand overseas into the global market, Shinhan supports the local market research and cooperative work in the local region through its own global network.

Shinhan Future's Lab Operation System

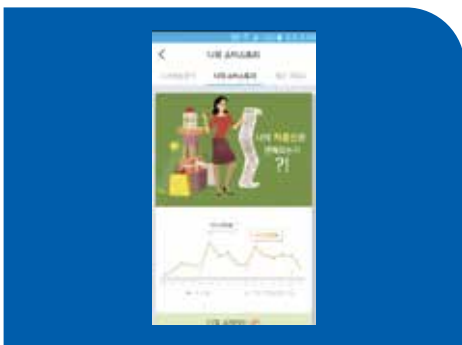




We are continuing our support through the development of a cooperative model without restrictions in terms of time, even after the growth period, as we heeded the opinions of FinTech companies in that it isn't easy to develop and commercialize the products through mere short-term cooperation, unlike other support programs. Since 2015, we have cooperated with a total of 40 companies until now throughout 1~3 operational periods to develop 12 joint business models and approximately KRW 5.9 billion was invested.

We also launched 'Shinhan Future's Lab Vietnam' in 2016 to meet the increased demand from the advancement of information communication technology along with the explosive growth of startup businesses in Vietnam. Five companies were selected in total, and we have provided them with office space at no cost and are continuing to pass along our financing know-how. We also provide mentoring programs for FinTech specialists and business modeling and collaboration through global mentoring groups.

Shinhan Card's 'FAN Pay-bot'



Shinhan Card's 'FAN Pay-bot' is an AI-based secretarial service that helps consumers to have a smart lifestyle through analysis of customers' consumption patterns.

M-Folio



'M-Folio' is a service that provides asset management portfolios through RoboAdvisor and it is the first of its kind amongst banks in Korea.

Which Academy



'Which Academy' is an app that recommends academies based on the analysis of 'SNU Roadmap' by Shinhan Card's Big Data Center.

Support for SMEs

Providing financial support for SMEs is the core business and a social responsibility for financial companies. Shinhan Financial Group is supporting SMEs through various financial and non-financial services.

Shinhan Bank provides customized financial and non-financial services based on the startup, growth, maturity and globalization stage of SMEs after they start up and begin to progress. In the startup stage, Shinhan Bank discovers startup businesses that possess the technology and potential for growth and focuses on financial support utilizing creative finance including technological finance and external policy funds. In the growth stage, Shinhan Bank focuses on delivering long-term funding in a stable manner to help the company grow based on long-term transactions and to strengthen support and invests both directly and indirectly in providing IB solutions and TCB-based investments. At the maturity and globalization stage, Shinhan Bank focuses on financial needs related to overseas expansion and diversification of business and provides support for specialized IB solutions, overseas expansion, and relational combined finance on investment and loans. As for non-financial services, Shinhan Bank provides consultation for overseas expansion, taxes, and management consulting along with education and consultation on business startup and MIP programs for nurturing future managers.

Meanwhile, we also provide financial and non-financial services to ensure liquidity and reinforce the competitiveness for small local entrepreneurs. We vitalize the local economy through financial support such as the Loan for Promotion Fund for Small Entrepreneur Market along with the Special Guarantee Loan for Company Restructuring and Job Support and also support the recovery from temporary threats to liquidity through the Long-Term Healing Program*. Also, we provide non-financial services to reinforce the competitiveness through supporting startup lecture halls, and business district consultation utilizing Shinhan’s business district system and are continuing to improve in terms of financial convenience through loans that can receive support for 24 hours via mobile such as SOHO Speed Up Certification Loans and Yellow Umbrella Deduction in non-face-to-face service.

* Long-Term Healing Program: A service that includes exemption of overdue interest, reduction of interest rate, readjustment of loan period, and delay of loan interest payment

Shinhan Investment provides financial products and services tailored to SMEs in the belief that financial support towards SMEs may affect the clients and related companies of SMEs. In 2016, we financially supported companies that have the technology and know-how in various fields including construction, clothing, and heavy equipment that were in need of support due to a temporary management crisis. In particular, after funding, Shinhan Investment continues to manage and monitor the target companies, establish long-term relationships and provide services.

Support for Female-owned Businesses and Family Friendly Companies

Shinhan Bank has launched the ‘Shinhan Loan for Success of Female-owned Businesses’ in order to boost the growth of female-owned businesses and family-friendly companies. The Shinhan Loan for Success of Female-owned Businesses provides the benefit of a prime rate for companies that are owned or managed by a woman, companies that were certified as family-friendly by the Ministry of Gender Equality and Family, companies designated as outstanding in terms of equal employment by the Ministry of Employment and Labor, and companies that are designated as outstanding in terms of female research and development personnel by the Ministry of Trade, Industry and Energy amongst Korean corporations.



Technological Finance Support (Tech Credit Bureau Loan)

16,356 Companies **7.9** Trillion* KRW

*Total KRW 9.5 trillion

Relationship-oriented Finance*

964 Companies **5,525** Billion KRW

*Supply fund utilizing the information on technological capacity and business outlook

Financing Support for Civilians

Shinhan Bank has financed KRW 471.8 billion through the 'New Hope Spore Loan', a product available in all banks for the working class, socially marginalized groups, and customers with low credit ratings and low income in 2016 and the total financed amount as of October 2016 surpassed KRW 2 trillion. We have financed KRW 59.5 billion through the 'Mid-Interest Rate Loan' to relieve credit rating polarization and disparity while the 'Shinhan Savings Bank Hug Loan Linked Service' which has systemized the processes linking the banks and nonmonetary institutions and the Korea Inclusive Finance Agency (Previously known as Korea Easy Loan), an agency of loan and financing for civilians, have financed KRW 62.1 billion won and KRW 77 billion respectively.

The 'Household Debt Healing Program', a debt adjustment program to support the financial independence and recovery of civilians, along with supplying loans for them, has financed KRW 632.7 billion and the 'Credit Loan 119 Program' which is meant for preliminary debt adjustment was launched to reduce the burden of debt for the working class. Other than loans, we have operated the 'New Hope Savings Installment', a deposit product for civilians to offer an opportunity for providing a large sum of money to customers who have completely repaid their loans, along with the socially marginalized groups such as the beneficiaries of national basic livelihood, disabled people, and multicultural families, and the balance as of 2016 is KRW 353.1 billion.

On the other hand, we have ensured speedy and efficient support from the operation of the Social Enterprise Support Planning Committee which was created to vitalize the support of social enterprises and contributed to creating jobs for socially marginalized groups and to improve the quality of life for local residents by financing approximately KRW 46 billion to social enterprises for the past 3 years.

Such effort led us to being recognized as the most outstanding institution with regard to activities for supporting civilian finance by the Financial Supervisory Service for 4 consecutive years (2013~2016) and our performance has been recognized from an objective standpoint.

Also, the Shinhan Smile Microfinance Foundation has been supplying small loans for opening businesses and business operating funds without collateral or guarantee for the financially disadvantaged groups, who have a low credit rating and have low income, to become financially independent. In 2016, there were 1,617 applicants and KRW 17.8 billion was financed, and we have financed KRW 120.4 billion to 8,983 people in total since 2009.

Financing Support for Emergency Disaster Relief

Shinhan Financial Group is conducting financial support for emergency disaster relief for SMEs and civilians that have suffered from disasters such as earthquakes, storms, fire, and avian influenza. Shinhan Bank conducts financial support such as the extension of emergency operating funds and payment date as well as payment in installments to reduce the financial costs and to secure liquidity for SMEs affected by disasters. Shinhan Life Insurance has extended the payment of premiums and loans by 6 months for customers that were affected by Tropical Storm 'Chaba' and the bird influenza. Also, we have provided emergency funds for livestock farms that suffered from foot-and-mouth disease.

Total Funds for Shinhan Bank Emergency Operational Funds for SMEs Suffering from Earthquake Damage

KRW
500 Billion

Society Where Differences are Accepted

Shinhan Bank is continuing the effort to implement the banking service for the financially disadvantaged groups around us, such as disabled or foreign customers. Also, we have created a customer service manual for those who need our care with the philosophy of "Accepting the difference and approach with care and respect". We have also created an environment where anyone can utilize financial services through a situational response service for senior customers, directory for call center dedicated to foreign customers, voice OTP directory for visually impaired customers, directory of branches with sign language consultation available for hearing impaired customers, and various response manuals along with a collection of cases and checklists that can be applied in the field.

Shinhan Investment is increasing the accessibility and convenience of service for financially disadvantaged groups through online accessibility certification and visual ARS service. Also, Shinhan Life Insurance is prioritizing its work related to providing product brochures for financially disadvantaged groups such as the elderly, the disabled, and foreign customers along with Happy Call and VOC processing.

Education on Financial Economy

Shinhan Financial Group is promoting financial economic education for all people from children to the elderly in order to eliminate financial ignorance by age groups and help contribute to society with its core business of financing.



Shinhan Children's Financial Experience Class

Shinhan Bank has been contributing to the establishment of healthy financial philosophy through the 'Shinhan Children's Financial Experience Class,' an experience of financial transaction for elementary school students and the 'Youth Hands-on Career Experience,' a free-semester program for career development. We have conducted a total of 1,005 finance education sessions that involved a total of 111,232 children participating in these sessions for 2016.



Arumin Finance Classroom

Shinhan Card has been operating the 'Arumin Finance Classroom' to build an understanding of finance and a logical spending lifestyle for elementary school students from low-income households. We have conducted over 30 visits to educate about 300 elementary school students in 2016 and we are also operating the 'Arumin Finance Expedition' for 8,715 middle school students based on talent donation of our employees as well.



Compassionate Finance Camp

The 'Compassionate Finance Camp' of Shinhan Investment provides knowledge regarding finance and stocks along with the trends of the capital market to youth who will become the center of our economy in the future, in order for them to have a special experience that will help them select their career paths later in life. The participating students were provided with an opportunity to experience the role of financial investment business by visiting the Korea Exchange, partaking in a lecture on the site of a financial investment company, and visiting the major departments within Shinhan Investment.



Shinhan Happy Silver Financial Class

The 'Shinhan Happy Silver Financial Class' of Shinhan Life Insurance is a finance education program that deals with finance, asset management, a method for safe usage of financing, and various cases of finance schemes that target elderly consumers (Over the age of 60) who make up the financially disadvantaged class. We have educated 25,596 people in total over the course of 2015 and 2016 and we are trying to improve the quality of the contents in these sessions through conducting satisfaction surveys and operating consultation committees on investment and reducing tax payments in 2017.

'New Hope Spore Loans', Foundation Which Civilians and Social Values Can Grow Together



Lee Young-ok works as a welfare worker specializing in nursing and visits the homes of the disabled or elderly who are limited in terms of mobility and assists them with mobility and support. However, she faced a challenge when trying to visit a patient's home due to her car breaking down. Shinhan recommended the 'MY CAR Used Car Loan' but she did not have the money to pay for car purchase, auto insurance, and fee for transfer of ownership. So, we proceeded to recommend her the 'New Hope Spore Loan' considering her circumstances. We basically recommended her to utilize the Sunny My Car (New Hope Spore) Loan which offers a slightly better interest rate to purchase the car and any remaining costs for auto insurance and transfer fees can be supplemented by the New Hope Spore Loan. She thought that another loan was impossible due to having an outstanding loan but she was able to purchase a car through the New Hope Spore Loan.

The New Hope Spore Loan is a financial product for civilians that can finance up to 20 million won for the purpose of living expenses and business funding to those that are below level 5 in credit rating and have an annual income below 40 million won or 30 million won. Shinhan Bank has financed 471.8 billion won through the New Hope Spore Loan which is a product to support the working class, socially marginalized groups, and people with low credit rating and low income in 2016.

Also, Shinhan Bank has held a public contest for 2 months from April of 2016 and accepted about 80 stories from applicants of civilians who have been financed through Shinhan and awarded the submitters of best cases to suggest a model through determining and advertising successful cases of financing for civilians. The company then selects some of the submitted work to be published in the 'Miracle of New Hope Spore', a collection of heartwarming stories related to financing for civilians to spread our philosophy of compassionate financing.

A background image showing a blurred office scene. In the upper part, two people in business suits are shaking hands. Below them, a desk is covered with various business documents, including a laptop, a tablet, and several sheets of paper with colorful bar and pie charts. A silver pen lies on one of the papers.

Partnership & Responsible Supply Chain

Partnership & Responsible Supply Chain

Importance of sustainability within the supply chain is rapidly increasing as social maturity and corporate business effect grows. The demand for socially responsible management on corporations in the past is now expanding as a value chain and the management paradigm has changed in a way where value chains compete against one another rather than corporations competing against one another.

Shinhan Financial Group secures strong supply chain competitiveness and manages supply chain risk based on its Four Basic Principles of Shared Development with Suppliers and continues to strengthen mutually growing relationships through continuous communication.

Furthermore, we are creating new business opportunities and values of mutual growth by establishing a new business ecosystem through strategic relationships with companies participating in new business projects and strategic businesses forged by digital innovation.

Partnership Based on Trust Which Can Lead to Mutually Beneficial Change

Shinhan Financial Group is promoting adherence to principles for mutual development, removal of irrationality in trade relationships, guarantee of fair price, and mutually beneficial CSR based on 'The Four Basic Principles of Shared Development with Suppliers' for fair and responsible trading with its partner companies.



Adherence to Principles for Mutual Development

Shinhan Financial Group conducts fair trading without discrimination with all partner companies in trading relationships. Restriction in bidding and discriminatory evaluation based on company size difference are prohibited and clear standards regarding contract method are revealed when conducting a trade with a partner company to allow for transparent trading. Shinhan Bank discloses its biddings through its website and clearly states for a partner relationship that can grow through mutual respect within its contracts with partner companies. On the other hand, Shinhan Card is seeking a new model for supporting coexistence and mutual growth through evaluation of items such as trade performance and participation in new projects and strategic businesses regarding about 200 ICT partner companies.

Removal of Irrationality in Trade Relationships

Shinhan Financial Group conducts satisfaction surveys with partner companies to improve on any irrationality in trade relationships and trade convenience. The trade relationship improvement activities such as improvement on purchasing procedure, the establishment of work process, planning of group-wide event, and work inefficacy are performed based on the survey results. In 2016, surveys were conducted on 284 partner companies. The results revealed that 82% of the companies are either very satisfied or satisfied with the trades and Shinhan Financial Group has been evaluated positively by its partner companies in terms of its efforts to improve relationships with partner companies.

Also, we are communicating regarding distress at work sites and improvements through various communication channels such as invitation seminars, meetings, and satisfaction surveys with partner companies. Shinhan Bank listens to the voices of representatives and employees of 133 small and medium sized partner companies that consist of 150 workers through discussion meetings for mutual development and shares plans for mutual development and coexistence. Shinhan Card also holds events to address any complaints regarding trade relationships and to share plans for reinforcing coexistence and new ICT technology trends through meetings by inviting the representatives. The items or content that are suggested through each communication channel are reflected in management activities to discover and remove any irrationality in trade relationships.

Guarantee of Fair Price

Shinhan Financial Group makes an effort to pay fair prices throughout all steps from bidding to payment. Preliminary briefing sessions and overviews of the entire schedule are mandatory in the bidding stage, and we are continuing to reduce the number of private contracts that can't guarantee a fair price. We notify the priority candidates for negotiation on the day of bidding and we guarantee fair pricing by not renegotiating a quote that has been submitted within expected price range. As for the payment process, the payment schedule has been reduced from 30 days to 15 days for speedy payment process. We also strive to establish sustained fair-trade relationships by not having separate meetings about events that are irrelevant to the work.



Promotion of Mutually Beneficial CSR

We established the Code of Conducts for Suppliers in 2012 to promote CSR for coexistence, and it is currently being operated with a self-diagnosis survey regarding code of conduct and CSR management process to increase the sustainability of partner companies. The CSR management process conducts an evaluation that consists of 20 questions over 4 sectors: human rights, safety and health, environment, and ethics. We confirm the state of social responsibility of partner companies through this evaluation and provide feedback on results to fulfill our duty of socially responsible management.

In 2016, 24 major partner companies with annual transaction amounts above KRW 500 million were evaluated, and they were classified into 6 types of classification (S~C classification). As a result, we have confirmed 1 outstanding partner company and 3 lackluster partner companies and analyzed the case of outstanding partner company through on-site visits and offered consultation support to companies that need improvement.

Meanwhile, Shinhan Financial Group conducts finance seminars that provide information regarding retirement plans and investment techniques for employees of partner companies and expanded the 'Shinhan Children's Financial Experience Class' which was annually hosted by Shinhan Bank for children of employees of partner companies to a group-wide event. In 2016, 30 children of partner company employees in elementary schools have experienced the process of opening a savings account, using a check card, exchanging currency, and managing allowances. This event returned the highest level of satisfaction amongst events for partner companies in 2016.



Environment-friendly Finance



Environment- friendly Finance

As the awareness of consumers towards a corporation's social and environmental responsibilities increase, the demand for eco-friendly products and services as well as interest towards the eco-friendly management of a company are steadily increasing. Such change is bringing about new opportunities rather than threats.

Also, the environment in terms of operation and system is changing as sustainable management is being promoted by the government with the announcement of 'The Third Sustainable Development Plan (2016~2035)' along with the support for construction work to improve a building's energy performance with the 'Green Building Development Support Act', and the fuel tax refund system for light vehicle owners with the 'Tax Reduction and Exemption Control Act'.

Shinhan Financial Group has responded to such market changes by creating new business opportunities while resolving social issues through the development of eco-friendly products and services, vitalization of green finance in partnership with public institutions, and operation of SRI funds. And furthermore, it has been taking the leading role in expanding environmental management throughout society.

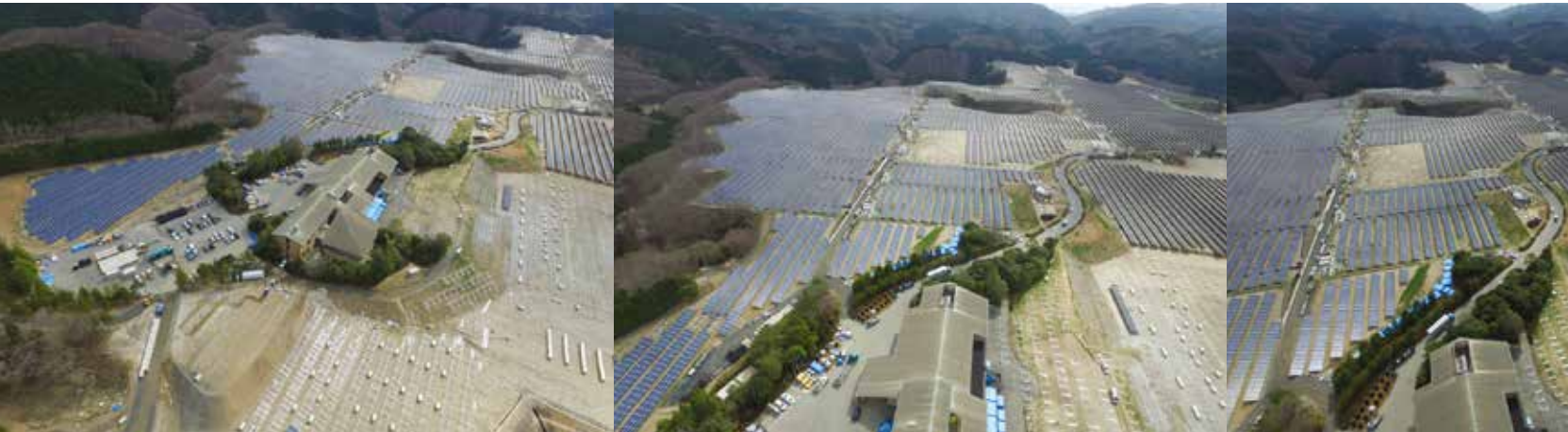


Eco-friendly Products and Services for Accelerated Conversion to a Low Carbon Economy

Shinhan Bank offers the New Green Corporate Loan which provides economical interest rate to companies that are proven superior in terms of environmental management or companies that are entering the green industry in order to vitalize the green industry and to protect the environment. Also, the Green Remodeling Interest Subsidy Loan and the Green Energy Factoring are offered to support the funds necessary to replace old energy equipment and to improve performance in order to contribute to the reduction of energy usage.

Meanwhile, Shinhan Bank also participates in various renewable energy markets both at home and abroad such as solar power, turbine power,

and biomass and it has arranged the financing and provided consultation on financing for the solar power generation project (56,793 MW in power generated) worth KRW 181.5 billion that spread across 4 regions in Japan in 2016. Also, it has financed KRW 180.8 billion and KRW 55.8 billion respectively to 2 clean energy fuel cell power generation projects to fulfill the strategy of expanding newly emerging energy industry backed by the government. These fuel cell power generation projects will produce 280,000 MW of electricity to contribute to supplying clean energy within the region.



Shinhan Investment has put together a fund that is worth KRW 350 billion in partnership with other large financial institutions in Korea in order to support companies that are launching solar power generation projects and other eco-friendly projects in Korea. Also, Shinhan Bank and Shinhan BNP Paribas Asset Management supply the initial investment for equipment through PF and funding to solar power and other renewable energy development projects both domestically and abroad to lead the way to prevent global warming through financing in the international market.

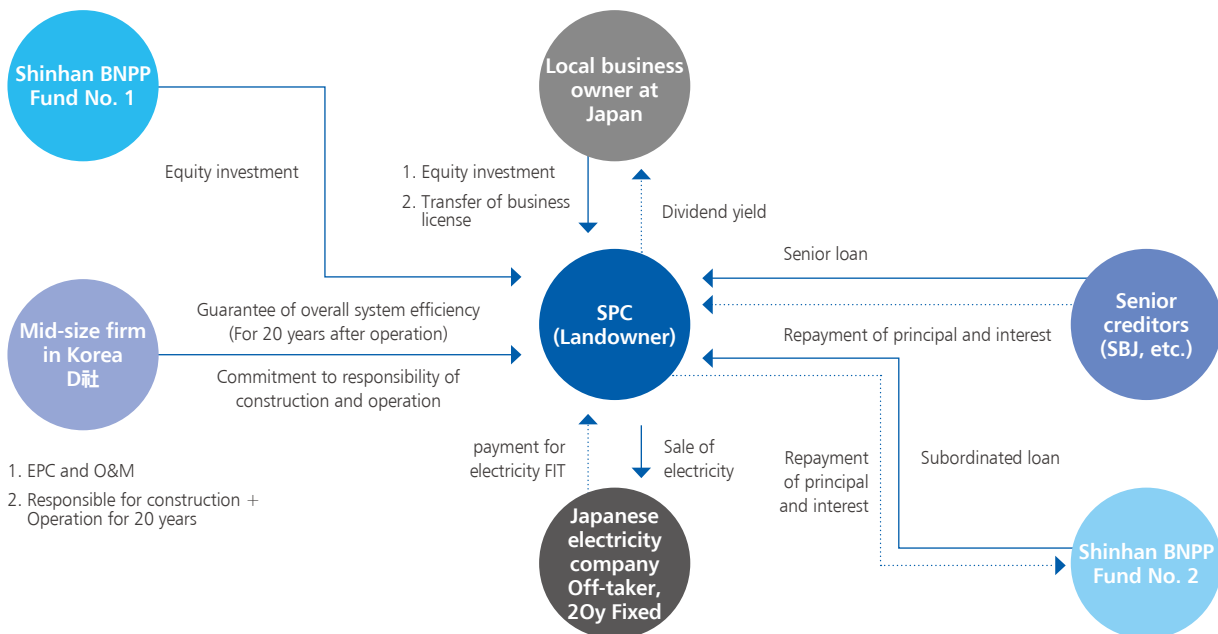
Shinhan Life Insurance operates variable insurance products that invest in SRI funds and other relevant funds which invest in companies that are sustainable and competitive from perspectives of both financial and non-financial factors such as environment and society.

Shinhan Paribas BNP Asset Management operates an SRI fund that reviews financial factors as well as non-financial factors such as eco-friendly management, socially responsible management, and quality

economic management when selecting a company for investment. Companies that score high in terms of social responsibility and ethics have created sustainable development over the long term and recorded a high yield rate compared to a regular fund. We are creating a virtuous cycle of coexistence as we improve customer investment yield rate through SRI fund management, society's health through investment in socially responsible companies (eco-friendly, society restoration, social welfare, etc.), and company profitability from an increase of managed assets due to an increased yield rate.

Shinhan Card has been operating the 'Reimbursement Card for Light Vehicle Fuel Taxes' program since 2008 with the government policy having been implemented. It is the only one of its kind within Korea amongst card companies which refunds fuel taxes to light vehicle owners in order to relieve the burden of fuel cost for civilians as well as reducing the air pollution and increasing energy efficiency.

Structure of Japanese Solar Power Generation Project





List of Eco-friendly Products

Category	Name of Product	Product Details	Billings(Unit: Million KRW)
Loans	New Green Corporate Loan	Contributes to vitalization of the green industry which is a new growth market through supplying loans to companies that operate within the green industry or companies that are trying to enter the green industry	144,429 (Balance as of end of 2016)
	Green Remodeling Interest Subsidy Loan	Loan to building owner or business owner for funding energy performance improvement construction and the Green Remodeling Creation Center established by the Ministry of Land, Infrastructure, and Transport supplies a portion of the loan interest	11,652 (Balance as of end of 2016)
	Green Energy Factoring	When a party desires to replace or to fix the old energy usage facility, it yields a sale credit equivalent to construction cost to the bank and the bank supports the yielded sale credit in the form of factoring and the borrower repays the factoring funds later on	4,854 (Balance as of end of 2016)
Assets	Green+ Installment Savings	Provides prime rate to customers that saves resources by using non-face-to-face channels and saves energy by using public transportation and reducing consumption in electricity/gas/water	259,829 (Balance as of end of 2016)
Funds	Shinhan BNPP Private Equity Green Energy Special Asset Investment Trust	Fund that invests(Equity and loan) in solar power and turbine power generation business in Korea	105,113 (Assessment as of End of 2016)
	Shinhan BNPP Japanese Solar Power Special Asset Investment Trust	Fund that invests(Equity and loan) in solar power generation business in Japan	93,358 (Assessment as of End of 2016)
	Shinhan BNPP Global Solar Energy Private Equity Special Asset Investment Trust	Fund that invests(Equity and loan) in solar power generation business around the world	40,916 (Assessment as of End of 2016)
	Shinhan BNPP Private Equity SRI Securities Investment Trust No. 1	Mainly invests in stocks of Korean companies that are deemed competitive in terms of sustainability after analysis of both financial factors and non-financial factors such as environment and society	13,575 (Assessment as of End of 2016)
	Shinhan BNPP Tops Beautiful SRI Securities Trust	Mainly invests in stocks of Korean companies that are deemed competitive in terms of sustainability after analysis of both financial factors and non-financial factors such as environment and society	5,371 (Assessment as of End of 2016)
Cards	Reimbursement Card for Light Vehicle Fuel Taxes	Refunds fuel tax for owners of light vehicles to reduce the burden of fuel purchasing for civilians, to reduce air pollution, and to increase energy efficiency since 2008	2016 Accumulated new accounts 118,363 Accounts Number of new accounts for 2016 - Credit : 19,083 Cards - Check : 23,078 Cards

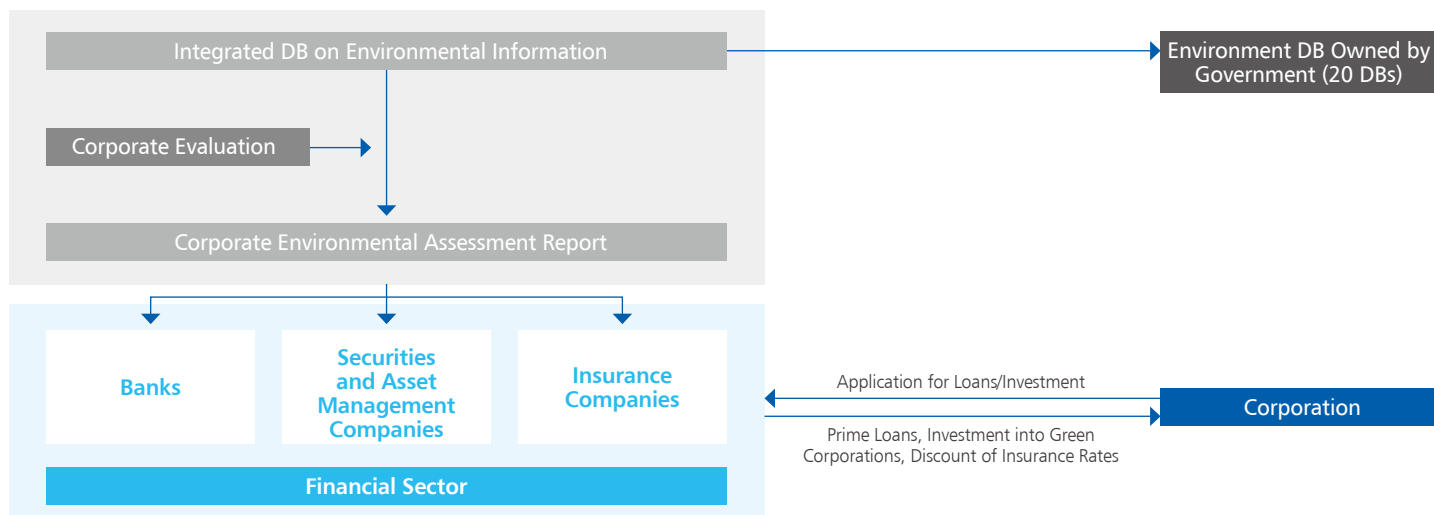
Vitalization of Green Financing to Expand the Partnership with Environment-Related Public Institutions

Shinhan Financial Group is expanding its partnership with environment-related public institutions in order to contribute to decreasing environmental effects through vitalization of green financing.

Shinhan Bank has been seeking a partnership plan for vitalization of green financing with the Korea Environmental Industry and Technology Institute, a subsidiary public institution of the Ministry of Environment (Shinhan Bank's partner institution for Green Remodeling Interest Subsidy Loan in 2014).

First, we have decided to launch the 'Loan for Companies with Outstanding Green Environmental Management' which is a remodeled version of the New Green Corporate Loan, which has exhausted its limit in 2017, with the current green financing products. Also, we have begun establishing a plan to implement a process that reflects the company's environmental performance when it comes to loan qualification through environmental data provided by government institution as we continue to make an effort towards developing eco-friendly products and services in partnership with public institutions.

Green Financing Support Corporate Evaluation System



Expansion of Eco-friendly Tasks and Services

Shinhan Bank has expanded the scope of its paperless tasks by conducting financial transactions through digital kiosks and tablet PCs. The digital kiosks have been implemented for a year as of this year, and they have been renamed as the 'Smart Lounge,' and its range of tasks has been expanded greatly. 107 tasks which are equivalent to 90% of the trades made over the counter are available, and over 430,000 trades have been conducted without paper for the year. If we saved 1 sheet of A4 (4.37g) per trade, this is equivalent to saving about 2 tons of paper. Currently, the number of branches with digital kiosks stand at 21 and it is expected that this service can continue to reduce environmental impact as the number of its users is growing with the number now exceeding 10,000.



Energy Efficiency



Energy Efficiency

International efforts such as the Kyoto Protocol took place in response to severe environmental and climate change issues such as the depletion of natural resources and abnormal weather. In December of 2015, governments of 195 nations all agreed to the Paris Agreement proposed by the UN and all of these nations have accepted the 'New climate regime' that reigns over the globe.

There are various policies in Korea to encourage efficient usage of energy along with the reduction of greenhouse gas and environment protection activities such as the Greenhouse Gas and Energy Target Management System, Emissions Trading System, and Integrated Environment Management Act.

Shinhan Financial Group follows such trends domestically and abroad to efficiently and systematically manage the resources used in its management activities and participates in eco-friendly policies by reducing the amount of waste, energy usage, and greenhouse gas emissions. Also, we continue to preemptively reinforce the internal system related to the environment in order to respond to the constantly changing environmental policies and the demands of external stakeholders.

Promise of Responsibility for Future Generations and Environment

Shinhan Financial Group promotes environmental management throughout the entire group by the 'CSR Committee' which is a sub-committee within the board of directors. Each subsidiary has the 'Integrated Green Management System' that features 12 environmental indicators to quantitatively measure and manage the amount of greenhouse gas emissions and energy usage. We are promoting our policy for energy reduction systematically while simultaneously responding effectively to the demands of external stakeholders for public disclosure of environmental information. We have also established an environmental and energy management council consisting of members from core departments to continue our effort in reducing environmental effects and energy usage.

Also, in 2012, Shinhan Bank became the first financial company in Korea to be certified of ISO50001 (Energy management system), and Shinhan Bank has also been certified of ISO14001:2015 as of October of 2016 to solidify its status as a leading financial institution in terms of environmental management. The ISO14001:2015 is the most recent revised version of the certification, and it includes improvement of internal environmental management activities along with determining demands of external stakeholders and activities for improvement. Obtaining this certification certainly solidified Shinhan Bank's intent to strengthen its communication regarding the environment, both internally and externally.

Reduction of Energy Usage

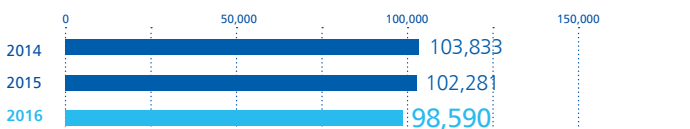
Shinhan Bank is assigned an annual target goal in terms of reduction of greenhouse gas emissions from the government as a company subject to 'Greenhouse Gas Energy Target Management System' and proceeds to perform activities for reduction to contribute to achieving the national goal for greenhouse gas reduction. In 2016, Shinhan was assigned a reduction goal of 16.5% by the government and has achieved even more at about 20.4% through the willing participation from all of our employees. The lights (10,974 bulbs) in the headquarters along with large buildings and branches were replaced with LED and this resulted in a reduction of greenhouse gas by 1,103tCO₂eq and the air conditioning and heating control, turning off the lights by the hours, and control of ventilation system operation according to energy management system (ISO 50001) in large buildings resulted in overachieving the goal for greenhouse gas target by about 3.5% (1,294 tons) in 2016.

Shinhan Financial Group has also reduced greenhouse gas emissions by 477tCO₂eq for 2016 as a result of implementing financial services such as Sunny Bank, digital kiosks, and S-TB (Shinhan Tablet Branch) along with a reduction in paper usage.

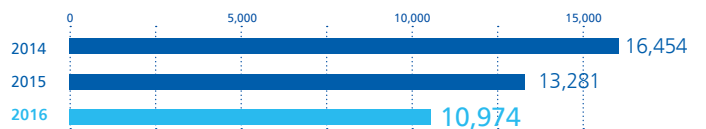
Meanwhile, the Disaster Recovery Center is making an effort for improvement in terms of energy performance with high-efficiency equipment. The management of optimal office temperature has resulted in reducing the usage of gas by 15tCO₂eq (9.9%) compared to the usage in the previous year, and the PUE (Power Usage Effectiveness) was maintained at 1.8 which is the average of global data centers.

Such environmental management activities enabled Shinhan to be recognized for its efforts with the Prime Minister's award for '2016 Korea Green Management Award Grand Prize' at a government award ceremony. Also, Shinhan was the first Korean financial group to be included in the DJSI World for four consecutive years and was selected as one of the Global 100 Most Sustainable Corporations which has been announced at the Davos Forum for five consecutive years.

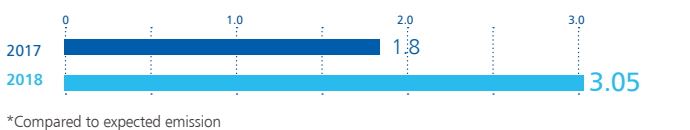
Amount of Discharged Green House Gas for the Group Unit: tCO₂eq



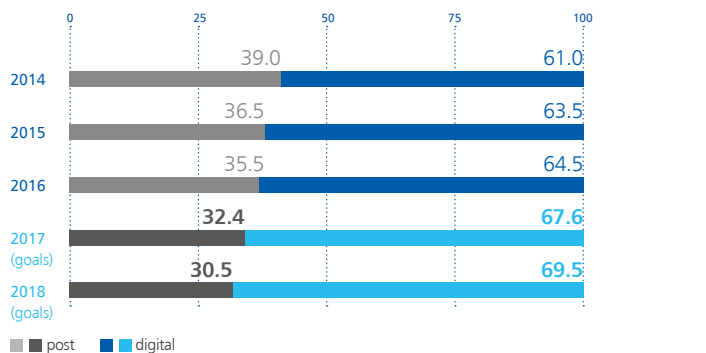
Shinhan Bank, Number of Replaced LED Lights Unit: Bulbs



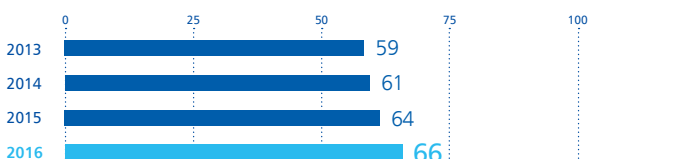
Shinhan Bank, Goal for Greenhouse Gas Reduction * Unit: %



Shinhan Card, Paperless Bill Performance and Goal Unit: %



Share of Users Using Electronic Banking Services Unit: %



Resources Recycling

Shinhan Bank is conducting environmental management by making an effort to reduce waste by recycling office PCs and used office supplies. The 'Compassionate Finance Through Sharing of Unused Office Supplies' event took place and we have donated about 1,300 units of tables, chairs, and desks to over 40 social welfare institutions all over Korea including Seoul, Chungbuk, and Incheon. We have donated over 9,000 units of office furniture since 2010 to continue our efforts to reduce our impact on the environment and to carry out our social responsibility.

We have recycled 10,325 units of disposed or unused monitors, desktops, and laptops and provided them to social enterprises through our 'Sharing PC' program which has operated since 2011.



Environmental Communication

Shinhan Bank has been conducting internal and external group training as well as online education for all employees every year in order to improve the awareness towards being eco-friendly and to enhance their capabilities in environmental management. The managers of relevant departments are provided with professional education programs, and all employees partake in the online education that helps them understand the status of major environmental issues at home and abroad that are relevant to responding to changes in environment and climate. Also, the department heads and the management share energy management items to review them to effectively manage the energy management system.

Also, Shinhan Bank is the first Korean bank to have published CSR reports along with a separate environmental report while making them available through its website. We reveal all items including our duties and other items developed by our group in the environmental report in order to actively participate in the 'Env-Info System' of the government with all quantitative data such as resource and energy consumption amounts, greenhouse gas and pollutant discharge amounts, and green purchasing performances along with a strategy and system for promoting environmental management being revealed transparently.

Shinhan Financial Group is also actively participating in global environmental initiatives as well. The bank has been reporting its activities to CDP in response to climate change every year since 2006 and it has been the first Korean financial company to be selected as a member of the Carbon Management Honors Club which consists of the 5 most outstanding companies in terms of carbon management by CDP Korea, for 3 years in a row as of 2016. Also, Shinhan Bank has joined the UNEP-FI* as of 2008 and has been making efforts to carry out its environmental responsibility along with other global financial institutions. Also, Shinhan Bank has been a part of the 'Joint Declaration by Financial Institutions for Supporting Energy Efficiency' as well.

* UNEP-FI: UNEP subsidiary organization. Established in 1992 for financial institutions to contribute to environmental protection and sustainable development



We are also actively cooperating with the government's environmental policies in order to help spread the merits of environmental management throughout all society. We have participated as a consulting institution regarding financial products in the 'Alliance for Zero Energy Building' jointly launched by the Ministry of Land, Infrastructure and Transport and the Ministry of Trade, Industry and Energy and we are planning to continue our efforts to develop a commercialization model in line with the enactment of the Zero Energy Building certification system.

Also, we are participating in the Green Finance Forum hosted by the Ministry of Environment to express our opinion on the revision of evaluation index, a financial support system(enVinance) for green management companies. Furthermore, we have shared our opinion on items of evaluation for environmental outcome regarding ESG that are used by institutional investors, and shareholders when making a decision as the importance of socially responsible investment increases.

Green Building Certified, Shinhan Data Center



Solar Heat Water Warming Equipment

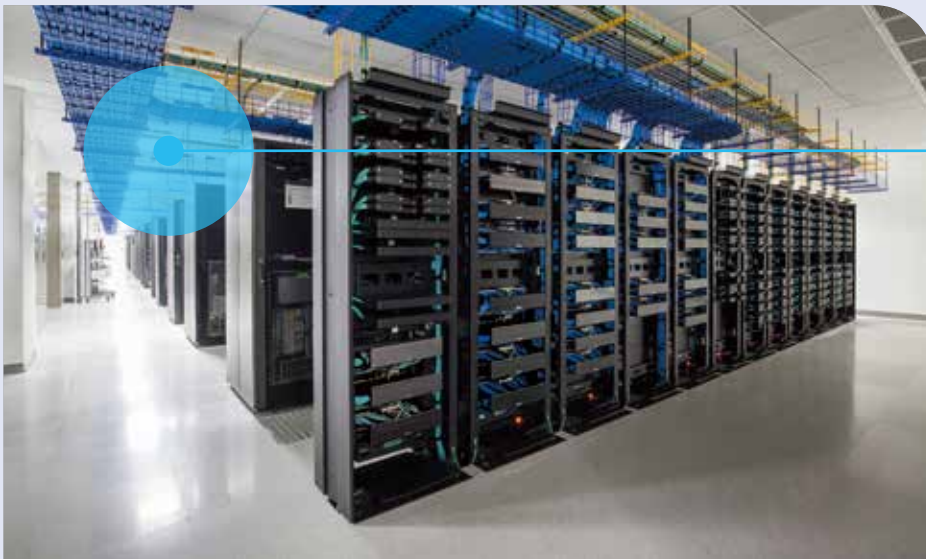
Solar heat equipment (6,000Kcal Supply of hot water) has been installed on the rooftop of Shinhan Data Center and this has resulted in a reduction of 2336.84Mcal in terms of energy consumption for the year.

Sunlight Power Generation Equipment

The installation of BIPV(Building Integrated Photo Voltaic) has resulted in a decrease of 92,640kWh in terms of energy consumption for the year.

Ice Thermal Storage System

The ice thermal storage system for storing electricity relatively cheaply overnight and then used during the day, and this has resulted in the average electricity unit cost decreasing from KRW 119 to KRW 89 and has saved approximately KRW 100 million for the year.



LED Lights

LED lights were installed for the majority of lighting fixtures in locations such as lobbies, electronic equipment rooms, and underground parking lots and this has resulted in a reduction of 1,344,054kWh in terms of energy usage for the year.

Shinhan Data Center implemented an energy saving system with being an environment-friendly data center from its initial stages of design and has obtained the gold grade for LEED certification which is an eco-friendly building certification in the US, and the Korean certification on green architecture, as a result.

We have installed BIPV(Building Integrated Photo Voltaic), PV(Photo Voltaic), and solar heat water heating equipment in order to reduce energy consumption and greenhouse gas emissions and have reduced energy consumption by 20% for the year. We also recycle rainwater and tap water used within the building to reduce usage of water resources as well.

Also, we have implemented the BEMS(Building Energy Management System) which can determine the amount of energy consumption and analyze optimal equipment operating conditions while being equipped with an energy reduction analysis system. BEMS conducts performance assessment regarding the data it collects and corrects inefficiently operated items, while determining the optimal operating conditions to reduce energy usage and to create the effect of extending the durability of the equipment. As a result, Shinhan Data Center was maintained as an advanced data center by reducing the emissions of greenhouse gas by 330tCO₂eq (2% less than the year before) for the year and maintaining the PUE(Power Usage Effectiveness, 2.0 for regular data centers) at 1.45.

Appendix



CSR Performance Trends

Employees

Status of Employees¹⁾

Category	Unit	2014		2015		2016	
		Female	Male	Female	Male	Female	Male
Total Number of Employees	People	9,716	12,684	9,739	12,743	9,522	12,644
Contract Terms	Management	5	156	5	165	6	167
	Regular Employees	9,002	11,587	9,175	11,538	9,046	11,440
	Contract Workers	710	955	559	1,040	470	1,037
Age	Below Age of 30	2,974	1,108	2,575	1,041	2,159	1,009
	30 ~ 50 Years of Age	6,636	9,917	7,028	9,660	7,180	9,284
	Over Age of 50	106	1,659	136	2,044	183	2,353
Years of Work	Below 5 Years	3,644	3,386	3,059	3,151	2,250	2,849
	5 ~ 10 Years	2,098	1,836	2,404	2,081	2,955	2,316
	10 ~ 15 Years	1,559	1,647	1,675	1,719	1,563	1,649
	15 ~ 20 Years	1,032	1,914	1,005	1,789	957	1,565
	Above 20 Years	1,382	3,902	1,595	4,008	1,795	4,269

1) Recalculated based on internal employee management standards.

Category	Unit	2014		2015		2016	
		Female	Male	Female	Male	Female	Male
Turnover ¹⁾	People	188	142	161	171	192	248

1) Excluding honorary retirement, disciplinary dismissal, transfer within group

Diversity among Employees

Category	Unit	2014		2015		2016	
		Female	Male	Female	Male	Female	Male
Female Leadership	Executives ¹⁾	5	150	5	163	6	171
	Upper-Level Managers ²⁾	2,142	8,403	2,230	8,404	2,332	8,334
	Managers	686	1,461	734	1,576	709	1,468
Veteran Employees	People	376	674	417	672	425	662
Disabled Employees	People	53	169	56	163	55	153

1) Director ~ CEO

2) Manager ~ General Manager

Strengthening of Employees' Capabilities¹⁾

Category	Unit	2014	2015	2016
Education Expense Per Person ²⁾	Million KRW	1.38	0.85	1.03
Education Time Per Person	Hours	110	137.5	110

1) Scope of report: Shinhan Bank in 2014, Expanded to 8 group affiliates for 2015~2016

2) The education expense per person has decreased as the scope of report expanded for 2015, and the education expense per person increased due to increase of education expense budget for all group affiliates in 2016

Performance Evaluation and Reward

Shinhan Financial Group conducts an annual performance assessment for all employees regarding their performance and competency for fair performance rewarding and utilizes this assessment for compensation, promotion, career development, transfers, education, training, etc.

Labor-Management Relations

Shinhan Financial Group guarantees the right to conclude collective bargaining agreements in order to ensure a mutually cooperative and communicative culture between labor and management. As of 2016, the membership ratio of labor unions and labor associations of Shinhan Financial Group is at 97.75%.

Status of Retirement Pension

Category	Unit	2014	2015	2016
Present Value of Defined Benefit Liabilities	Billion KRW	1,346.9	1,567.9	1,690.0
Fair value of External Accumulated Assets	Billion KRW	-1,037.4	-1,341.8	-1,559.1
Recognized Liabilities from Defined Benefit Plan	Billion KRW	309.5	226.1	130.9

Safety and Health

Category	Unit	2016
Number of Industrial Accidents	Cases	2
Absence from Industrial Accidents	Days	5
Absenteeism ¹⁾	%	0.0001

1) Limited only to cases recognized as industrial accidents

Improvement of Ethical Awareness

Shinhan Financial Group trains its new employees on ethics compliance and conducts cyber lectures on ethics compliance and ethical management for all employees as well.

Category	Unit	2016
Number of Participants ¹⁾	Online Education	91,080
	Group Sessions	5,817
Education Hours ¹⁾	Online Education	2,846
	Group Sessions	7,500

1) Performance Accumulated Over the Year

Customers

Shinhan Bank Customer Satisfaction

Category	Unit	2014	2015	2016
Internal	Customer Satisfaction	94.1	95.9	95.8
	NCSI	75	76	75
	KS-SQI	72.7	74.7	73.9
External	KCSI	75.9	76.9	77.7
	KSQI	94	93	94
	GCSI	72.8	72.9	73.1

Customer Complaint Processing

Category	Unit	2014	2015	2016
Face-to-Face	Branches	797	796	762
	Branch Offices	103	103	109
Non-Face-to-Face	ATM ¹⁾	7,467	6,795	6,734
	Smart Lounges	0	24	24

1) Coin ATM Included

Customer Complaint Processing

Category	Unit	2015	2016
Shinhan Bank ¹⁾	Total Number of Cases	503	454
	Number of Processed Cases	503	454
Shinhan Card ²⁾	Total Number of Cases	1,164	1,048
	Number of Processed Cases	1,164	1,048
Shinhan Investment Corp ³⁾	Total Number of Cases	112	104
	Number of Processed Cases	112	104
Shinhan Life Insurance ⁴⁾	Total Number of Cases	977	1,155
	Number of Processed Cases	977	1,155

1) Loans, Savings, Currency Exchange, Credit Cards, Etc.

2) Product/Price/Service, Usage/Follow-up Management, Sales, Bonds, Consultation, etc.

3) Trading, Products, Tasks, Electronics, etc.

4) Sales, Maintenance, Payment, etc.

Financial Inclusion

Financing Support for the Working Class

Category	Unit	2014	2015	2016
New Hope Spore Loan ¹⁾	Billion KRW	354	369	472
Mid-interest Rate Loan for the Working Class	Billion KRW	-	-	60
Household Debt Healing Program	Billion KRW	437	514	633 ²⁾
Smile Finance ³⁾	Billion KRW	84	103	120
Shinhan Hug Loan ³⁾	Billion KRW	-	-	128
Korea Inclusive Finance Agency	Billion KRW	-	-	8
New Hope Installment Savings	Billion KRW	-	219	353

1) Accumulated Amount KRW 2.0946 Trillion

2) Credit Loan 26,386 Cases KRW 491 Billion, Housing Loan 610 Cases KRW 141.7 Billion

3) Based on Accumulated Amount

Financing Support for SOHO • SMEs

Category	Unit	2014	2015	2016
Special Appearance as Local Credit Guarantee Foundation	Billion KRW	-	-	10
Long Term Healing Program	Billion KRW	402	369	209
Relational Financing	Billion KRW	-	149	553
Acquisition of Performance-Sharing Private Equity Convertible Bonds	Billion KRW	-	10	21
Tech Credit Bureau Loan	Trillion KRW	-	5.5	7.9
Loan for Promotion Fund for Small Entrepreneur Market	Billion KRW	-	-	160
Special Guaranteed Loans for Corporate Restructuring and Job Search Support	Billion KRW	-	-	153

Social Enterprise Support

Category	Unit	2014	2015	2016
Loans	100 Million KRW	114	171	156
Purchase of Goods	100 Million KRW	4.7	4	3.2
Sponsorships and Donations	100 Million KRW	1	3	1.8

Sustainable Financing

Eco-friendly Products

Category	Name of Product	Unit	2014	2015	2016
Loans ¹⁾	New Green Corporate Loan	Million KRW	339,917	201,563	144,429
	Green Remodeling Interest Subsidy Loan	Million KRW	4,548	13,636	11,652
	Green Energy Factoring	Million KRW	11,583	8,183	4,854
Assets ¹⁾	Green+ Installment Savings	Million KRW	368,604	384,462	259,829
	Shinhan BNPP Private Equity Green Energy Special Asset Investment Trust	Million KRW	-	-	105,113
Funds ²⁾	Shinhan BNPP Japanese Solar Power Special Asset Investment Trust	Million KRW	-	-	93,358
	Shinhan BNPP Global Solar Energy Private Equity Special Asset Investment Trust	Million KRW	-	-	40,916
	Shinhan BNPP Private Equity SRI Securities Investment Trust No. 1	Million KRW	-	-	13,575
	Shinhan BNPP Tops Beautiful SRI Securities Trust	Million KRW	-	-	5,371
Cards ³⁾	Reimbursement Cards for Light Vehicle Fuel Taxes	Cards	14,679	63,046	42,161

1) Balance at the end of 2016

2) Assessment as end of 2016

3) Combined data of 2016 Credit Cards (19,083 Cards) and Check Cards (23,078 Cards)

Performance of Reimbursement Cards for Light Vehicle Fuel Taxes

Category	Unit	2015	2016
Total Number of Issued Cards	Cards	189,053	118,363
Actual Number of Members	People	298,632	372,708
Amount	100 Million KRW	1,454	1,881

Fossil Fuel Exposure

Industry ¹⁾	Unit	2014	2015	2016	
Mining Industry	Coal Mining Industry	100 Million KRW	1,610	1,317	915
	Crude Oil and Natural Gas Mining Industry	100 Million KRW	-	41	53
	Service Industry Related to Crude Oil and Natural Gas Mining	100 Million KRW	366	1,013	1,517
Narrow Exposure ²⁾	100 Million KRW	1,976	2,371	2,539	
Manufacturing Industry	Corks and Related Product Manufacturing Industry	100 Million KRW	6	95	30
	Briquettes and Other Coal Product Manufacturing Industry	100 Million KRW	658	506	226
	Crude Oil Refining and Processing Industry	100 Million KRW	17,750	9,872	12,219
	Lubricant and Grease Manufacturing Industry	100 Million KRW	1,722	1,809	378
	Other Petroleum Oil Refinement Retreatment Industry	100 Million KRW	820	495	263
Electricity, Gas, Steam, and Water Industries	Thermal Power Generation Industry	100 Million KRW	9,368	10,569	13,166
	Gas Manufacturing and Pipe Supplying Industries	100 Million KRW	7,523	5,531	5,666
Wide Exposure ³⁾	100 Million KRW	37,847	28,877	31,947	
Fossil Fuel Exposure	100 Million KRW	39,823	31,249	34,485	
Ratio of Fossil Fuel Exposure Compared to Total Loan Amount within the Group	%	1.81	1.31	1.38	

1) Current State of Energy Industry Categorization (Korea Energy Economics Institute)

- Excludes mining, production, supplying of energy related product including distribution, and shipping

2) Consultation Exposure: Direct mining of fossil fuel (Mining Industry)

3) Mining Exposure: Includes direct mining and production/power generation

Renewable Energy PF

Category	Unit	2014	2015	2016
Domestic Sunlight Blind Fund	100 Million KRW	-	-	3,500
Shinhan BNPP Japanese Solar Power Fund ¹⁾	100 Million KRW	-	3,660	1,815
Busan Green Energy Fuel Cell Power Generation Project PF ²⁾	100 Million KRW	-	1,808	-

1) Based on Independent Brokerage Fee for Shinhan Bank and Combined Brokerage Fee with Shinhan BNPP Japan Solar Power Fund

2) Total Investment, Construction Period (Nov. 2015 ~ Mar. 2017)

Project Financing

Category	Unit	2016	
Total Project Financing	Numbers	13	
Number of Projects Reviewed(Evaluated) From Social/Environmental Perspectives	Numbers	6	
Industrial Categories	Roads	Numbers	2
	Harbors	Numbers	1
	Energy	Numbers	3

Environment

Energy Usage

Category	Unit	2013	2014	2015	2016	
Electricity	GJ	247,003	283,662	318,481	319,939	
Gas ²⁾	GJ	38,097	44,324	47,068	53,108	
Gasoline ²⁾	GJ	155,117	156,159	160,716	142,845	
Diesel ²⁾	GJ	1,179	875	2,058	1,986	
Business Trips ²⁾	Airline (Domestic)	km	288,178	633,203	421,526	638,408
	Train	km	1,604,282	4,091,158	7,760,554	3,910,296
	Bus	km	586,555	610,748	2,035,109	1,100,591
Cash-in-Transit ³⁾	Diesel	liter	146,599	141,847	151,765	156,658
	LPG	liter	-	-	2,894	2,079
Purchase of Products and Services	Printing Paper ²⁾	kg	4,769,990	4,237,952	4,359,960	4,492,311
	Credit Cards ⁴⁾	Cards	10,723,045	10,527,178	10,360,369	9,640,796
	Savings Account ³⁾	Accounts	48,633,033	5,514,332	9,895,060	9,397,206
Capital Goods ³⁾	Laptops	Laptops	146	73	0	7
	PC Desktop	Desktops	1,540	4,027	3,755	5,919
	Monitors	Monitors	963	2,599	3,415	4,851
	Printers	Printers	1,209	856	973	448
	LEDLights ⁹⁾	Lights	7,126	16,454	13,281	6,659
Waste	Credit Cards ⁴⁾	kg	53,615	52,636	49,830	48,204
	Savings Accounts ³⁾	kg	855,121	103,846	180,090	171,029
	General Waste (Incinerated) ⁵⁾	kg	319,000	290,300	297,338	334,000
	Recycled Waste (Paper) ⁶⁾	kg	185,000	171,365	216,734	187,996
	Recycled Waste (Styrofoam) ⁶⁾	kg	10,000	0	0	2,500
	Recycled Waste (Glass) ⁶⁾	kg	11,000	10,800	8,250	15,700
	Recycled Waste (Cans) ⁶⁾	kg	300	486	591	682
Water	Recycled Waste (Plastic) ⁶⁾	kg	4,000	5,696	5,444	7,252
	Waterworks ⁷⁾	m ³	210,541	186,562	236,098	195,745
	Underground Water ⁸⁾	m ³	67,943	63,321	58,170	64,970

1) Amount adjusted from 2015 to which the guideline for low-carbon events of KEIR and the Ministry of Environment and the coefficient of unit conversion have been applied

2) 7 Group affiliates except Jeju Bank

3) Shinhan Bank

4) Shinhan Card

5) Shinhan Bank, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan Capital, Jeju Bank

6) Shinhan Bank (Headquarters)

7) Shinhan Financial Holding Company, Shinhan Bank (Headquarters, Gwanggyo Building, 100th Anniversary Center), Shinhan Card (Yeoksam Building, Dongsan Building), Shinhan Investment Corp. (Headquarters and 3 Branches), Shinhan BNP Paribas Asset Management (Headquarters), Shinhan Capital (Headquarters), Jeju Bank (Headquarters and 18 Branches)

8) Shinhan Bank (Headquarters), Shinhan Investment Corp. (Headquarters)

9) Conversion Based on 50W Standard

Page Usage¹⁾

Category	Unit	2013	2014	2015	2016
Total Paper Usage ²⁾	ton	995.3	812.9	849.8	764.7

1) Amount was adjusted by a change in collection method for data in 2015

2) Calculation Standard: 1 Sheet of A4 = 4.7g, 1 Box of A4 = 11.7kg

Water Usage

Category	Unit	2013	2014	2015	2016
Waterworks	m ³	210,541	186,562	236,098	195,745
Underground Water	m ³	67,943	63,321	58,170	64,970

Amount of Greenhouse Gas Emissions¹⁾

Category	Unit	2013	2014	2015	2016	
Scope 1 ²⁾	tCO ₂ eq	17,957	17,972	17,793	16,732	
Scope 2 ²⁾	tCO ₂ eq	88,016	85,861	84,488	81,858	
Business Trips ²⁾	Airline (Domestic)	tCO ₂ eq	108	94.98	73.45	95.76
	Train	tCO ₂ eq		122.73	233.69	117.31
	Bus	tCO ₂ eq		16.92	48.66	30.49
Cash-in-Transit ³⁾	Diesel	tCO ₂ eq	388	371.5	396.98	409.77
	LPG	tCO ₂ eq	-	-	4.3	3.09
Purchase of Products and Services	Printing Paper ²⁾	tCO ₂ eq	-	-	4,883.16	5,031.39
	Credit Cards ⁴⁾	tCO ₂ eq	-	-	11,800.33	11,800.33
	Savings Account ³⁾	tCO ₂ eq	-	-	201.7	191.55
Capital Goods ³⁾	Laptops	tCO ₂ eq	-	-	314.05	0.12
	PC Desktop	tCO ₂ eq	-	-		180.53
	Monitors	tCO ₂ eq	-	-		79.56
	Printers	tCO ₂ eq	-	-		66.08
	LEDLights ⁹⁾	tCO ₂ eq	-	-	415.55	226.41
Waste	Credit Cards ⁴⁾	tCO ₂ eq			121.73	113.28
	Savings Accounts ³⁾	tCO ₂ eq			4.34	4.12
	General Waste (Incinerated) ⁵⁾	tCO ₂ eq	39.24	35.71	36.57	41.08
	Recycled Waste (Paper) ⁶⁾	tCO ₂ eq	22.20	20.56	26.01	22.56
	Recycled Waste (Styrofoam) ⁶⁾	tCO ₂ eq	0.19	-	-	0.05
	Recycled Waste (Glass) ⁶⁾	tCO ₂ eq	1.08	1.06	0.81	1.54
	Recycled Waste (Cans) ⁶⁾	tCO ₂ eq	0.01	0.01	0.01	0.01
	Recycled Waste (Plastic) ⁶⁾	tCO ₂ eq	0.07	0.11	0.10	0.13
Water	Waterworks ⁷⁾	tCO ₂ eq	70.1	61.94	91.15	64.99
	Underground Water ⁸⁾	tCO ₂ eq		21.02		21.57

1) Amount adjusted according to data calculation elaboration from 2014 and 2015 to which the guideline for low-carbon events of KEIR and the Ministry of Environment and the coefficient of unit conversion have been applied

2) 7 Group affiliates except Jeju Bank

3) Shinhan Bank

4) Shinhan Card

5) Shinhan Bank, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan Capital, Jeju Bank

6) Shinhan Bank (Headquarters), Styrofoam was calculated based on plastic waste coefficient

7) Shinhan Financial Holding Company, Shinhan Bank (Headquarters, Gwanggyo Building, 100th Anniversary Center), Shinhan Card (Yeoksam Building, Dongsan Building), Shinhan Investment Corp. (Headquarters and 3 Branches), Shinhan BNP Paribas Asset Management (Headquarters), Shinhan Capital (Headquarters), Jeju Bank (Headquarters and 18 Branches)

8) Shinhan Bank (Headquarters), Shinhan Investment Corp. (Headquarters)

9) Conversion Based on 50W Standard

Waste

Category	Unit	2014	2015	2016
General Waste ¹⁾	ton	258.3	297.4	334
Recyclable Waste ²⁾	ton	188.3	231	214.1
	Paper	171.3	216.7	188
	Styrofoam	0	0	2.5
	Glass	10.8	8.3	15.7
	Cans	0.5	0.6	0.7
	Plastic	5.7	5.4	7.2

1) Shinhan Financial Holding Company (Headquarters), Shinhan Bank (Headquarters), Shinhan Investment Corp. (Headquarters), Shinhan Life Insurance (Headquarters), Shinhan BNP Paribas Asset Management (Headquarters), Shinhan Capital (Headquarters), Jeju Bank (Headquarters and Branches)

2) Shinhan Bank (Headquarters)

Environmental Investment

Category	Unit	2014	2015	2016
Environmental Investment Amount ¹⁾	Billion KRW	7	6	6

1) LED Lightbulb Replacement Costs and Green Certified IT Products

Economic Value

Operating Profit

Category	Unit	2012	2013	2014	2015	2016
Sales	Billion KRW	29,795.7	28,574.1	27,551.7	30,674.5	31,989.7
Pre-tax Profit	Billion KRW	3,228.6	2,676.6	2,867.6	3,140.6	3,170.5
Net Profit ¹⁾	Billion KRW	2,320.3	1,898.6	2,081.1	2,367.2	2,774.8

1) Based on Shares of Controlling Company

Distribution of Economic Value

Category	Unit	2012	2013	2014	2015	2016	
Shareholders/Investors	Dividends and Interests	Billion KRW	7,412.7	6,356.6	5,783.1	5,067.7	4,718.5
Employees	Payroll	Billion KRW	1,641.1	1,698.9	1,750.9	1,833.9	1,827.0
	Benefits	Billion KRW	587.5	631.9	724.3	644.3	688.5
Government	Corporate Tax	Billion KRW	738.2	621.2	668	694.6	345.6
Local Communities	Investment into Local Communities	Billion KRW	125.8	131.3	61.4	81.1	49.4
Partner Companies	Purchases and Services	Billion KRW	1,537.2	1,605.0	1,410.2	1,548.9	1,452.8

Trade Association Contribution

Category	Unit	2013	2014	2015	2016
Korea Federation of Banks	Million KRW	1,299	1,346	1,323	2,437
The Credit Finance Association (Card)	Million KRW	1,400	1,368	1,370	1,360
Korea Financial Investment Association	Million KRW	2,207	1,710	1,780	1,765
Korea Life Insurance Association	Million KRW	557	510	622	671

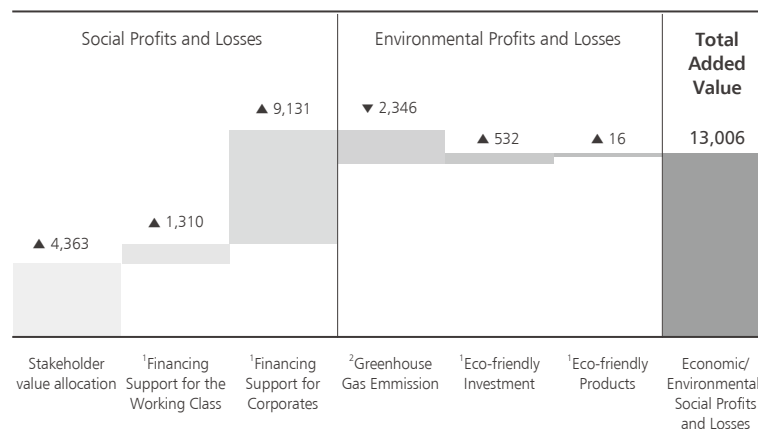
Corporate Tax by Country

Category	Unit	2015			2016		
		Sales	Operating Profit	Corporate Tax	Sales	Operating Profit	Corporate Tax
Domestic	Billion KRW	29,891.8	2,727.9	633.9	31,018.8	2,876.1	284
Japan	Billion KRW	141.1	49.7	17	169.8	72	23.1
China	Billion KRW	200.2	15.6	4.1	230.1	12.8	4.1
Overseas	Billion KRW	125.9	74.7	18	148.8	62.8	12.6
Vietnam	Billion KRW	78.3	20.6	5.5	91.7	29.1	10.3
US	Billion KRW	237.1	84.7	16.1	330.5	55.9	11.4
Other	Billion KRW						
Total ¹⁾	Billion KRW	30,674.5	2,973.1	694.6	31,989.7	3,108.6	345.6

1) Consolidated

Evaluation of Social and Environmental Profits and Losses

Shinhan Financial Group conducts financial evaluations on social and environmental gains and losses in order to confirm major external effects from financial products and services.







1. Direct financial support amount base

2. Greenhouse gas emission trading price base (As of May 2017)

Shinhan Financial Group Policy

UN Global Compact

Shinhan Bank joined the UN Global Compact in May of 2008 to reflect international standards regarding sustainable management into its policies and to showcase its desire to promote socially responsible management at home and abroad. We will lead the way for a healthy financing culture based on compliance with the 10 principles in the 4 areas of human rights, labor, environment, and anti-corruption and disclose our performance and progress in a transparent manner.

Principles		Activities
 <p>Human Rights</p>	<p>Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2 : make sure that they are not complicit in the abuse of human rights.</p>	<ul style="list-style-type: none"> •Enactment and posting of the human rights declaration, •Education on the protection of human rights, •Operation of the distress consultation channel, •Activities to prevent sexual harassment and rudeness at the workplace, etc.
 <p>Labour Standards</p>	<p>Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4 : the elimination of all forms of forced and compulsory labor;</p> <p>Principle 5 : the effective abolition of child labor; and</p> <p>Principle 6 : the elimination of discrimination in respect to employment and occupation.</p>	<ul style="list-style-type: none"> •Assuring labor union activity, •Prohibiting child labor and forced labor in accordance with the law, •Practicing the personnel policy of not allowing discrimination in the cases of employment, rewarding, and evaluations, etc.
 <p>Environment</p>	<p>Principle 7 : Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8 : Undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9 : Encourage the development and diffusion of environment-friendly technologies.</p>	<ul style="list-style-type: none"> •Development of environment-friendly financial products and services, •Constructing an environmental management system, •Signing the Global Investor Statements on Climate Change, •Encouraging affiliates to conduct the Environment-friendly management, and participation in CDP, etc.
 <p>Anti-Corruption</p>	<p>Principle 10 : Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<ul style="list-style-type: none"> •The enactment and implementation of the Shinhan Financial Group's Code of Ethics, •Operation of the fair trade compliance program, •Ethical Practice Oath, etc.

Shinhan Financial Group Environmental Management Standards

Shinhan Financial Group (Hereby referred to as 'the group') recognizes that environmental issue is a factor that has significant impact on sustainable development of a company and promotes minimization of greenhouse gas emissions through efficient usage of resources and energy, operation of green financial products to support green industries and green lifestyles, and reinforcement of green communication with stakeholders.

Efficient usage of resources and minimization of greenhouse gas emissions

Efficient usage of resources and energy

Introduce and operate a systematic management system for efficient usage of energy and resources necessary for the group's management and make efforts to advance performances through continued improvement activities.

Decrease of greenhouse gas emissions

Systematically manage the greenhouse gas emissions coming from usage of resources and energy and promote investments and campaigns to decrease greenhouse gas emissions.

Considering the environmental efficiency of products and facilities

Purchase more green products(Environment mark, GR mark, high energy efficiency products, etc.) that have less environmental effect and use high energy efficiency materials when constructing new facilities or additional facilities.

Development and support for green financial products

Financing support for green companies

Reflect environment related factors and lower the interest rate for companies that have earned certifications related to green energy, low carbon and high-efficiency new growth industry, and environmental management while also developing green financial products that provide benefits such as lower commissions to support them and refrain from providing financing support that can harm the environment.

Financing support for green consumers

Develop green financial products that can provide practical benefits to support customers of financial products such as checking/savings account, cards, insurance, and other financial products which increase the efficiency of resources and energy and contribute to environmental improvement.

Expansion of investment in green industry

Actively invest in national and civilian businesses for low carbon green growth to faithfully fulfill the role as a financial institution that secures new growth engine for the nation.

Reinforcement of green communication

Reinforcement of green management capability for employees

The management should provide education and training to reinforce green management capability for all employees and ensure that regular communication takes place regarding environmental management issues.

Reinforcement of green partnership with partner company

Provide support for the program to reinforce environmental management capability of partner companies that directly and indirectly affect the group subsidiaries in terms of environmental management performance and establish and operate a system for green supply chain management.

Disclosure of environmental management performance and cooperation with external parties

Disclose the group's environmental management performance to stakeholders based on objective information by systematically managing the environmental management information and actively participate in partnership programs and support projects in cooperation with external parties to fulfill corporate social responsibility.

Determining the demands of stakeholders and response to demands

Determine the issues within and outside of the group regarding the environmental and energy management along with the demands and expectations of stakeholders and carry out activities for improvement.

Proxy Balloting Guideline of Shinhan BNP Paribas Asset Management

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

<p>Relationship with laborers</p>	<ul style="list-style-type: none"> • Vote for shareholders' suggestions which require the company to report the efforts of the management board in improving or maintaining the quality of work by measuring safety, quality, etc., of working sites. • In general, vote against personnel restructuring conducted for short-term increase in stock price and not for long-term improvement in competitiveness. • Vote against suggestions that make discriminations in employment based on age, physical condition, or gender without considering individual capabilities or qualifications.
<p>Social Issues</p>	<p>Politics and Voluntary Donations</p> <ul style="list-style-type: none"> • Vote for shareholders' resolutions that prohibit the company from engaging in lobbying or political donations that goes against the interests of shareholders or other stakeholders. • Vote against suggestions that prohibit the company from engaging in all forms of political donations. Since corporations are affected by legislation, decree, and rules, prohibiting political donations may put the company at a disadvantage among competition. • Vote for suggestions that prohibit the company from engaging in confidential political donations. Also, vote for suggestions, which disclose the amount and recipient of political donations on parties, election candidates, and political campaigns. • Vote against suggestions, which limit voluntary donations by the company. • Vote for suggestions, which require the company to make policies and regulations for eliminating bribery and corruption. <hr/> <p>Installation of Branches and Fair Customer Service</p> <ul style="list-style-type: none"> • Vote for shareholders' suggestions that require that consumers in all areas under the influence of the company's business shall receive equal benefit on products and services. • Vote by issues on shareholders' suggestions that require the company to provide services to regions with regressive services. <hr/> <p>Product Liabilities</p> <ul style="list-style-type: none"> • Vote for shareholders' suggestions that require the company to disclose potential risks of products and services produced by the company.
<p>Environmental Issues</p>	<ul style="list-style-type: none"> • Vote for shareholders' suggestions that require the company to disclose its environmental effects, especially the effects of corporate management and the products on the environment. • Vote for shareholders' suggestions that demand decrease of corporate behavior producing negative environmental effect or threatening biological diversity in regions with high ecological sensitivity. • Vote for shareholders' suggestions which demand disclosure of the company's efforts and policies for environmental protection, risk of public health caused by environmental pollution and corporate management, and amount of compensation that the company has to pay due to environmental damage. • Vote for shareholders' suggestions, which require the company to disclose its efforts on recycling or to adopt official policies on recycling. • Vote for shareholders' suggestions, which recommend the company to adopt environmental protection standards corresponding to industrial characteristics of the company. • Vote for shareholders' suggestions which demand the company to disclose the amount of compensation paid for smoke emissions which causes a greenhouse effect and for effects on climate change, and to disclose the measures and researches conducted for reducing smoke. • Suggestions on other environmental problems
<p>International Relations and Issues on Human Rights</p>	<ul style="list-style-type: none"> • Vote for shareholders' suggestions, which require the company to introduce, follow, and disclose the outcome of international standards on human rights.

GRI STANDARDS INDEX

Topic	Disclosure		Pages / References	Omissions / Comments
	No.	Title		
Organizational Profile				
	102-1	Name of the organization	Cover	
	102-2	Activities, brands, products, and services	02 ~ 03	
	102-3	Location of headquarters	Cover	
	102-4	Location of operations	Annual report(60 ~ 61)	
	102-5	Ownership and legal form	Cover	
	102-6	Markets served	Annual report(53)	
	102-7	Scale of the organization	60, 66, Annual report(22 ~ 23)	
	102-8	Information on employees and other workers	60	
	102-9	Supply chain	48	
	102-10	Significant changes to the organization and its supply chain	GRI STANDARDS INDEX	No major changes
	102-11	Precautionary Principle or approach	54	
	102-12	External initiatives	5, 10 ~ 17	
	101-13	Membership of associations	5	
Strategy				
	102-14	Statement from senior decision-maker	4~5	
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Governance				
	102-18	Governance structure	Annual report on governance structure(12, 130~131)	
Stakeholder Engagement				
	102-40	List of stakeholder groups	7	
	102-41	Collective bargaining agreements	60	
	102-42	Identifying and selecting stakeholders	7	
	102-43	Approach to stakeholder engagement	7	
	102-44	Key topics and concerns raised	7	
Reporting practice				
	102-45	Entities included in the consolidated financial statements	Annual report(53)	
	102-46	Defining report content and topic Boundaries	9	
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	102-49	Changes in reporting	8 ~ 9	
	102-50	Reporting period	74	
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	102-55	GRI content index	70 ~ 71	
	102-56	External assurance	72 ~ 73	

* Annual report: www.shinhangroup.com/kr/invest/main.jsp

Homepage: <http://www.shinhangroup.com/en/etc/ethics.jsp>

Annual report on governance structure: www.shinhangroup.com/kr/governance/board_notice1.jsp

Public announcement regarding management: www.shinhangroup.com/kr/invest/filing/manage_filing_1.jsp

Topic	Disclosure		Pages / References	Omissions / Comments
	No.	Title		
Economic Performance				
	103	Management Approach	6 ~ 9, 19	
	201-1	Direct economic value generated and distributed	66, Public announcement regarding management (160 ~ 161)	
	201-2	Financial implications and other risks and opportunities due to climate change	50 ~ 57	
Indirect Economic Impacts				
	103	Management Approach	6 ~ 9, 34	
	203-1	Infrastructure investments and services supported	34 ~ 39, Public announcement regarding management(160 ~ 161)	
Anti-corruption				
	103	Management Approach	6 ~ 9, 24	
	205-2	Communication and training about anti-corruption policies and procedures	25, 61	Subject of Corruption Risk Assessment: Based on 8 Groups' Sales Volume 99.68%
Energy				
	103	Management Approach	6 ~ 9, 55	
	302-1	Energy consumption within the organization	64	
	302-2	Energy consumption outside of the organization	64	
Emissions				
	103	Management Approach	6 ~ 9, 55	
	305-1	Direct (Scope 1) GHG emissions	65	
	305-2	Energy indirect (Scope 2) GHG emissions	65	
	305-3	Other indirect (Scope 3) GHG emissions	65	
Training and Education				
	103	Management Approach	6 ~ 9, 30 ~ 31	
	404-2	Programs for upgrading employee skills and transition assistance programs	32 ~ 33	
	404-3	Percentage of employees receiving regular performance and career development reviews	60	
Diversity and Equal Opportunity				
	103	Management Approach	6 ~ 9, 17	
	405-1	Diversity of governance bodies and employees	32, Annual report on governance structure(10 ~ 11)	
Non-Discrimination				
	103	Management Approach	6 ~ 9, 17	
	406-1	Incidents of discrimination and corrective actions taken	GRI STANDARDS INDEX	No cases of discrimination
Customer Privacy				
	103	Management Approach	6 ~ 9, 16	
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI STANDARDS INDEX	No cases of violations

INDEPENDENT ASSURANCE STATEMENT

Introduction

Shinhan Financial Group commissioned DNV GL Business Assurance Korea Ltd. (hereinafter referred to as "DNV GL"), part of DNV GL Group, to undertake independent assurance of the 'Shinhan Financial Group CSR Report 2016' (the "Report"). The assurance engagement is based on the assumption that the data and information provided to DNV GL are complete, sufficient and authentic.

Scope of Assurance

The assurance engagement of DNV GL is limited to data in 2016. The assurance engagement includes :

- Evaluation of the Report for the adherence to the principles for defining report contents and the principles for defining report quality set forth in GRI Standards
- Evaluation of the process for determining material aspects and management approach to material issues, and process of generating, gathering, and managing qualitative and quantitative data
- Review of process for specific sustainability data gathering

Verification Method

We performed our work based on DNV GL's assurance methodology VeriSustain^{TM1}, which is based on our professional experience, and international assurance best practices including International Standard on Assurance Engagements 3000 (ISAE 3000). We provide a limited level of assurance over non-financial disclosure presented in the Report. The audit was carried out in April and May 2017. The site visits were made to Headquarters of Shinhan Financial Group in Seoul, Korea. The assurance engagement was conducted in the following method based on sampling.

- Challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls
- Interviewed representatives from the various departments
- Conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system as they relate to selected content and performance data
- Reviewed the outcomes of the materiality assessment
- Assessment of compliance with reporting principles (for some specific indicators, including verification of performance)

1) The VeriSustain protocol is available upon request at DNV GL's website (www.dnvgl.com/assurance/reporting/verification.html)

Limitation

The engagement excludes the sustainability management, performance and reporting practices of Shinhan Financial Group's other subsidiaries, associated companies, suppliers, contractors and any third-parties mentioned in the Report except Shinhan Financial Holding Company and its 7 subsidiaries (Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank). DNV GL did not interview external stakeholders as part of this Assurance Engagement. Financial statements of Shinhan Financial Holding Company, data announced on DART system of the Financial Supervisory Service(<http://dart.fss.or.kr>), and data on the websites of Shinhan Financial Holding Company and its 7 subsidiaries subject to assurance are not included in the scope of assurance. Data assurance was conducted by checking the basis in a limited scope, including inquiry, analysis, and limited sampling method, on the data collected by Shinhan Financial Group. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. Also, environmental and social data were verified using the aggregated data. The responsibility of DNV GL in performing the assurance work is to the management of Shinhan Financial Group in accordance with the terms of reference. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe the adherence to the Principles for defining report content in GRI Standards nor is prepared 'in accordance' with GRI Standards Core option. In terms of reliability of performance data, there was no evidence to conclude that the data that have been sampled and verified were collected and processed inappropriately, and that the assumptions made were inappropriate. Further opinions with regards to the adherence to the following Principles are made below;

Stakeholder Inclusiveness | Shinhan Financial Group has identified internal and external stakeholder groups including customers, business partners, local communities, NGOs, shareholders and investors, employees, and state authorities. Shinhan Financial Group engages with selected stakeholders. The examples of engagement approaches, major expectations and concerns from stakeholder groups and Shinhan Financial Group's corresponding responses are described in the Report.

Sustainability Context | The agenda derived from materiality assessment is reflected in the 2020 CSR strategy and implement tasks. It is recommended that the CSR strategy should be implemented in a way that provides optimal results to economic, environmental and social sustainable development at national and international levels and its performances need to be reported in the context of sustainability.

Materiality | Shinhan Financial Group conducted materiality assessment while preparing the Report. Various issues have been derived by analyzing the topics presented by various global initiatives and standards, key stakeholder expectations, industry issues based on macro trend, sustainability reports of competitors, and media reports on Shinhan Financial Group in 2016. Afterwards, evaluation for prioritizing the selected issues was conducted to select significant issues. The audit team well noted that the agenda derived from the materiality assessment was used to establish the 2020 CSR strategy and implementation tasks and targets. The audit team confirmed that the material aspects determined by the materiality assessment, the boundary of material aspects, and the response to those aspects are also reflected in the report.

Completeness | The report provides stakeholders with information on the results and decisions of the organization within the scope of reporting on key sustainability issues during the reporting period. The audit team has not noted that the material information is intentionally omitted that may influence the decision making process of stakeholders during the engagement.

Accuracy and Reliability | The audit team verified the accuracy and reliability of the data and information in the report through sampling and did not identify any intentional errors or misleading descriptions. The data provided in the report was gathered from subsidiaries of Shinhan Financial Group and processed by headquarters to meet the purpose. The audit team conducted interviews with the personnel, reviewed the process of gathering and processing data and information, and confirmed the supporting documents and records. The depth of verification of data is limited to the input data of each subsidiary.

Disclosure of Management Approach | Shinhan Financial Group provides management approaches to the reported material issues derived from materiality assessment and describes the importance of the issues and the activities to manage issues.

Findings in relation to specific sustainability performance information | In addition to evaluating the reporting principles for the Shinhan Financial Group report as described above, DNV GL evaluated the reliability of data and information about specific performance indicators (water consumption, waste volume, business travel distance, occupational accident rate). The data provided in the report was gathered from subsidiaries of Shinhan Financial Group and processed by headquarters to meet the purpose. DNV GL interviewed the personnel responsible, reviewed the process of gathering and processing data and information, and confirmed the supporting documents and records. The depth of data assurance is limited to data input by each subsidiary. Shinhan Financial Group has developed and applied a system of collecting and processing specific information and data announced through reports. The personnel responsible for the data is able to demonstrate the tracing of the origin and interpretation of the data in a reliable manner. Therefore, as a result of analyzing and evaluating the generation process of specific information and data of Shinhan Financial Group, the audit team confirmed that the above information and data that have been announced are results of stable and repetitive activities. It is recommended to get baseline data generated by respective subsidiaries verified in order to improve accuracy and reliability of the original data.

Competence and Independence

DNV GL Business Assurance is part of DNV GL Group and a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. Our environmental and social assurance specialists are present in over 100 countries. The assurance work was performed by independent team which meets DNV GL's competence requirements. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. The audit team has complied with DNV GL Code of Ethics during the assurance engagement.

2 June 2017
Seoul, Korea



Ahn In-Kyoon

Country Representative
DNV GL Business Assurance Korea Ltd.

ABOUT THIS REPORT

This report complies with Sustainability Reporting Guidelines of GRI (Global Reporting Initiatives), and fulfills the conditions in accordance with the Core Option. The financial information included in this report follows the Korean International Financial Reporting Standards (K-IFRS), which use the unit of the Korean Won (KRW, ₩).

Reference Standards

This report reports on the establishment and activity of SDGs based on corporate behavior guidelines regarding SDGs and their performance along with their progress on human rights activities based on UNGP (UN Guiding Principles on Business and Human Rights).

Reporting Period and Scope

The reporting period of this report is from January 1st, 2016 to December 31st, 2016. Some qualitative activities and results from 2017 have also been included. For identifying trends, data for the previous 2~5 years have been reported. The scope of report includes 8 group affiliates of Shinhan Financial Holding Company, Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance, Shinhan BNP Paribas Asset Management, Shinhan Capital, and Jeju Bank, which amount to 99.68% of all group affiliates in terms of sales volume. In order to minimize the confusion of readers, separate explanations are given for issues requiring attention on the scope of reporting, and abbreviations of the company names are used for reader's convenience.

Reliability of the Report

To improve the reliability of the report, it went through a verification process according to VeriSustain^{TM1}, a CSR report verification protocol of the global verification institute DNV GL, which reflects international verification standards including ISAE3000 published by IAASB (International Auditing and Assurance Standards Board).

SHINHAN FINANCIAL GROUP
CSR REPORT 2016



The report uses eco-friendly paper with FSC (Forest Stewardship Council) certification, which is given only to products using pulp produced in forests under eco-friendly development and management. Also, the paper is printed using an environment-friendly non-alcoholic printing method utilizing solvent-less vegetable type ink in consideration of mankind and the environment.

Postal code 04513
20, Sejong-daero 9-gil, Jung-gu, Seoul, Korea

www.shinhangroup.com