

SHINHAN FINANCIAL GROUP CSR REPORT 2018

Climate Change

Stakeholder Engagement

Women Empowerment

Responsible Investment

ESG Risk Management

Human Rights

Ethics and Governance

Shinhan Financial Group CSR Framework

Shinhan Financial Group set up the 2020 CSR strategies based on corporate social responsibility issues and the participation of stakeholders and has consequently established brilliant social responsibility outcomes and leading global practices.

STEP 1. Identification of CSR Issues

Omnidirectional issue identification spanning from economic, social, environmental factors to business areas such as financial and competitive factors as well as political/geopolitical factor is a prerequisite for a thorough discovery of a range of CSR issues in and out of the Group.



STEP 2. Stakeholder Participation

Shinhan Financial Group listens to a range of opinions from key stakeholders including customers, partner companies, shareholders and investors, local community, government/academia, executives and employees, etc, on countermeasures to different CSR management issues, future goals and directions to pursue and more.



STEP 3. Establishment of the 2020 CSR Strategies

Shinhan Financial Group brings its CSR goals into fruition based on three targets, six strategic directions, and ten strategic goals.



Step 4. Establish a Leading Global Practice

The preemptive implementation of the global initiatives by Shinhan Financial Group raises the level of its CSR management practices to meet the global standards.

<p>1. Innovative growth project</p> <ul style="list-style-type: none"> Invest KRW 1.7 trillion in productive finance 	<p>2. Enactment of the Principles for Responsible Banking</p> <ul style="list-style-type: none"> Co-signatory bank of the UNEP Finance Initiative's Principles for Responsible Banking 	<p>3. Announcement of the ECO Transformation 20-20'</p> <ul style="list-style-type: none"> Loan and/or invest in KRW 20 trillion in the Low Carbon Green Industry Reduce GHG emissions by 20% 	<p>4. Disclosure on Financial Impact of Climate Change (TCFD)</p> <ul style="list-style-type: none"> Signed up to champion the TCFD recommendations Took part in the 2nd pilot program for financial institutions 	<p>5. Cultivating female Leaders</p> <ul style="list-style-type: none"> Launch a female leader cultivation program, "Shinhan SHeroes" Set up principles to nurture female talent, R.O.S.E Principles
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“Different Approaches to Finance, Benefiting the World”

Shinhan Financial Group’s Commitment to a sustainable Future

As a pioneer blazing new trails in Korean Finance, Shinhan Financial Group was established in 2001 and has become the first private financial company in Korea that succeeded in broadening its scale and areas of expertise, while positioning itself as a leading Korean financial group with a business portfolio that is balanced between banking and non-banking businesses. Our mission, “Compassionate Finance, Your Companion for the Future” encapsulates the mutual virtuous cycles in which the value of “customers,” “Shinhan” and “society” all grow together. Building on this mission, Shinhan Financial Group is committed to running its business under the principle of CSV (Creating Shared Value) management.

In order to firmly support ordinary people and SMEs, we will enhance our inclusive and productive financial support and ensure the environmental/social sustainability of financial support projects to attain accountable finance while assuming a leading role in responsible management by contributing to the revitalization of green finance with investments in new and renewable energy and environmental industries.

Shinhan Financial Group will continue to spread the message of heartwarming hope in which mutual growth and shared prosperity are attained by means of innovative financial practices by taking the initiative to realize future-oriented paradigm shifts.

Shinhan Financial Group’s Sustainability Management Performance

Rating Agency	2018 Performance
RobecoSAM	Included in DJSI World for 6 years in a row DJSI Asia Pacific Korea for 10 years running
Global 100	Included in the Global 100 for 7 years running Selected as a top 9 business in the world and number 1 in Asia, ranked as the number 2 financial company in the world
CDP	Entered the hall of fame Selected for the Carbon Management Honors club for 5 years running (Leadership A)
KCGS	Won an A+ rating for integrated ESG ratings for 4 years running
MSCI ESG	Secured an AA rating for 3 years running

This report was prepared based on GRI Standards, international standards for sustainability reporting, and abides by recommendations for public disclosure by TCFD and reporting principles based on the principles for responsible banking. For details on its governance structure, please refer to the “2018 Annual Report on Governance Structure and Salary System” and “Annual Report” posted on our official website.



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CEO Message



Since 2017, Shinhan Financial Group diverted all our energy towards accelerating the implementation of the “2020 SMART Project” with a view to make our “Leap to a Leading Asian Financial Group.” Last year, we secured tangible outcomes under the four directions including “Balanced growth,” “Accelerating Glocalization,” “Digital Transformation,” and “Upholding the Shinhan Culture.”

First, we’ve maximized group values with balanced growth. We’ve attained solid, organic development in all facets of management such as banking-nonbanking, interest income – non-interest income, and management performed online and offline. At the same time, various forms of inorganic growth were also attained as evident in the acquisition of Orange Life/Asia Trust, in the domestic market and the M&A of ANZ Retail/Prudential Vietnam Finance Company Limited in Vietnam, in the global market, thereby setting a cornerstone for a greater leap forward.

On the other hand, we’ve expedited the pace of glocalization. We’ve established a wide-reaching global network at 188 branches in a total of 20 countries by newly establishing Shinhan DS (Digital Solutions) Vietnam and Hong Kong GIB (Group & Global Investment Banking) and strongholds in Vietnam, Cambodia and Myanmar. Based on the network, we’ve achieved the highest global net incomes in Korea, suggesting new possibilities for Korean finance.

We’ve also made effort to elevate the Group to transform it into Digital Shinhan. While we founded “Shinhan Digital Campus” and run the “Shinhan Digital Innovation Institute” at the group level, we also established a unique mobile platform consisting of SOL/FAN/Shinhan Plus/Smart Loan Center, etc. to provide customers with excellent customer experiences.



Lastly, in line with upholding the Shinhan culture, we established the "Image of the Group's Managerial Leader" to foster future talents and CEOs and launched the "Shinhan SHeroes," the first program in the financial sector to nurture female leaders. In an attempt to actively respond to climate change and create a transformation into a low carbon economy, we have assumed a leadership role as a top financial group as evident in our proclamation and implementation of "Eco Transformation 20·20," an eco-friendly management vision, as well as the presentation of "Principles for Responsible Banking" for the sustainable management of the global financial industry at the Global Roundtable of the United Nations Environment Programme Finance Initiative (UNEP FI).



The year 2019 marks a significant milestone for the 2020 SMART Project to an extent that it demands even greater endeavors. Building on our competitive advantage, "One Shinhan," all our executives and employees will continue to make a concerted effort toward becoming a "Leading Financial Group in Asia."

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To do so, we will expand on the value creation of One Shinhan with an emphasis on the Matrix Business, which is central to the Group's capabilities, while at the same time, further enhance its strong point, or a balanced business portfolio with optimized post-acquisition integration after the acquisition of Orange Life and Asia Trust.

We will further the Group's Digital Transformation by attempting to achieve qualitative growth for our global business through the diversification of global investment, local assessments & risk system upgrades, and other moves, and actively respond to the specialized Internet banks that are gaining traction.

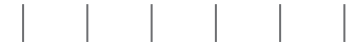
Finally, we will keep on striving to advance the ESG (Environmental, Social, Governance) sustainability management system based on our specialty, finance, in a bid towards embodying the mission of "Compassionate Finance, Your Companion for the Future" and to create a virtuous cycle of shared prosperity to elevate the value of customers, society and the nation on the two axes of the "Hope Society Project" and the "Innovative Growth Project."

We have been able to achieve such outstanding management performance and bring meaningful results socially responsible management practices through compassionate finance because of the solid trust and support from our customers, shareholders, and various stakeholders. I would like to take this opportunity to thank you on behalf of the executives and employees of Shinhan Financial Group.

This year, all our executives and employees will exert their utmost effort with the slogan 'Higher Vision, Innovative Shinhan!' We would be grateful for your continued patronage, interest and support.

Thank you.

Cho Yong-byoung
CEO, Shinhan Financial Group



CSR Track Record




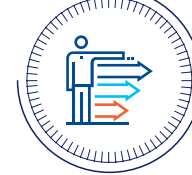
Compassionate Finance, Your Companion for the Future

Originated from Shinhan Bank's original motto at the time of its establishment, "be original, productive, and compassionate," "Compassionate Finance" constitutes the essence of Shinhan Culture and the backbone of Shinhan Financial Group's sustainability management strategies. With its mission to benefit the world with finance, Shinhan Financial Group is actualizing "Compassionate Finance for the future" that can enhance financial inclusiveness and value creation.



CSR Track Record >>

ESG Trends >>

<p>2005 Shinhan Bank, published a CSR report (the first of its kind in the financial sector)</p>	<p>2008 Joined 'UN Global Compact' and the UNEP Finance Initiative'</p>	<p>2009 Issued the Group's CSR report (the first in financial groups)</p>
 <p>2005</p>	 <p>2008</p>	 <p>2009</p>
		 <p>2009 Launched the sustainable management exchange initiative</p>



In 2005, Shinhan Bank published a Corporate Social Responsibility (CSR) Report for the first time in the Korean financial industry, reflecting its determination to take an industry lead in CSR management. In an effort to step up its CSR efforts to the group level, in 2009, the Group issued the first group-wide CSR report in Korea.

On the other hand, Shinhan Financial Group has been partaking in a major global sustainability management initiative as part of its endeavors to join the initiatives of international society to ensure sustainable development. Shinhan Bank and

Shinhan BNP Paribas Asset Management joined the Carbon Disclosure Project (CDP) in 2007 and 2008, respectively, and the Group followed suit in 2009 and jointly responded to CDP in terms of reporting on the short and long-term management strategies for relevant GHG gas emission info and issues. The Group was included in the Carbon Management Honors Club for five years in a row, obtaining a "Leadership A" rating from its CDP evaluation in 2019.

In addition, the Group joined the United Nations Environment Programme Finance Initiative (UNEP FI) in January 2008 with the aim to fulfill its role towards sustainable development. In May of the same year, it joined the UN Global Compact (a global initiative officially launched at the proposal by the former UN Secretary-General Kofi Annan in 2000), with an ongoing commitment to human rights, labor empowerment, the environment, and as part of efforts to prevent financial malfeasance and corruption.

2010
Established an integrated green management system



2010

2011
Made a 'Compassionate Finance' declaration



2011

2012
- Announced its plan to offer financial economic education
- Acquired ISO 5001 certificate



2012

2013
Selected as a member of Dow Jones Sustainability Indices (DJSI) World



2013

2014
- Set up 9 CSR strategies for the Group
- Announced 'Compassionate Finance, Your Companion for the Future' mission



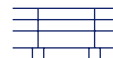
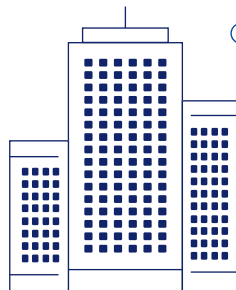
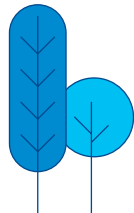
2014



2010
- Announced the ISO 26000
- Introduced the UK Stewardship Code
- The Legislation of the *Framework Act on Low Carbon, Green Growth*



2011
Disclosed the issuance of GRI (Global Reporting Initiative) G3.1



2014
Introduced Japan's Stewardship Code



The Group was first included in 2009 the Dow Jones Sustainability Index (DJSI) and subsequently ranked first in the Korean banking industry and was included in the Asia Pacific Index. In 2013, it became the first Korean Financial Group to be included in the DJSI World Index and has maintained its inclusion for six consecutive years through 2018. Against this backdrop, the Group set up the “9 CSR Strategies” in 2014 to systemically implement sustainability management in a more effective manner and to clearly put forward its CSR goals and direction in the fields of the economy, society, and the environment.

To ensure reasonable and objective decision making and the effective execution of CSR, Shinhan Financial Group founded a “CSR Committee,” the first of its kind in the domestic financial sector, under the umbrella of its Board of Directors in 2015. The CSR Committee consists of five directors, including a Chairman and CEO, and is responsible for resolving and deliberating the Group’s CSR directions, its enactment, review and abolition of relevant rules, policies and others.

On the other hand, Shinhan BNP Paribas Asset Management introduced a “Stewardship Code” in December 2017 to reinforce the voting scope and rights of its institutional investors in a bid to enhance the mid to long-term values of investees and to stay accountable for the greater performance of customers’ assets. In September 2018, the Group became the first Korean enterprise to offer its support of the Task Force on Climate-Related Financial Disclosure Recommendations, which makes up the guidelines for financial disclosures related to climate change, to disclose the impact of climate change and management directions in terms of governance, strategies, risk management, indices, etc.

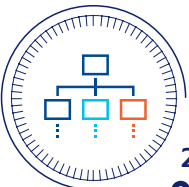
2015
Installed CSR Committee

2016
Obtained ISO 14001 certificate

2017
- Established the 2020 CSR Strategies
- Introduced the Stewardship Code (Asset Management)

2018
- ‘Principles for Responsible Banking’ launched by the UNEP FI
- Announced ‘ECO Transformation 2020’
- Became a signatory of the TCFD recommendations

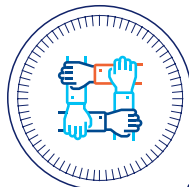
2019
2019 Selected for Bloomberg Gender Equality Index(GEI) (the first in the Korean companies)



2015



2016



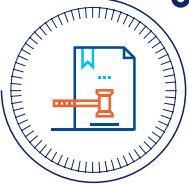
2017



2018



2019



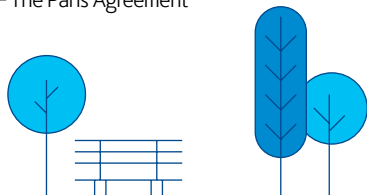
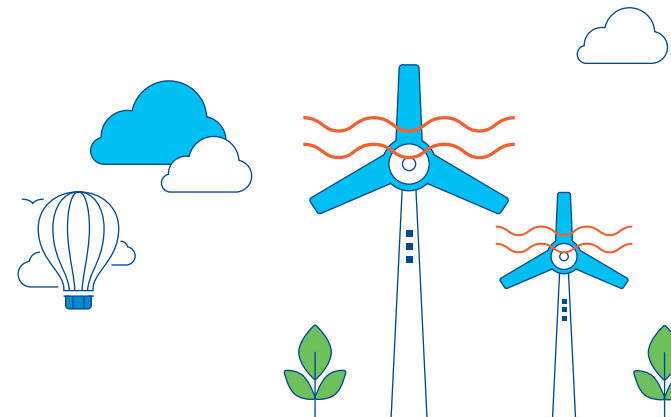
2015
- Revision of the National Pension Act
- Announcement of the UN Sustainable Development Goals (SDGs)
- The Paris Agreement



2016
Establishment of Korea’s Stewardship Code



2017
Announcement of the TCFD Recommendations

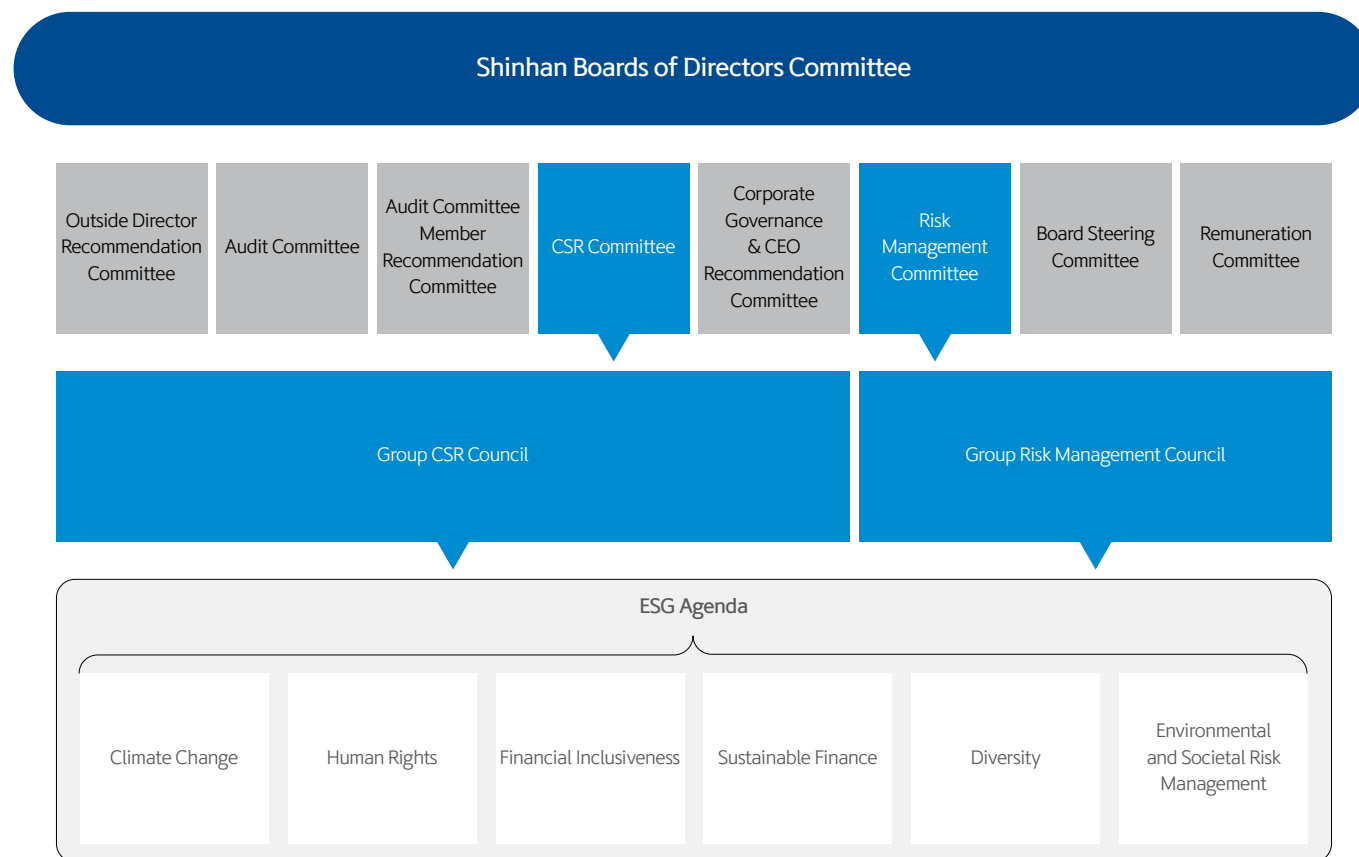




CSR Governance

Shinhan Financial Group introduced its CSR Committee in May 2015 as part of efforts to fulfill its social responsibility as a corporate citizen by proactively responding to demands from internal and external stakeholders including customers, shareholders and the local community and to fully realize its mission, "Compassionate Finance, Your Companion for the Future." CSR Committee involves itself in the discussions of key CSR (Corporate Social Responsibility) issues in the areas of the economy, environment, and society, and in determining the direction of CSR to be implemented by the Group. It deliberates and resolves the enactment, review and abolition of the rules, and policies related to the Group's CSR including climate change, human rights, financial inclusiveness, and sustainable finance, among others. Also, the company reports to the CSR committee on major issues over sustainability management such as the results of the CSR report, and stakeholders' interests.

CSR Governance



2020 CSR Strategies

To enhance the mid to long-term values of customers, society and shareholders, Shinhan Financial Group has set up “2020 CSR Strategies” in an attempt to proactively respond to a changing sustainability management environment. The strategies formulate the three pillars including “Responsible Growth,” “Social Partnerships” and “Investments for the Future” as well as six commitment strategies ranging from products to service to management. In a bid to successfully implement the commitment strategies, furthermore, it sets up yearly targets for strategic indicators, which are reflected in the individual company assessments and annually monitors its performance status.

Three Pillars

6 Commitments

UN SDGs

Shinhan, the Leading Financial Group in Asia

Responsible Growth

Provide solutions to enhance value for customers

Improve customer satisfaction with customer-oriented products, services and solutions
 Increase future customer values by offering products and services that match a changing environment such as digitalization and an aging society.

Fair and Ethical Business Practices

Provide customers with fair information based on ethical business practices
 Improve corporate reliability by protecting customers through such means as personal information protection

Social Partnerships

Increase Financial Inclusiveness

Contribute to the mutual growth of society as a whole with financial support for ordinary people and SMEs
 Offer financial services to more customers with the establishment of a financial accessibility platform

Establish a Creative and Open Corporate Culture

Maintain expertise by fostering executives and employees' capabilities, establish a flexible, creative corporate culture and smart working environment.

Investments for the Future

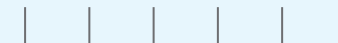
Carry out Corporate Social Responsibilities

Take the lead in bringing about positive changes over the society with responsible investments such as the provision of social/environmental solutions and information to clients.

Manage Environmental and Societal Risks

Attain a carbon neutral status through an active response to environmental changes and continued environmental efficiency management and to share the awareness of the significance of an environment with stakeholders.

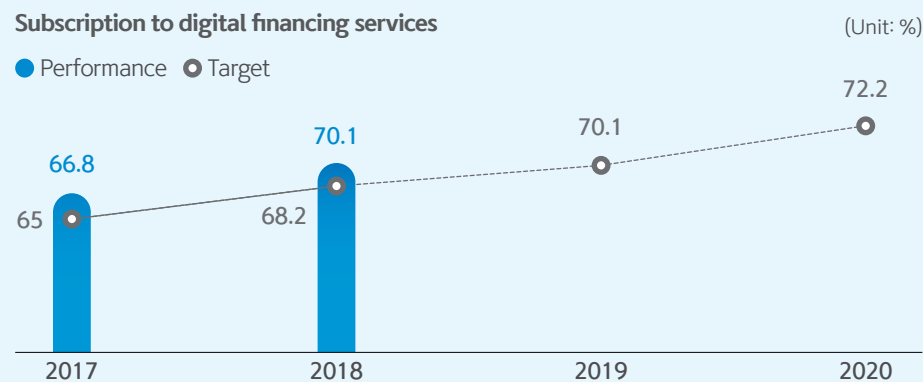
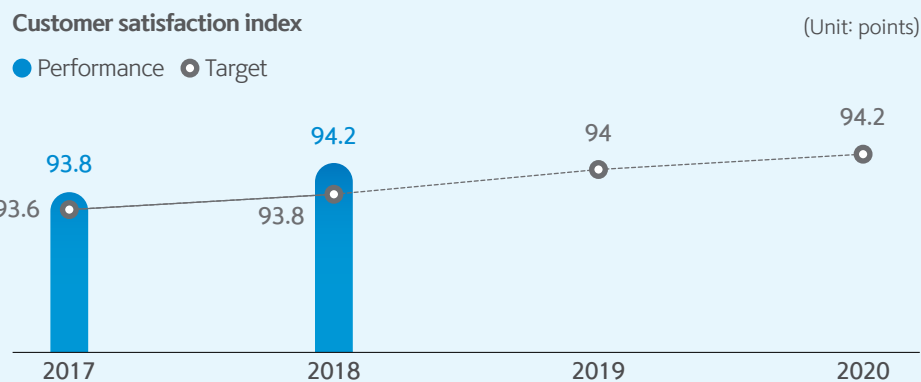


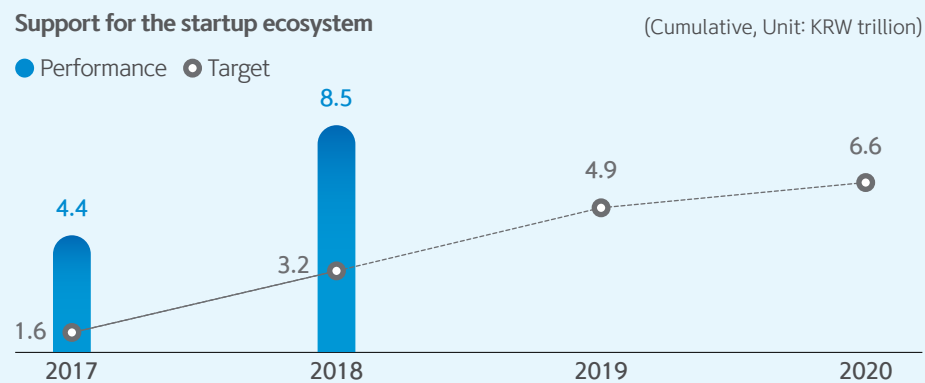
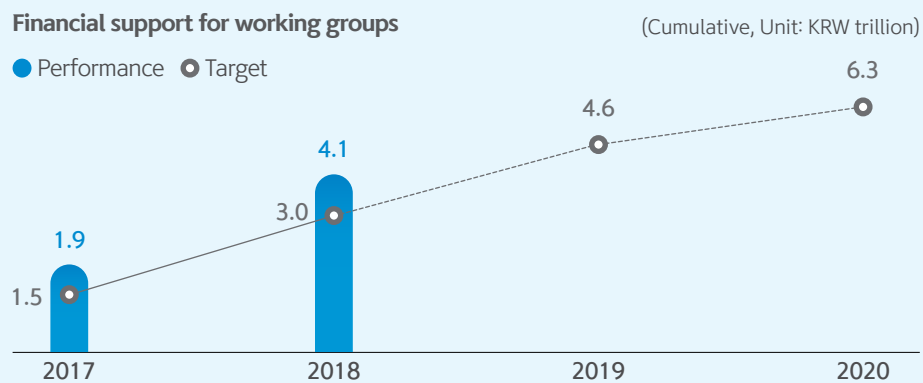
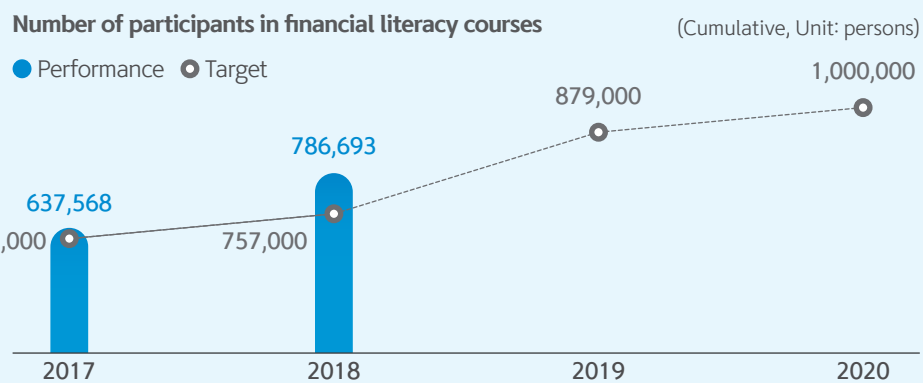
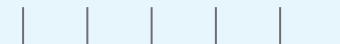


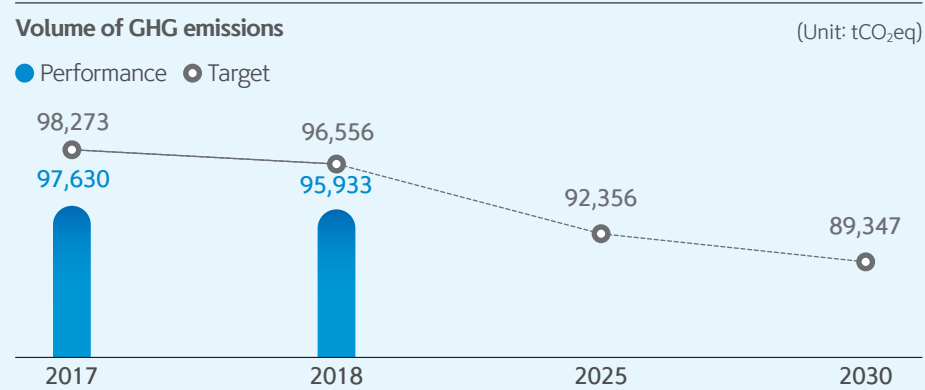
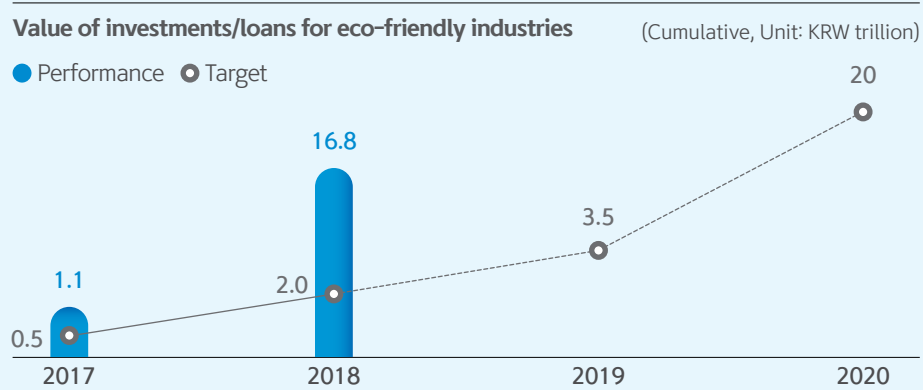
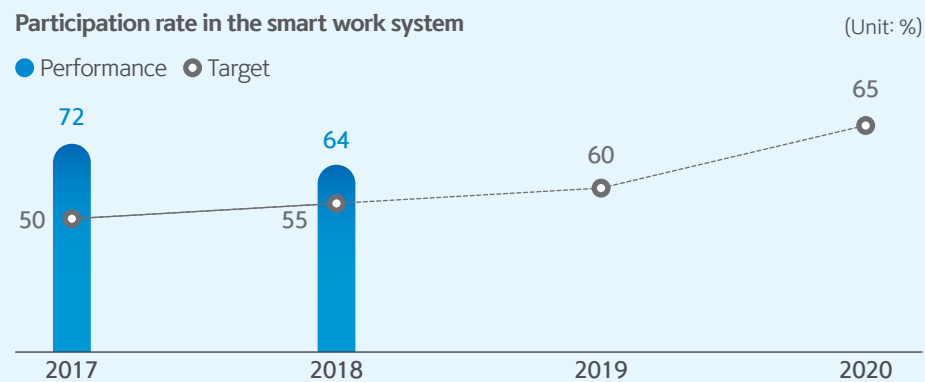
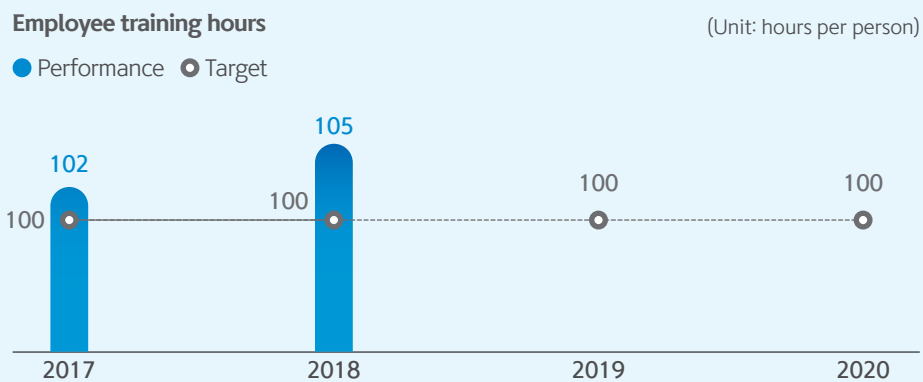
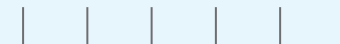
2020 CSR Dashboard

In 2017, Shinhan Financial Group has established 10 strategic indicators to effectively gauge the implementation status of mid to long-term CSR strategies, and has prepared yearly targets to achieve by 2020. The implementation performance is designed to be reflected in the evaluation system of annual management performance as the linchpin of mid to long-term execution.

Provide solutions to enhance customer values			Fair and ethical business practices	Increase financial inclusiveness	Establish a creative and open corporate culture		Carry out corporate social responsibilities	Manage environmental and societal risks	
① Customer satisfaction index	② Subscription to digital financing services	③ Number of participants in financial literacy courses	④ Percentage of employees receiving ethical behavior training and signing a pledge of ethical behavior	⑤ Financial support for working groups	⑥ Support for the startup ecosystem	⑦ Employee training hours	⑧ Participation rate in the smart work system	⑨ Value of investments/loans for eco-friendly industries	⑩ Volume of GHG emissions









Theme Report

- 16 ——— “Innovative Growth Project” in Response to a Changing Industrial Ecosystem
- 19 ——— Enactment of UNEP FI Principles for Responsible Banking
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“Innovative Growth Project” in Response to a Changing Industrial Ecosystem

Shinhan Financial Group launched ‘Innovative Growth Project’ to invest KRW 1.7 trillion in innovative growth companies for four years by 2022. The project will spur up to KRW 6 trillion worth of investment and benefit around 20,000 companies and, as a result, contribute to the discovery and the cultivation of a new growth engine for the Korean economy. Along with Society of Hope Project, the project begets the Group to establish the two pillars to undertake its inclusive and productive finance.



“Innovative Growth Project” in Response to a Changing Industrial Ecosystem

Since early 2019, Shinhan Financial Group has commenced “Innovative Growth Project” that aims to promote investments to discover and continuously foster promising startups and venture companies. While a hardware-based manufacturing sector underpinned our economy in the past, now the industrial ecosystem is transitioning into a greater deployment of startups and venture companies armed with innovative ideas and technologies.

With the Innovative Growth Project initiated against this backdrop, the Group plans to invest KRW 1.7 trillion by 2022, generating a gross investment effect of around KRW 6 trillion. It clearly manifests the strong will of Shinhan Financial Group as a leading Korean financial group to assist Korea in sharpening its competitive edge and in responding to the urgent demands of society in terms of job creation.

Starting from the “Hope Society Project” realizing “inclusive finance” in late 2017, the Group holds a firm belief in the “Innovative Growth Project” which promotes the Group to position itself as a leader in the private financial sector of “Productive Finance” whereby investments in startups, venture companies, and promising SMEs are encouraged.

This is an advanced extension of “Compassionate Finance” in tandem with the current paradigm shift of the times. With all the capabilities of its subsidiaries, the Group will take the lead in tackling challenges faced by startups and venture companies and in meeting the needs of the government and society to stimulate a new era of venture companies.

KRW 1.7 trillion
 Invest KRW 1.7 trillion by 2022,
 KRW 6 trillion worth of investment



Investing Total KRW 1.7 trillion in Terms of “Discovery” and “Incubation”

Shinhan Financial Group plans to invest as much as KRW 240 billion over the next four years to seek promising enterprises for greater growth with financial backing among the early startups and venture companies. The Group scaled up its Fintech Startup/Venture Incubation Platform, or “Shinhan Future’s Lab” the first of its kind in the domestic financial sector which was launched in 2015 to newly establish a re-discovery program that expands the scope of applicable enterprises and continues to support all applicant companies, while promoting recommendations from external partners with greater consolidated cooperation. We will also step up our effort to beef up solely operating GP capabilities in the new tech business finance field for startups and venture companies and to source new investment destinations. In addition, we will increase direct investments in innovative tech SMEs based on Tech Credit Bureau (TCB) and take an aggressive stance towards making new direct investments in prospective startups with significant growth potential. As such, we will be committed to “discovering” early startups and venture firms to get them the financial support required in a timely manner by increasing our direct investment in individual enterprises.

On the other hand, we also plan to broaden our investment in terms of “fostering” for venture and innovative SMEs at the growth stage, with funds amounting to around KRW1.46 trillion by 2020. Existing indirect funds to Support Startups and Ventures operated by Shinhan BNP Paribas Asset Management, a subsidiary of Shinhan Financial Group will experience an exceptional upgrade in terms of the investment target selection process with further ameliorated cooperation with excellent venture capitalists (VC). Moreover, the Group will play a leading role in exploring investment areas and themes, which will be

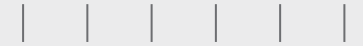
preemptively proposed to mutually raise the matching and investments with the government and broaden its operative horizon. Following last year’s attempt to revitalize the social economy’s ecosystem by raising exclusive funds for social enterprises, the Group will be actively involved in actual investments from this year on. We will make sure that consistent effort will be made increasing the provision of venture capital to a growing venture or innovative SMEs as well as for greater investment results for the Group. It is clear that this will result in a win-win, virtuous cycle for both these enterprises and the Shinhan Financial Group.

Reinforcing the Group’s own competence and prowess is a precondition to effectively execute investments in the perspective of “Discovery” and “incubation,” two axes of our Innovative Growth Project. This awareness will lead to our thorough reconstruction of internal organizations, and manpower and processes of the Group to assist startups, venture companies and innovative SMEs. We plan to modernize our sales capabilities, investment assessment process, risk management, and employee evaluation/reward system in order to ensure our engagement to listen to challenges posed by companies in the field and provide them with solutions.

Investment Plan for Innovative Growth Project (Draft)

(Unit: KRW 100 million/ No.)

Classification	Category	Investment target	SFG investment plan		Expected effects		Remarks	
			Duration (year)	Total Amount	Total investment	No. of beneficiary		
Discovery				2,400	3,800	1,267		
	Shinhan Future’s Lab	Direct Investment	FinTech companies	4	200	200	67	FinTech company nurturing/ investment program
	Explore & invest in individual companies		Innovative growth companies	4	800	800	267	
	New technology-based Finance		Startups/ Venture companies	4	1,400	2,800	933	SFG’s venture capital business
Cultivation				14,600	55,700	18,567		
	Cultivate & invest in individual companies	Direct Investment	Innovative growth companies	4	9,100	9,100	3,033	Led by Shinhan Investment bank
	Shinhan BNPP Startup Venture Fund	Indirect Investment		3	4,200	42,000	14,000	Pump-priming effect by private matching
	Matching with the government-raised fund		The government-raised fund	3	1,000	4,000	1,333	Matching with the government-raised fund (Growth ladder, Fund of funds, Job etc.)
	Investment funds in social enterprises		Social enterprises	4	300	600	200	Investment funds for ¹ Certified Social Enterprise ₁
Total				17,000	59,500	19,833		



Enactment of UNEP FI Principles for Responsible Banking

Shinhan Financial Group enacted 'Principles for Responsible Banking', the international Agreement in the field of finance initiated by the United Nations Environment Programme Finance Initiative (UNEP FI) as a core member of the 28 financial institutions. Principles for Responsible Banking is an international agreement to define the role of the financial sector in implementing the Paris Agreement and the UN Sustainable Development Goals(SDGs) and the group is committed to proactively carry out its responsibility based on its proper role and function as a financial group.

Principle 1. Alignment

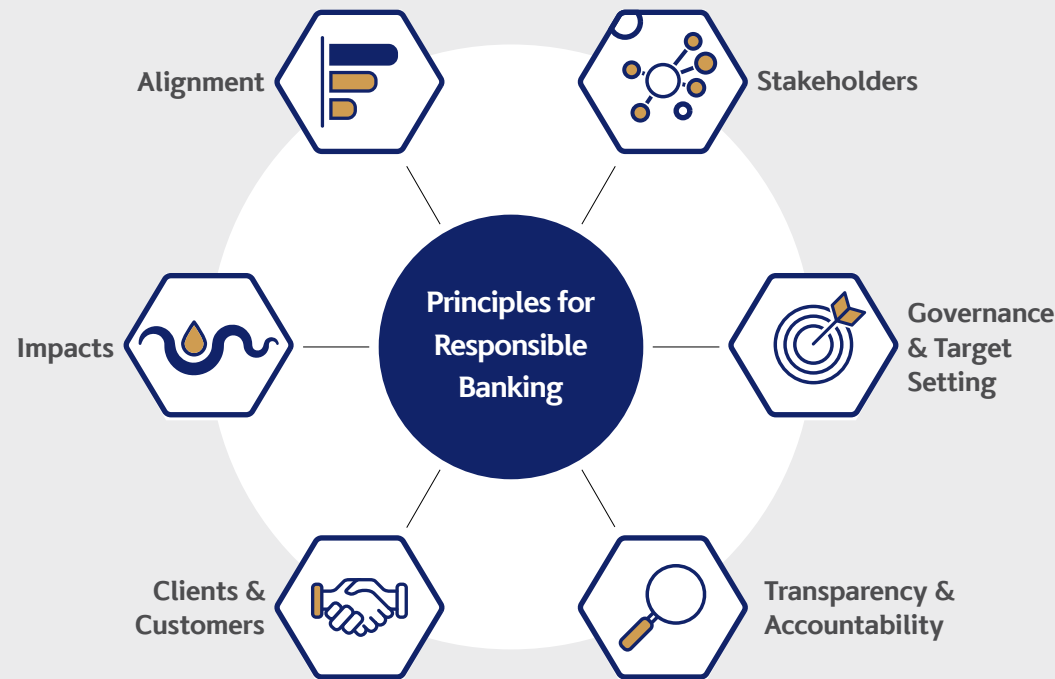
We will align our business strategy to be consistent with and contribute to the needs of individuals and social goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks. We will focus our efforts where we will have the most significant impact.

Principle 2. Impacts

We will continuously increase positive impact while reducing negative impact on, and managing the risks for people and the environment resulting from our activities, products and services

Principle 3. Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations



Principle 4. Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve social goals.

Principle 5. Governance & Target Setting

We will implement our commitment to these Principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impact.

Principle 6. Transparency & Accountability

We will periodically review the individual and collective implementation of these Principles and be transparent about and accountable for positive and negative impact and our contributions to social goals.

Enactment of UNEP FI Principles for Responsible Banking

Shinhan Financial Group jointly enacted and announced the “Principles for Responsible Banking (hereinafter “PRB”)” at the Global Roundtable of UN Environment Programme Finance Initiative (hereinafter “UNEP FI”) held in Paris, France on November 26, 2018. This principle stipulates the roles and responsibilities of the financial industry in implementing the Paris Agreement and the United Nations Sustainable Development Goals. In conjunction with 28 global financial institutions such as the Industrial and Commercial Bank of China, BNP Paribas, and ING Group, Shinhan Financial Group seeks to establish these principles.

These Principles are set to offer global benchmarks for the financial sector that plays a pivotal role in the economic system to disseminate a positive influence over society and the environment and to contribute to the mitigation of negative factors by means of business strategies, products and services. Another notable significance of the Principles can be found in their suggestion for finance playing a leading role in ensuring a sustainable future.

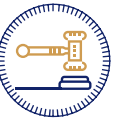
After the review process and joint goal establishment by the financial sector, the PRB will be adopted and opened for signing and ratifying at the UN General Assembly in September 2019.

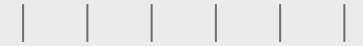
Discussion of the Topic of Transforming Banking

The Global Roundtable of UNEP FI under the theme of “The Role of Finance in Accelerating the Paris Agreement and the United Nations Sustainable Development Goals (SDGs)” was accompanied by various discussions to apply the issue of sustainability management to the financial industry in commemoration of the 3rd anniversary of the adoption of the Paris Agreement and the United Nations Sustainable Development Goals (SDGs). There were about 1500 representatives from global central banks, CEOs of financial institutions, pension funds, asset management companies, but CEO Cho Yong-byoung of Shinhan Financial Group was the only Korean financial institution partaking the establishment of the Principles for Responsible Banking.

CEO Cho underscored the importance of the financial industry in the long-term development of a society and economy in the session discussion under the theme of “Transforming Banking” and introduced the current status of inclusive finance and productive finance support by Shinhan Finance as a model example. He also declared that the Group will be committed to assisting sustainable growth by tackling imminent challenges such as stagnant global growth, an aging society, youth unemployment, climate change and to build a co-prosperous, virtuous cycle where both socio-environmental values and corporate values are raised.

Shinhan Financial Group enacted ‘Principles for Responsible Banking’ as a core member of the 28 financial institutions. (2018.11)





Announcement of “ECO Transformation 20·20”

Shinhan Financial Group proclaimed the “ECO Transformation 20·20,” a Group-wide eco-friendly management vision to contribute to an effective response to climate change and a transition into a low carbon economy. The Group resolved to implement “ECO Transformation 20·20,” a mid to long-term eco-friendly management vision through a CSR Committee and plans to provide KRW20 trillion in investment and support in the green industry by 2030 and to launch fully-fledged carbon management to cut down on GHG gas emissions by 20%.

Goal



Target

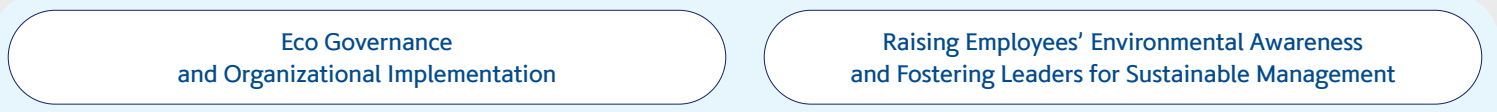


Direction



Strategy

Enablers




Announcement of “ECO Transformation 20·20”

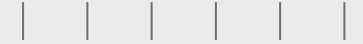
“ECO Transformation 20·20” takes three distinctive directions of: leading low-carbon financial markets; spreading eco-friendly management and; consolidating environmental leadership and partnerships. To proactively usher in a low-carbon financial market, the Group will bolster its support for investments and loan hybrid funds involved in the new and renewable energy industry and businesses and related projects while revitalizing ESG funds, green bonds and green building businesses. Green Bonds refer to financial instruments issued for the purpose of raising funds to invest in eco-friendly projects regarding climate change and renewable energy or infrastructure projects. The Group was the first commercial bank in Korea that issued KRW 200 billion in green bonds in August 2018.

To promote eco-friendly activities by customers, it will develop a range of financial products including deposit and installment saving accounts, credit cards, insurance, and mutual funds through Shinhan Bank, Shinhan Card and other Group subsidiaries. A broader eco-friendly financial service will be attained by expediting a paperless and digital transformation. Moreover, a fortified environmental society risk management system will help with the analysis, evaluation and management of the impact of economic activities by financial service providers. To promote eco-friendly management, it will undertake various initiatives covering the introduction of electric vehicles for business purposes, building infra for recharging these vehicles, and increase energy efficient facilities, while combining this with the virtuous cycle of resources by reducing disposable items and by promoting recycling to reduce the generation of waste that can adversely affect the environment.

Declaration of the Increased Use of Renewable Energy

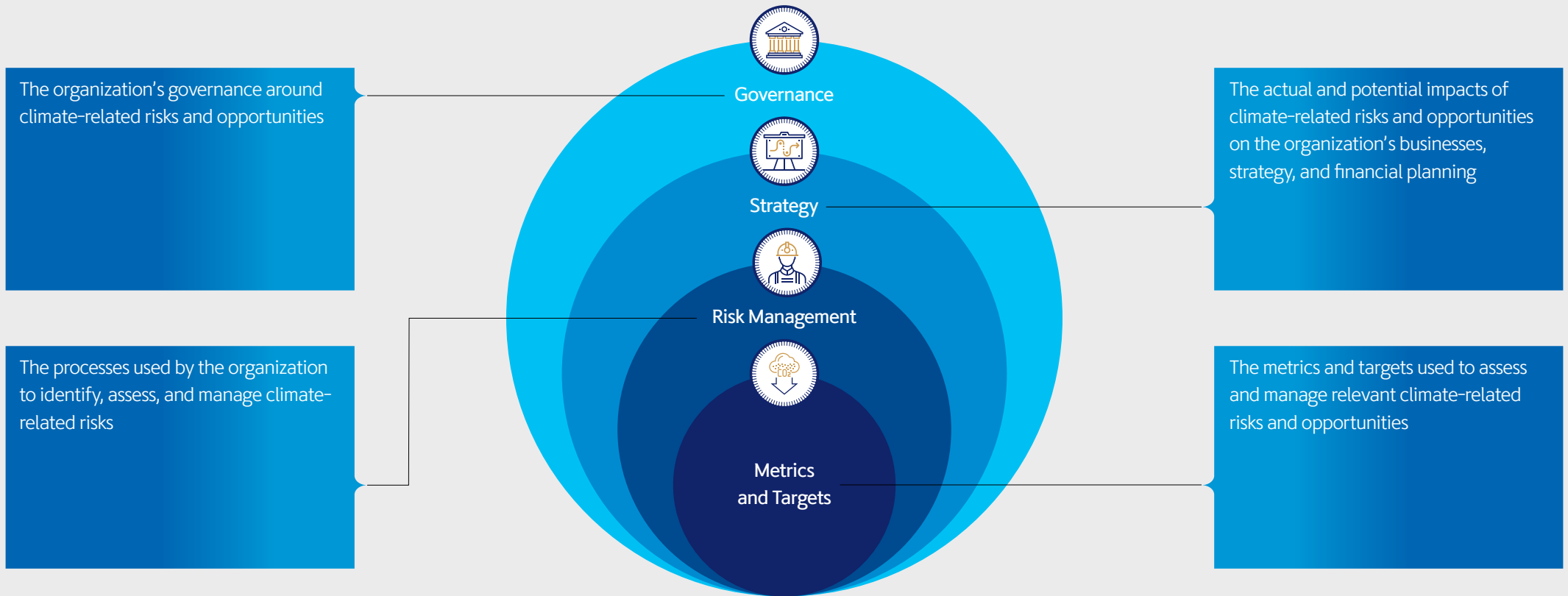
On the other hand, Shinhan Financial Group participates in the Right of Choice for the RE Initiative to tackle the predicament of climate change and fine dust. The Right of Choice for RE Initiative led by the National Assembly’s Renewable Energy Forum and six NGOs was launched with the aim to legalize a new and renewable energy power procurement system that separates solar power, wind power, and other sources of renewable energy from other forms of power generation. The Group is geared toward promoting a wider energy choice by businesses by proposing directions to ensure the effective design of a new and renewable energy power procurement system, and a roadmap to encourage domestic firms to use renewable energy and take part in promoting the voluntary use of new and renewable energy.

	 I . Leader in Low-Carbon Financing	 II . Eco-friendly Business Management	 III . Strengthening Green Partnerships
Direction			
Strategy	<ul style="list-style-type: none"> · Active investment in green industrial sectors · Customized financial products and services for each sector · Environmental risk management system 	<ul style="list-style-type: none"> · Expanding investment in green infrastructure · Creating a virtuous cycle of sustainable resources · Establishing a carbon management system 	<ul style="list-style-type: none"> · Building green networks and partnerships · Eco-friendly brand communication · Disclosing financial data of environment-related business
Implementation	<ul style="list-style-type: none"> · Support hybrid finance for investors in the new, renewable and high-efficiency energy sectors · Expand investments in ESG funds, green bonds, green buildings, etc. · Improve eco-friendliness of checking/savings cards, funds, insurance and loans; develop new products · Economic/social risk reviews and information sharing 	<ul style="list-style-type: none"> · Provide electric vehicles for work use and install charging infrastructure · Expand energy-efficient facilities in buildings · Obtain ISO14001 certification · Manage environmental performance indicators and goals 	<ul style="list-style-type: none"> · Strengthen cooperation with international organizations (UNEP FI, CDP, etc.) and with local governments and NGOs · Adopt and implement global initiatives · Strengthen communication to improve eco-friendly image · Follow TCFD recommendations and issue business reports



Disclosure on Financial Impact of Climate Change (TCFD)

Shinhan Financial Group was the first Korean enterprise that voluntarily participated in the Task Force on Climate-Related Financial Disclosure Recommendations (TCFD) in its effort to proactively respond to climate change and take the initiative towards fulfilling its responsibility. The Financial Stability Board (FSB) is a multilateral cooperative organization founded in the wake of the 2008 financial crisis and assumes a leading role in financial system stabilization and financial regulation system reforms. The TCFD launched by the FSB on December 2015 urged investors, lenders and insurers to disclose their financial impact relevant to the risks and opportunities of climate change in its recommendations released in June 2017.





Disclosure on Financial Impact of Climate Change (TCFD)

As of January 2019, a total of 580 businesses (including 318 financial companies) around the world were in favor of the TCFD recommendations, while inter and intra- governmental bodies such as the European Union (EU) and the Asian Development Bank (ADB) are preparing policies in consideration of the recommendation.

In recognition of the importance of social responsibility for a low-carbon financial market, Shinhan Financial Group is fully devoted to serving its role as a leading financial company by actively taking part in a global initiative to fight against climate change.

In September 2018, as it signed up for TCFD Recommendations as the first Korean enterprise, it externally demonstrated its commitment toward transitioning to a low-carbon economy by taking a leading role.

In 2019, Shinhan Financial Group plans to partake a 2nd pilot program, overseen by UNEP FI, to implement TCFD for the financial sector. The Group will organize a working group encompassing a strategic planning team, risk management teams and others from holding companies to carry out the TCFD Recommendations.

1. Governance

Shinhan Financial Group has a CSR Committee in place that takes care of issues pertaining to climate change in line with the Group's sustainability management in an integrated way. Established in May 2015, the Committee has the power to make a final decision on behalf of the Group and leads the way in taking action against ever aggravating climate change and in creating enterprise-wide environmental values with systematic environmental management undertakings.

As an umbrella body of the Board of Directors (BOD), the CSR Committee reviews climate change related countermeasures, policies, plans for company-wide activities, projects and others by holding three regular meetings per year. Also, it is responsible for checking and monitoring short and long-term targets and performance via the Risk Management Committee.

2. Strategy

In 2018, the Group announced, "ECO Transformation 2020," a Group-wide eco-friendly management vision to play a pivotal role in taking action against climate change and to ease the transition to a low carbon economy. The vision materialized in three directions of: leading low-carbon financial markets; spreading eco-friendly management and; consolidating environmental leadership and partnerships. It set up the quantitative goal to invest KRW 120 trillion in the green industry by 2030 and to slash its GHG gas emission volume by 20%.

To lead the way in the low-carbon financial market, the Group plans to beef up its support for investment and loan hybrid funds related to the new and renewable energy industry and businesses, projects, and to introduce new products and services that are tailor-made to different business types to establish an environmental risk management system. As for the promotion of eco-friendly management, it will establish a carbon management system with various efforts such as further investment in eco-friendly facilities and engaging in generating a virtuous cycle of sustainable resources.

In an attempt to strengthen its environmental leadership and partnership, the Group will secure an active eco-friendly brand communication channel while expanding its international cooperations and networks for tackling climate change. Moreover, the Group has built a continuous management system for climate change by disclosing relevant information in accordance with the framework on Climate-Related Financial Disclosures.

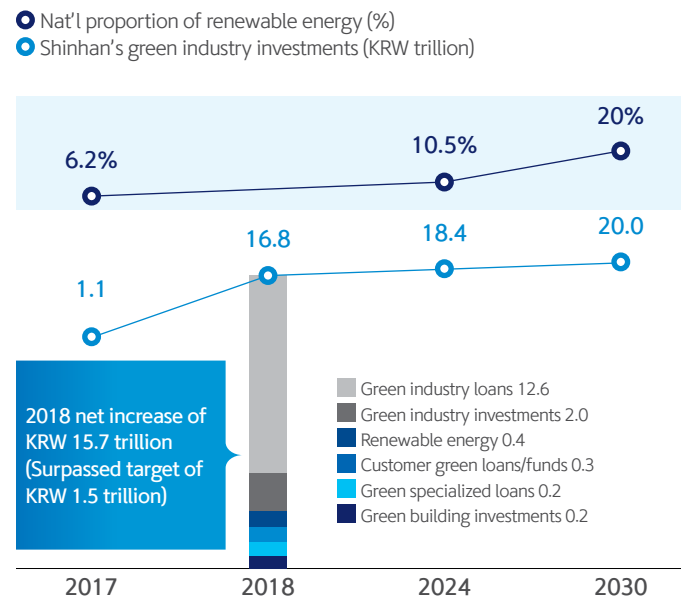
3. Risk Management

Shinhan Financial Group constructed a green management system to enable group-wide, multidimensional analyses and to effectively tackle risk and opportunity factors of climate change including transitional risk and physical risk. To control transitional risks, it classifies its asset portfolio by different items. Centering on the IFC guidelines for risk management, the Group selected 12 areas of interests on socio-environmental issues including global warming, fine dust, biodiversity, industrial safety, health, etc., by referring to various standards from global financial institutions, ESG rating agencies and research institutes, and others, and performs a monitoring of various perspectives covering everything from exposure to areas of interest, industrial and technological changes by socio-environmental issues, and regulative trends, and more. These observations will be used in setting up the appropriate measures: the complete withholding of or conditional financial assistance and; lowering the level of investment or support in an industry with sizable fossil fuel exposure. Furthermore, the Group conducts environmental and social impact assessments for projects that are subject to significant financial influence so as to classify the risk rating of the project for the tangible evaluation of its impact on the environment and society. If diminishing or controlling any environmental or societal risk factors is deemed necessary, it will be controlled in the form of a financial agreement. In addition, the Group manages ESG loans, bonds, investment products by relevant items and different subsidiaries and plans to phase in investments and support.

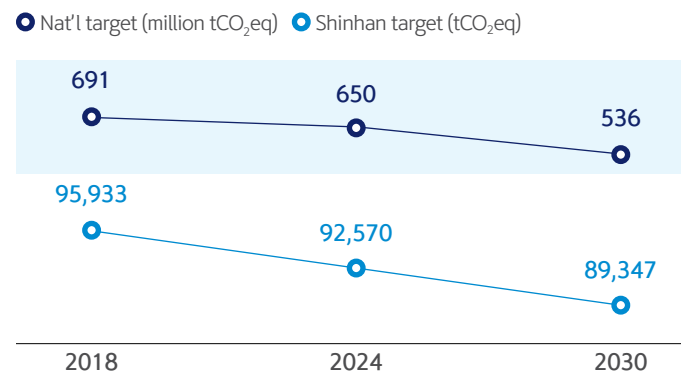
4. Metrics and Targets

Shinhan Financial Group will set in motion the transition to a low-carbon economy with full engagement from 'ECO Transformation 20-20', a vision to sharpen its competitive edge in finance and to ensure future-oriented, eco-friendly management. The transition into a low-carbon economy may give rise to both new market creation and greater investment opportunities accompanied by falling values of carbon emission related assets and the development of low-carbon and eco-friendly technologies. In this regard, the Group is preparing a loan portfolio in consideration of climate change. We will cut back on its investments and loans falling in the category of the carbon emission group while augmenting its investment in the eco-friendly industry and technologies (reducing its GHG gas emissions by 37% from BAU levels). The Group will raise financial support in new and renewable industries while expanding its investment scale in ESG funds, green bonds, and green buildings, etc. by investing KRW 120 trillion by 2030. It will also identify and actively invest in new areas of sustainable finance such as eco-friendly transport and eco-friendly buildings, etc.

Investments in Green Industries



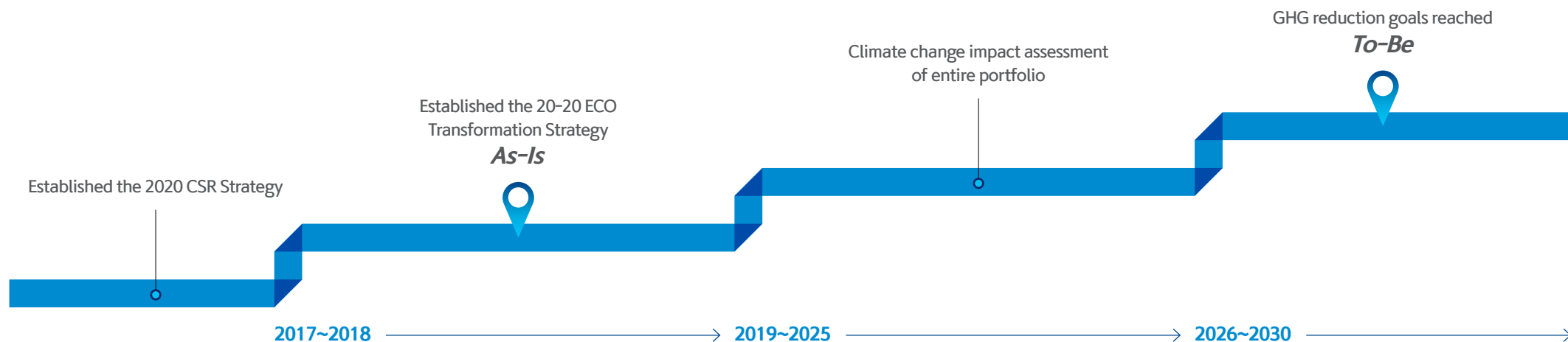
GHG Emissions



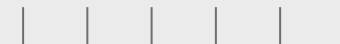


TCFD Promotion Roadmap

To implement the TCFD recommendations, we will systematically manage the financial impact of climate change by improving strategy and risk management and climate change governance.

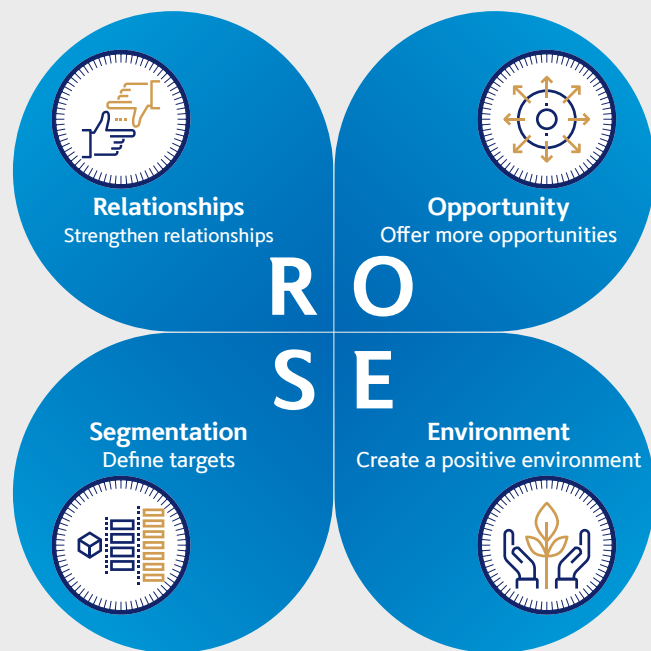


	2017~2018	2019~2025	2026~2030
Corporate Governance	CSR Committee Set climate change agenda	Accelerate climate change agenda for business impact assessment	Establish group-wide monitoring system to achieve reduction goals
Strategy	<ul style="list-style-type: none"> Active eco-friendly business investment Introduce new products and services by sector Establish environmental risk management system 	<ul style="list-style-type: none"> Improve climate credit risk management Portfolio risk management by individual transaction and product unit 	<ul style="list-style-type: none"> Manage portfolio risk weight Reduce weight of business with high conversion risk
Risk Management		<p>Stronger risk management</p> <p>Expanded scope</p>	
Quantitative Indicators and Reduction Goals	<ul style="list-style-type: none"> Green business investment KRW 16.8 trillion GHG emissions 95,933 tCO₂eq 	<ul style="list-style-type: none"> Green business investment KRW 18.4 trillion GHG emissions 92,570 tCO₂eq 	<ul style="list-style-type: none"> Green business investment KRW 20.0 trillion GHG emissions 89,347 tCO₂eq



Cultivating Female Leaders

It also established a set of principles for carrying out this process. It is called "R.O.S.E." with R standing for "Relationships," O standing for "Opportunity," S standing for "Segmentation" and E standing for "Environment." "Relationships" involves strengthening processes, such as mentoring programs to enhance the networking abilities of talented women and setting up conferences where they can further exercise these talents. "Opportunity" means offering women a wide range of job experiences through increased employment opportunities and career development programs. It also involves promoting job exchanges among Group subsidiaries and increasing the number of transfers to departments at Group headquarters. "Segmentation" refers to building a nurturing system based on a woman's job description and responsibilities as she progresses through her working life. It includes specialized training courses exclusively for women, supporting their development while taking leave, and assisting them while caring for newborn children. Last, but not least, "Environment" means creating policies that will ensure that highly-qualified women have constant access to a supportive and nurturing environment, from the perspective of gender equality. In practical terms, this means upgrading the Group's smart work systems to include flex-time work, alternative work schedules, and telework, as well as making improvements to the Group's leave and vacation programs and creating a working environment that enables ongoing communication at both the internal and external levels.



Cultivating Female Leaders

Upholding the philosophy of its CEO, Cho Yong-byoung, the Shinhan Financial Group established a well-arranged process to foster female talent, which it practices by means of “Shinhan SHeroes,” the first program in the Korean financial sector to foster female leadership. In 2019, the Group’s commitment to nurturing female leaders will be accelerated with various mentoring programs, the establishment of an academy that specializes in female education, and conferences on the theme of gender diversity.

With a “TFT to nurture the development of talented female employees,” the Group identified the task of cultivating female leaders and establishing a mid-term roadmap in the second half of 2017. Building on the roadmap, it launched “Shinhan SHeroes,” a female leader cultivating program on March 2018. This is a portmanteau of “Shinhan,” or “SH” and “She” for females and “Heroes” to signify “female heroes.”

The Group carried out a number of nurturing activities for promising female employees based on these R.O.S.E. principles in 2018. They include: network consolidating among female leaders in a bid to provide them with the vision and motivation for continued growth and; the group-wide “SHeroes Mentoring Program” for the 29 female middle managers including head managers and supervisors. The Group helped its female employees enhance their capabilities with coaching and mentoring by external female leaders and those who completed the program will have access to in-house female mentors. Also, by the time when the “SHeroes Mentoring Program” is completed, the Group will hold the first female conference to envision and motivate its female employees.

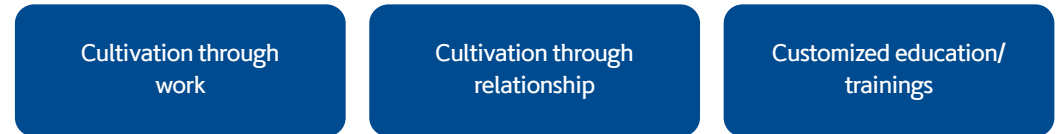
The subsidiaries of the Group continue to develop and run unique female talent nurturing programs to secure excellent female talent pools in the mid and long-term. For example, as Shinhan Bank ameliorated its human resources standards to help it create a larger pool of highly-qualified female leaders, it allowed a female worker to be promoted during maternity leave. Shinhan Card set up “S-Diva,” a measure to foster female talents, while also operating female leadership training programs.

Principles to Cultivate Management and Female Leaders

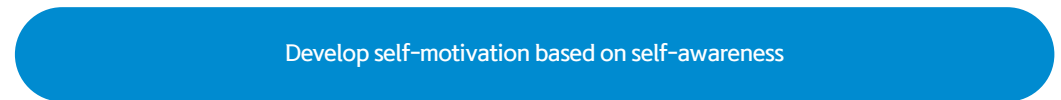
Goal



Method



Philosophy



Principle





Shinhan Investment increased its range of programs for strengthening female leadership within its facilities, and also made a series of improvements to its maternity leave programs. Shinhan Life Insurance began offering the “S-Wing” female leadership program, as well as revamping its system for achieving a healthier work-life balance for all its employees. In addition, the Group and its subsidiaries pay particular attention to improvements to their systems from the perspective of gender equality to help all employees enjoy a healthier work-life balance. This includes establishing the Group’s joint childcare center and arranging for more flexible work schedules. The Group also promoted three female employees to executive management positions within the organization including two new executive vice-presidents at Shinhan Bank and a division head at Shinhan Card. Also, the percentage of female managers (based on its total number of deputy managers and higher) increased by 19% from December 2017.

In line with the previous year’s efforts, the Group plans to foster a number of high-performing female employees by continuing to operate specialized mentoring programs and by establishing an academy devoted to female leadership training programs. All of these programs will be monitored on the basis of the “Shinhan SHeroes Conference” in the latter half of the year as well as interviews with acknowledged management leaders. As for the SHeroes Mentoring Program, the Group will keep on running mentoring programs for female workers in management positions with external experts and at the same time, the in-house mentoring program will be expanded in conjunction with the Group and its subsidiaries driven by in-house female mentors who successfully completed the 1st SHeroes course in 2018. It aims to achieve the mutual development of the female talent pool within the Group and establish a virtuous cycle system.



The 1st Shinhan Financial Group Female Leader SHeroes Conference

By founding the SHeroes Academy, the Group will introduce capacity-building programs designed to develop female leadership with an emphasis on cultivating management leaders. In addition, the Group will seek to hold a conference as a platform of communication for female talents to share their visions and enhance their competitiveness. The purpose of this conference will be to strengthen communications sufficiently to form a consensus regarding the true meaning of “gender diversity” within the Group. It will also stress the ongoing importance of nurturing the development of highly-promising female employees, and attempt to increase the participation rate of male employees in all its programs dealing with issues of gender and diversity.

It is expected that the full-fledged cultivation programs customized to different subsidiaries will be launched in 2019 and there will be diversified endeavors to foster female talents from the viewpoints of R.O.S.E (R.O.S.E.: Relationship (strengthening relationship), Opportunity (broadening opportunity), Segmentation (target segmentation), Environment (fostering environment))



Launch of Shinhan SHeroes

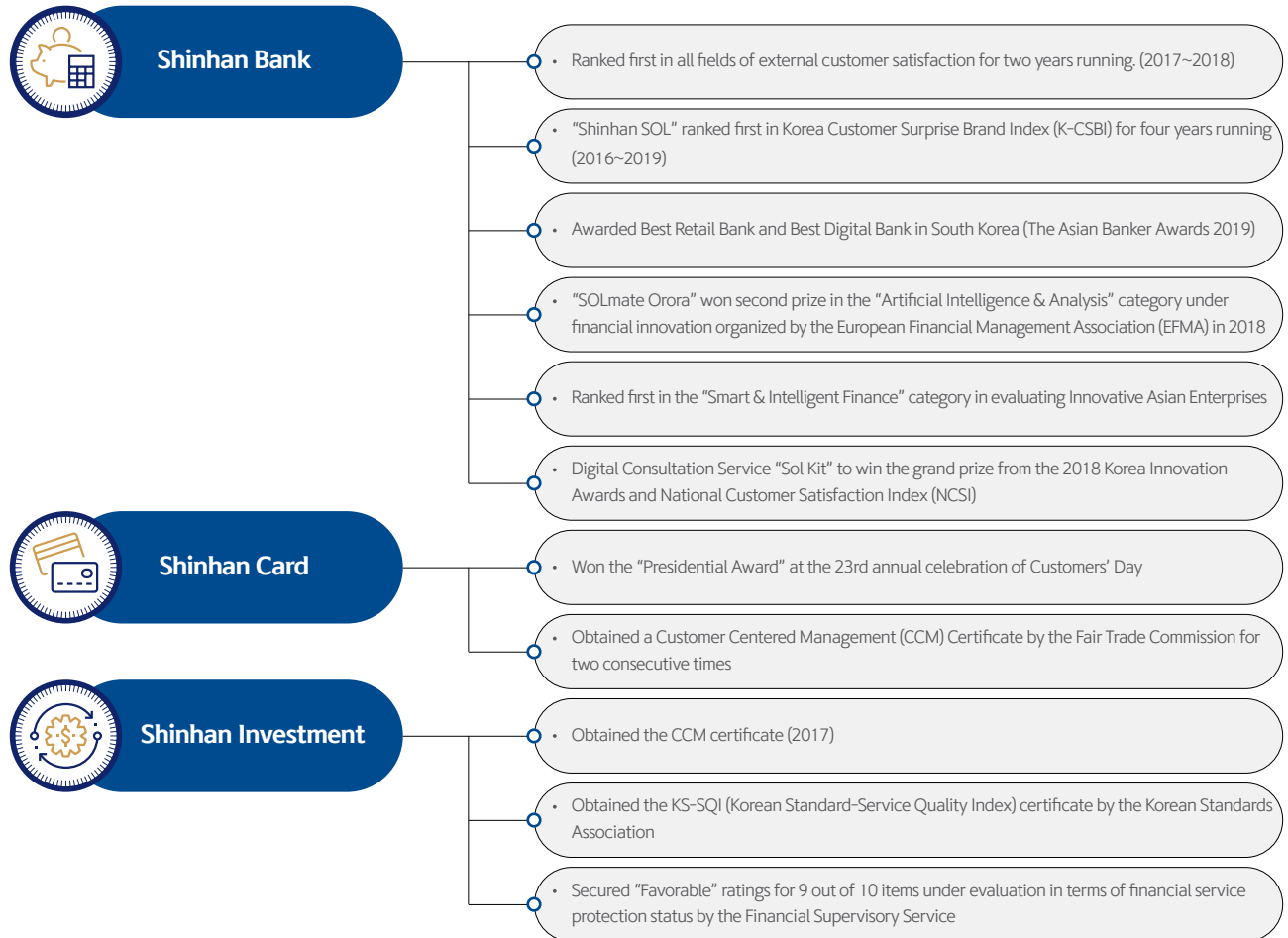


Business Impact

- 31 — Provide Solutions to Enhance Customer Value
- 35 — Fair and Ethical Business Practices
- 40 — Increase Financial Inclusiveness
- 43 — Establish Creative and Open Corporate Culture
- 46 — Carry Out Corporate Social Responsibilities
- 52 — Manage Environmental and Societal Risks

Provide Solutions to Enhance Customer Value

Shinhan Financial Group always strives to be a financial service that empowers its customers. To be able to offer compassionate financial services that reach the heart of its customers, the Group does its utmost best in generating a virtuous circle of enhancing the values of Shinhan and society. It fortifies its service competencies for customer satisfaction at its best and offers new customer values through digital innovation.



Shinhan Bank's Customer Satisfaction Award History

Classification	Korean Standard Service Quality Index	Global Customer Satisfaction Competency Index	Korean Standard Service Quality Index	Korean Customer Satisfaction Index	National Customer Satisfaction Index
					
Hosted by	Korean Standards Association	Global Management Association	Korea Management Association Consulting	Korea Management Association Consulting	Korea Productivity Center
2018	No.1 (5 consecutive years)	No.1 (14 consecutive years)	No.1 (8 consecutive years)	No.1 (5 consecutive years)	No.1 (2 consecutive years)



Client-oriented Financial Products and Services

Provide Optimized Financial Solutions

With heightened competitiveness of its asset management products and services, Shinhan Financial Group provides customers with more segmented products and services. In its effort to uplift customer values, the Investment Products & Services Headquarters (IPS) offers tailor-made services and solutions that meet customers' needs and conditions, and comes up with public/private investment products of a brand-new structure in collaboration with the Group & Global Investment Banking Group (GIB) and Global Markets and Securities (GMS) along with asset analysis service.

Also, it provides corporations, unions, mutual funds, and funds with a specialized corporation consulting service through its devoted "corporate asset management consulting" team consisting of WM specialists. Recently, its area of consulting has been broadened to encompass IB, taxation, and real estate and offers optimized products and solutions based on accurate predictions about the ever-complicated financial market. With extraordinary analytical skills of its investment strategy analysts, Shinhan Investment supplies research reports for various sectors on a regular basis and presents the latest information and investment ideas at various conferences such as the financial market forum.

Launch of Financial Products in the Realization of Stable ROIs for Customers

With brilliant product planning and co-op with asset management firms, Shinhan Bank introduces various customer-centric products that enable customers to secure mid-risk and mid-ROI reflecting products and risk management strategies. The bank launched the "Shinhan BNPP Redefine K200," ideal for a highly volatile market with strengthened features to bolster ROI against falling indices. It is a fund that may complement the "Shinhan BNPP Covered Call Fund," introduced in 2016, in terms of its ability to flexibly brace against market changes, and it sets Shinhan Bank apart from others in terms of customer services. In conjunction with the IB Group, it also takes care of enhancing Group synergy and customers' values by ensuring a stable supply of products such as ABCP. Shinhan bank will continue to launch products that feature high ROI and stability against the uncertainty of the financial market.

The bank's endeavor is not restricted to product sales, but also extends to follow-up. This includes system-based follow-up by headquarters rather than that which relied on individual employees, and includes asset diagnosis and automated proposals for portfolio rebalancing through the "SOL Rich" mobile investment product platform. This helps customers to achieve stable ROI in the long run and consequently contribute to a higher level of customer trust.

Digital-based, Innovative Customer Experience

Quick and Easy Super-Customized Digital Platform

On February 2018, Shinhan bank launched the "Shinhan SOL" app that realizes an innovative user interface (UI/UX). The SOL platform underpins three keywords – "convenience, custom-made, experience" and offers a service that is faster and easier to use than any existing apps.

The SOL app is characterized by: easy membership sign-up in just 30 seconds; the largest means of log-in services including biometric authentication such as fingerprint and iris recognition, simple PIN, pattern, etc.; "Zero Panel" that enables users to manage most of banking services on the main screen; simple transfer to send money to persons listed in the main contacts without a security medium; "Keyboard Banking" to allow customers to send money while chatting in a messenger app, and more. It clearly displays the bank's commitment to offering easy and convenient digital services for customers.

"Gift Installment Savings," a product exclusively available in SOL was recognized as a paradigm-changing quality as it represents the idea of "giving someone a savings habit as a present." There are other super-customized services including "SOL easy loans for workers" that recommend the most advantageous loan products to customers with a single application, an AI chat-bot "SOLmate" available to perform consultations and banking tasks 24 hours a day and more.

Securing 8 million customers within 293 days from its date of launch, SOL offers tailor-made content that satisfy the financial needs of diverse customer groups (Original, SOHO, Senior, Worker, Lady, Premier, College Student) with its seven "SOL's customized Themes."



Leveraging domestic experience and knowhow, the bank has upgraded its overseas mobile banking platforms in Vietnam and Indonesia. “Vietnam SOL” introduced in November 2018, in particular, accomplished the splendid feat of securing 50,000 customers within two months from its launch date thanks to fully localized features including innovative UI/UX, easy login, one-click money transfer, and money transfer to those in the contact list.

In addition, the bank developed and commercialized an automated OTC derivatives transaction process using blockchain and pursues joint projects with various partners including Samsung Electronics, KT, Coinplug and others so as to provide a range of innovative services like overseas money transfers, local currency exchange, blockchain Wallet services, etc. to be directly available to customers.

Since the launch of “App Card,” the first credit card payment app in the world, on April 2013, Shinhan Card recorded 10 million members as of July 2018 based on convenient payment functions and various services and benefits, and its annual payments marked a stunning growth of KRW 8.1 trillion in 2018 from KRW 0.3 trillion in 2013.

To ensure a timely response to a rapidly transforming digital financial environment and to significantly enhance the customer experience, Shinhan Card reconstructed its service under a new name, “Shinhan PayFAN.” The focus of the change is to facilitate customers to use various services ranging from consultations such as the lookup of card payment details, applying for payments by installment, etc. to various benefits such as franchise offers and lease purchases, etc. in a single app. It emphasizes increasing digital contacts with customers by allowing Shinhan PayFAN to handle most of the customer services.

Seoul Municipal Depository Bank with Greater Stability and Convenience

Designated as a new Seoul Municipal Depository bank in 104 years, Shinhan Bank is now responsible for handling the largest budgets of municipalities in Korea as well as the revenue and expenditures of 10 million citizens. The establishment of the Seoul Municipal Depository puts an emphasis on helping citizens pay taxes in a convenient manner to the extent that it integrated the entering box for payments and searches on the Seoul Municipal Taxation Payment Official Website, ETAX (etax.seoul.go.kr) and allows taxpayers to easily check their local government tax notices via Kakao Alimtalk. In addition, the bank introduced a simple authentication program through fingerprints, patterns, face recognition to STAX, the Seoul Tax Payment app, added an automated card payment feature, and ensured any banks to receive tax payments. It plans to advance tax administration tasks with a gradual upgrade with IoT, Big Data, AI, etc., for the digitally marginalized class such as the disabled and the elderly.

KRW 8.1 trillion

Annual payments by ‘App Card,’
the first credit card payment app in the world,
grew 2,600% from its launch



8 million people

Customers within 293 days from the launch
of application ‘SOL’





Big Data based Services

Shinhan Card has carried out about 170 Big Data consulting services based on the industry's best data capability. With booming of data-based economy, we are working with public institutions, local autonomous entities and research institutes to support policy-making and improvement based on big data analysis.

Shinhan Investment offers "Experts' Secret Notebook" service characterized by tailor-made investment information based on Big Data and Artificial Intelligence (AI). "Experts' Secret Notebook" helps investors to obtain higher investment returns by offering the list of data on investment portfolios recommended by experts based on an objective observation of customers' trading styles.

Utilization of New Digital Technologies

Shinhan Investment provides customers with greater values by developing products and services based on new digital technologies. It sought an artificial intelligence project to create an algorithm that is able to sense the global market and products and even to distribute assets. This algorithm will lead to a separate foundation of an AI investment and consulting firm in 2019. In addition, it adopted a Robo-advisor service for retirement pensions and launched "Shinhan SOL Rich" that substituted for its first Robo-advisor service (M-Folio) in the financial industry as an advanced version.

With the introduction of advanced financial service based on Insurtech, Shinhan Life Insurance seeks for new horizons for innovative customer experiences. The existing insurance contracts are delivered to customers in the form of a paper or storage medium, which becomes problematic as they require reissuance in case of loss.

To solve the problem, Shinhan Life Insurance introduced a mobile insurance contract dispatch service to facilitate customers to check their documents such as policy, terms of service, etc., anytime and anywhere via mobile devices. The company's commitment in creating new customer value is evident in: its addition of a paperless digital insurance window in offline offices to shorten the processing time, thereby raising the level of customer satisfaction and; a newly launched Smart Insurance Design Report service to create new customer value in cooperation with an Insurtech provider.

Customer-oriented Management

Customer Service Quality Management

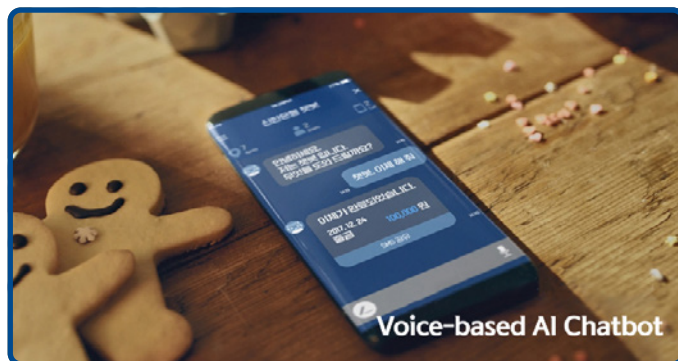
Since its inception, "Customer-oriented Management" has been the Group's foremost important management philosophy and all its executives and employees are fully committed to achieving this principle.

Shinhan Bank is a pioneer to adopt the "Window Service Monitoring System" in Korea in order to manage customer service quality, and to develop and apply its own service quality control indicator, SCALE (Service Capability Level) to different categories such as employees, branches and regions. All its employees take part in cultivating a customer-oriented mindset in the form of a CS campaign and monthly CS training and in spreading its differentiated CS culture.

With an emphasis on connecting with customers, Shinhan Card runs various communication channels, which are useful in improving systems and business practices in terms of customer protection.

"Hyper Connect (HC) Customer Panel" system building on its 2018 strategic direction - "Deep Change Super-connection Management" - is composed of a wide age range from those between their 20s to 50s and contributes to digital and new finance, the development of allotment products and system improvements.

Aside from this, the company engaged in first-hand communications through "Excellent Customer Proposal Awards including Yes-Reward, Sumbi Sori and Change that selects model cases that turned customers' complaints into business improvements while conducting a simplified annual survey, "Shinhan Poll" for online customers to make it more convenient for customers to leave their views and comments.





Fair and Ethical Business Practices

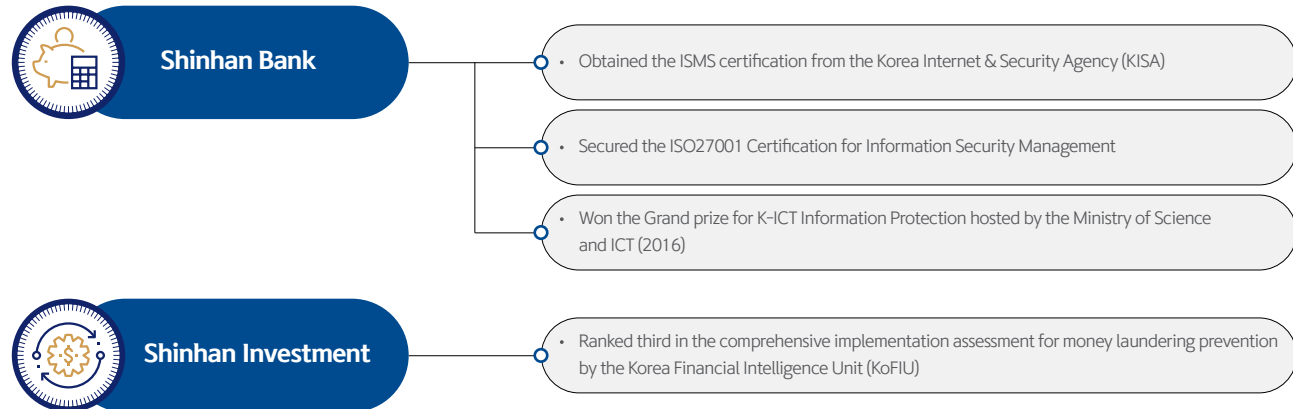
Transparent and ethical management practices by Shinhan Financial Group helps it to solidify customer trust and to redefine itself as the most reliable, trusted global financial group not just by its stakeholders such as customers and shareholders, but also by society in general.

Setting its sights on forming an outstanding, ethical enterprise, the Group makes sure that all executives and employees can proactively partake in ethical management and compliance and keeps on improving its level of ethical management by improving ethical behavior training and various monitoring activities.

Ethical Management and Compliance

Practice of Rigorous Ethical Standards and Principles

Shinhan Financial Group created a “Shinhan Financial Group Code of Ethics” and an “Employee Code of Conduct” to ensure ethical behavior by all its executives and employees and makes ethical business actions part of its overall corporate culture. This includes developing Group-wide, online training programs in the areas of ethics and compliance, as well as offering internal training programs tailored to each employee’s job characteristics in subsidiaries.



Shinhan Bank has reserved the second week of each month for anti-bribery and corruption training. During that time, the Compliance Representatives in each of its departments will provide all its employees with “Compliance Letters” covering education and training in the areas of financial regulations and rules and the prevention of money laundering and other acts of corruption. This high standard of education and training is also required at all Shinhan Bank’s overseas units. Now that the Group’s companies have advanced so far into the global marketplace, it provides an English version of the Group’s Code of Ethics cases in pop-up videos to distribute to overseas corporations and branches and applied more stringent ethical training for local employees.

Shinhan Card has implemented its own ethical management guidelines. They include the mandatory signing by all executives and employees of a sworn statement outlining the need for ethical behavior and compliance with all relevant rules and regulations; internal inspections carried out by all departments; and a webzine dealing with internal controls.

The company also conducts ethical compliance training for all its executives and employees on an ongoing basis. This includes upgrading the skills of its compliance officers, offering courses on ethics and compliance, and training to prevent sales without detailed explanations and money laundering.

Shinhan Investment has also elevated the level of ethical behavior among its executives and employees. This includes offering training and education regarding changes to laws and statutes related to financial services institutions, monitoring the levels of employee compliance, and taking measures to prevent fraud. Shinhan Life Insurance posts a “compliance letter” on ethical standards, key legal information and anti-money laundering work on its internal portal to share with executives and employees. Also, it offers division-wide training and educational opportunities and self-assessment services to all its employees.



In addition, it provides its employees with field training on internal controls and money laundering prevention training through different channels and headquarters in order to strengthen the awareness for ethics and compliance, the establishment of a corporate culture that extols the virtues of sales based on detailed explanations and putting customers first when conducting sales.

Finally, Shinhan BNP Paribas Asset Management has strengthened its regulations regarding employees' sales activities by adding to the level of detail involved in the trading of its financial products. It has also increased its vigilance concerning improper transactions and the taking of illicit financial benefits by executives and employees.

Strengthen Internal Controls

Each subsidiary member of Shinhan Financial Group is required to appoint Compliance Officers who are responsible for carrying out a prescribed list of internal control activities. They are supervised by the Group's own Compliance Officer, who performs the same functions at the Group level. The Group-level Compliance Officer also receives reports outlining the compliance monitoring and internal trading activities of the Group's subsidiaries and carries out inspections of their various internal control processes and activities in the field.

In accordance with the enactment and enforcement of the Act on Corporate Governance of Financial Companies, the Group's subsidiaries that are financial entities now reflect the key requirements of the Act concerning their internal controls including: information about whistleblowers; ordered leave systems; provisions for the separation of duties for high-risk clerical employees; processes for developing and selling new products and; policies regarding internal inspections. Therefore, it is possible to promptly respond to more stringent financial regulations and to ensure the Group's internal control system to be built and operated in a manner that is consistent and effective.

According to the Act, each of the Group's financial subsidiaries has also established an Internal Control Committee headed by its CEO. Each committee is required to conduct an annual inspection of its company's internal control system and to supervise how it was implemented during the preceding year. Their reports are then sent to the respective Boards of Directors.

Whistleblower System

Through its whistleblower system, Shinhan Financial Group is devoted to pre-inspection and measures on any unethical behaviors and runs a revitalized internal control program.

It includes a wide variety of reporting tools, such as both online and mobile websites. It can be accessed by all employees and executives of all Group subsidiaries.

These endeavors are also prevalent throughout the Group's subsidiaries. Shinhan Bank has established its own whistleblower system, called the "Shinhan Guardian." It can be accessed by its own executives and employees, as well as by workers at all of its partner companies and even customers. It is featured by a wide range of reporting channels, such as email, faxes, regular postal mail, and a website. The website clearly stipulates in its "Guidelines for Shinhan Guardian" that the company will ensure the confidentiality of the identities of whistleblowers.

Shinhan Card also operates its own whistleblower system, targeting its executives, employees, and business partners. They can access it through a wide range of channels, including a website, the Intranet, email, fax, regular postal mail, and personal interviews. Any and all information regarding a whistleblower's identity or job position is kept strictly secret so as to prevent them falling victim to any personnel disadvantage and others and strives to have institutional tools in place for the system to run smoothly.

Shinhan Investment's whistleblower system is open for use by all its executives and employees. They can access it through the company's Intranet, at offline meetings, or by phone or email. All of its executives and employees are reminded of its existence on a quarterly basis, as well as through intuitive intranet banners.

Shinhan Life Insurance has an online bulletin board on its website called "Sinmungo." Information regarding it is made available to all company employees when they undergo training in its internal control processes and policies.

Anti-money Laundering Activities

In 2012, the Financial Action Task Force (FATF), an international organization for money laundering prevention, set forth guidelines to prevent money laundering that can be used in the effective evaluation and management of risk associated with money laundering and terrorist financing. Building on the guidelines, the Korea Financial Intelligence Unit (KoFIU) has announced, "Risk-Based Approach handling standards" to lay a foundation for financial institutions to appropriately apply the system and subsidiaries of the Group to continually beef up their money laundering prevention systems.

Shinhan Bank undertakes a system-building project for assessing money laundering risk in an attempt to equip itself with the pre-identification, assessment and improvement process of risk factors concerning possible money laundering that may occur in banks in order to take several measures such as: differentiated organizational diagnosis for divisions in headquarters and branches for identifying and analyzing risks and; identified risk factors and scope of risks that may be posed to different divisions in headquarters and branches.



Shinhan Card has enhanced its money laundering prevention system in operations covering identification checkups for customers who make a transaction with the company such as card issuance and loan appliance and monitoring, whether or not money laundering is suspected by existing customers, etc., while receiving consulting from external expert institutions to introduce a risk evaluation system to identify and analyze just how vulnerable the company is to money laundering risk, which is to be applied in pursuit of a company-wide money laundering system upgrade. These are a few examples of Shinhan Card's constant endeavors to meet the international standards on combating money laundering.

Shinhan Investment has newly adopted a company-wide Risk-Based Approach (RBA) system designed to avoid money laundering from taking place, and it identifies areas particularly vulnerable to money laundering and terrorist financing, and consequently takes on addressing these areas. Its efforts to prevent money laundering take the form of intensified customer check-ups for high-risk customers, the filtering of persons on the blacklist, the monitoring of various types of suspicious transactions, employee training, and more.

Shinhan Life Insurance established a system to identify, analyze, and assess inherent money laundering and terrorist financing risks. Through these efforts, it establishes a strategy for responding to the risks and conducts anti-money laundering activities to mitigate risks.

Enhanced Training on Preventing Market Abuses

In efforts to prevent market abuse, the Group provides education and training programs and monitors its subsidiaries to ensure they do not violate any regulations concerning the Financial Investment Services and Capital Markets Act. The Group conducted a collective training for all relevant executives and employees of its subsidiary companies with common educational materials in 2017, while Group-wide training was maintained in 2018 in the form of video case studies.

Shinhan Bank uses the FSS's "Declaration of Financial Investment Accounts" and "Declaration of Trading Particulars" to limit any unauthorized use of confidential information and unfair trading practices. It also provides additional training for employees of departments most likely to be in possession of confidential information.

Shinhan Card issues reports on the sales of financial investment products to prevent unfair trade practices, such as those outlined in the FSS's "Prohibition on the Use of Non-Public Material Information." It carried out searches for other types of unfair transactions through regular monitoring activities, and offers a wide variety of training and educational opportunities for executives and employees.

Shinhan Investment undertakes efforts in advance to prevent market abuses by providing regular training and educational programs in accordance with "Guidelines for Preventing Unfair Trades" that it enacted. It also conducts in-depth monitoring exercises aimed at precluding certain market manipulative transactions such as false and wash sales.

Shinhan Life Insurance is engaged in the regular examination of all its financial investment product account openings. It also checks reports on all dealings by employees involved in asset management activities, along with the details of their meetings, communications, and information exchanges amongst operational departments.

It strives to forestall any transaction activities based on confidential information and unfair transactions by sharing major inspection outcomes every quarter with those responsible for the relevant operations including notifications on the maintenance of financial product accounts and market abuses related laws and regulations, mandatory leave, and others.

Financial Consumer Protection

Stronger Protection for Consumer Rights and Interests

There is an irrevocable global trend towards tougher financial consumer protection to ensure the sustainable development of the financial industry, accompanied by growing social demand for further rights and interests of financial consumers. Against the backdrop of such a paradigm shift, a qualitative difference in financial institutions' consumer protection system is recognized to be tantamount to their competitive edges.

Shinhan Bank has an exclusive financial consumer protection team in place and appoints a Chief Customer Officer (CCO) for matters under the direct control of the CEO, thereby ensuring the independence of the job. It implements preemptive system improvements enabled by a rapid adjustment of opinions among different departments at the monthly "Consumer Protection Council" for the head managers of the headquarters hosted by the CCO, and any customer complaints will be promptly resolved in the discussions of Voice of Customers (VOC) and details of external channel monitoring at a monthly executive meeting. The management leads the way in financial customer-oriented management as it is keen on considering areas for improvement directly proposed by customers and customer responses for main services and on reflecting them in its policies in a timely manner.



Establishment of Complaints/ VOC Management & Response Process



It also established “Consumer Protection Indicators” in accordance with the best practices of financial consumer protection and uses quantified measures to determine whether or not branches have met its sales principles – the prohibition of authoritative abuse, information protection, good faith, compatibility, etc. in the financial product sales process – and provide notifications of its monthly results and enhances areas of improvement.

Establishment of the Complete Sales Process

In 2018, to eradicate the practice of incomplete sales, Shinhan Bank became the first bank that enacted the “Shinhan Sales Code of Ethics,” that specifies the basic principles to be abided by salespersons including good faith, compatibility, ban on restrictive behaviors, etc. And it held a pledging ceremony to promote the practices of the “Shinhan Sales Code of Ethics” attended by the CEO and all executives and employees who swore to uphold the Code. It is of increasing importance to endeavor to protect consumers with the preventive system of financial institutions and operations of such processes. To prevent sales without explanations, the Group adopts preemptive consumer protection through its institutions and system. Shinhan Life Insurance advanced its customer protection system that seeks to register all customer cases to the system and conducts pre-monitoring of cases that are likely to escalate to a bigger issue. Shinhan Investment joins the trend by providing a “withdrawal service” within five days and a “Complaint Zero Service” that returns the principal of the investment to customers who have been sold a financial product without thorough explanation.

Shinhan Investment’s Consumer Damage Prevention Service in Purchasing Financial Products



- In case of an incomplete sale of financial products, a repurchase of the relevant product and a compensation for any difference
- Return of the repurchase amount and sales commission of an application for the withdrawal for a financial product is received
- Prevent possible financial fraud with an additional authentication process other than a digital certificate signature, such as via SMS or phone.

Reliable Customer Information Protection

Today, we are living in an era where we are seeing an abrupt transition into a knowledge-information based society due to advancements in information and communication technology (ICT) and internet industry. It is not an exception to the financial industry where one can witness an unrelenting increase in electronic financial services such as internet banking and mobile banking that take advantage of information systems. It is possible that the combination of the progress of a knowledge-information based society, financial industry and ICT technologies implies that if customer information held at financial institutions is released, misused or abused, it may lead to not just an adverse setback or long-term repercussions over the company’s management, but may also pose a significant threat to its very existence. Shinhan Financial Group fully understands the quintessential importance of customer information protection and has armed itself with infallible measures for customers to use our banking system without concern with its thorough administration and proactive protection activities in the collection, storage and use of customer information.

Customer Information Protection Organization and Budget Status

The Group runs an exclusive department for the “customer information protection center” and appoints a Chief Information Security Officer (CISO) in charge of establishing information protection strategies and policies, checking compliance relating to customer information protection laws and regulations, and responds to cyber infringement attempts and online threats. The Group formulates and executes its annual budget for information protection projects, which exceed the amount recommended by the “Regulation on the Supervision of Electronic Financial Activities,” and inspects its reasonableness for the



compilation and execution of the budget during a regular management status evaluation by the Financial Supervisory Service.

Compliance with Laws relating to Customer Information Protection

Shinhan Bank strictly abides by the laws and regulations concerning information protection such as the “Personal Information Protection Act and its Enforcement Rules” and the “Use and Protection of Credit Information Act and its Enforcement Rules.” In an effort to ensure the stringent compliance of the laws, the executives and employees of the bank are engaged in checking the customer information protection management status in the field and reporting the outcomes to management and the president of the bank on a regular basis. The bank also takes the initiative to build and operate the “Information Protection *Reg Tech” system based on Big Data to facilitate more systemic and effective compliance-checkups.

*Reg Tech: A compound word of “Regulation” and “Technology,” meaning a more systematic and effective internal control and compliance with relevant information protection laws and regulation by means of ICT technologies.

Building and Operating a Customer Information System

To securely protect customer information, the Group is the first commercial bank to encrypt personal identification numbers such as resident registration numbers, and all terminal screens and printed materials go through data masking(*) so as to hide customer information. The access to customer information is limited to certain occasions for the purpose of business and the purpose and reasons for use on a daily basis should be reported to a supervisor. To prevent cyber hacking attacks targeting financial institutions’ information systems and security incidents of customer information, the Group constructs a variety of customer information protection systems aided with cutting-edge ICT and

runs an integrated security control center in the computer data center equipped with a world-class physical and administrative security system, 24 hours a day, 365 days a year. Recently, it upgraded its system to an intelligent customer protection system that is based on an artificial intelligence monitoring system.

Global Information Protection Laws

It is a widely-held phenomenon that laws and regulations on personal information protection are getting stricter as shown in the enactment and enforcement of cyber protection laws and personal information protection laws in the US, Europe, China, Japan and elsewhere. Shinhan Bank is fully prepared for the enforcement of the relevant laws by various means such as information protection by overseas financial supervisory authorities, consulting with law firms, the establishment of information protection operation systems by dispatching information security experts, etc., for its overseas corporations and branches.

Shared Development with Partner Companies and Fair Trade

Principles for shared development with partner companies

Shinhan Financial Group seeks to build a mutually beneficial relationship with partner companies such as suppliers and service providers through fair and equitable trading. To ensure even-handed transactions that are free from discrimination, it prohibits bidding limits or discriminatory evaluations based on business size and it follows the principles of transparent transactions that put forth unambiguous standards on contracts. Shinhan Bank publicly discloses project biddings on its website and stipulates a co-prosperous partnership based on mutual respect in its agreement with partner companies. It is customary for Shinhan Card to include a written pledge of executing a contract of integrity, a Code of Conduct for partner companies of the Group,

and customer information security management contracts in sealing any agreements and to carry out fair biddings and partner selection according to procurement rules and provisions.

Removing Irrationality from Trading Relationships

Shinhan Bank makes it mandatory to hold a preliminary briefing session for bidders, which serves to provide the bank with opportunities to gather ideas and comments on improving trading relationships in the areas of procurement process, work process establishment, rectification of any inefficient areas, and more. Also, Shinhan Card uses regularly held conferences as a platform of communication where it collects suggestions for improvement from subcontractors.

Assurance of Reasonable Prices

Shinhan Financial Group is committed to returning rightful rewards at all stages, from bidding to payment. In the bidding stage, the Group continues to reduce private contracts especially vulnerable to arbitrary pricing. To ensure the right prices, priority negotiation counterparts are notified on the day of price bidding, and any room for re-negotiation for the submitted estimates stating prices below the expected price level are precluded. To ensure quick payment, a payment schedule is shortened to 15 days and any meeting with subcontractors extraneous to business is not permitted.

Shinhan Life Insurance avoids low bidding in an effort to achieve transaction transparency (except for bids on a negotiation basis) and phases out private contracts according to the plan to increase the competitive bid contracts by 2020. It also exempts partners that concluded contracts within 3 years from the contract deposits and offers opportunities to various companies by conducting split biddings by different items. Shinhan Card also contributes to the stabilization of its partner companies’ corporate earning structure by concluding long-term contracts with excellent partner companies.



Increase Financial Inclusiveness

For a virtuous cycle of finance that adds greater value to Shinhan and society as a whole, Shinhan Financial Group offers a variety of services and products that encompass SMEs, retail sellers, ordinary people and the underprivileged. The Group takes the initiative in introducing new technologies and services for all its customers to enjoy convenient and safe services regardless of their age, disability or nationality

Shinhan FUTURE'S Lab

Launched in 2015, Shinhan FUTURE'S Lab is a shared development program that supports the growth of FinTech startups and boasts the widest reach in cooperation and significant outcomes in the financial sector. At its 4th screening of 21 enterprises in January 2018, a total of 61 companies are in cooperation with the Shinhan FUTURE'S Lab, which developed a total of 43 joint business models with FinTech companies. To ensure startups to garner support from various fields, it broadened its cooperative space to startup support institutions and other support programs and invested around KRW 8.3 billion in the development of FinTech companies. Most notable of all is that the company expanded its scope of support to living platform companies including O2O, let alone FinTech firms, it has positioned itself as an unparalleled FinTech cultivation program in Korea. Moreover, a first for a Korean company, "Vietnam FUTURE'S Lab" opened in Ho Chi Minh City, and built a cooperative tie with 11 Vietnam businesses after the 1st and 2nd screening process.



Shinhan Bank

- Named as the "Best Provider of Financial Services for the Underprivileged by the Financial Supervisory Service for 6 years running
- Annual Ceremony of Finance Day – Awarded a commendation by the Chairman of the Financial Service Commission (FSC) (Jo Myeong-chol, Deputy manager, Bomun-dong branch)

The lab assists Korean companies that want to enter the Vietnam market. In 2019, it plans to support domestic startups to explore the global market, with an emphasis on Asian economies such as Indonesia and Japan and other emerging economies.

Realization of Inclusive Finance for the Financially Deprived Class

Loans for Working Class

Shinhan Bank was the biggest contributor in the banking sector to the joint loan product called "New Hope Spore Loans" specialized in supporting low credit/low-income class as it supported KRW 635.7 billion in 2018. With an accumulated transaction volume of KRW 3.274 trillion, the bank enjoys the no.1 status in terms of performance in the banking industry. In particular, the bank offered timely support to shipbuilding and automobile workers who have faced hard times to make both ends meet in 2018 with emergency livelihood funds, "New Hope Spore Loans," so as to assist the revitalization of the local economy by solving the financial difficulty posed on residents and workers in the areas suffering from an industry-specific economic depression and unemployment. In May 2018, the bank launched a mobile platform-based "Micro New Hope Spore Loans," a pocket loan that obviates the needs for face-to-face visits or documents.

With the aid of scrapping technology, applicants can easily submit income or employment proof and check the loan assessment results through their smartphones, which marks the complete non-face financial service for the working group. The bank provides youth, the elderly, and the disabled with an opportunity to mitigate financial costs with newly introduced special prime rates. With a view to support the alienated class from the mainstream financial services who are influenced by the lowered top interest rates in the moneylending businesses taking effect in February 2018, the bank launched specialized financial products for the working class, referred as, "Shinhan Safety Net Loan," in cooperation with the Korea Inclusive Finance Agency and the National Happiness Fund and targets people who suffered from high interest rates.

ESG Information-based relational finance

Shinhan Financial Group provides long-term loans, equity investments and consulting services through long-term trust relationships with companies, and conducts related financing to share the company's business performance. Relational finance is a system that comprehensively evaluates ESG information of an enterprise as well as existing financial information to support the required funds for a long period of three years or longer and to provide a wide range of accounting and legal management consulting services. ESG elements include social information such as labor disputes, industrial safety, customer satisfaction, turnover rate, benefits, and social contribution as



well as governance issues such as accounting transparency, management morality and reputation. In 2018, the amount of relational financial support expanded 98.9 percent, which is 1.26 trillion won compared to the previous year (6,332 billion won). After financing, ESG information is continuously monitored through regular interviews and on-site visits, and risks are managed through consulting and debt adjustment, if necessary.

Deposit Products for Working Class

Along with loan support for the underprivileged, the bank has been operating "Now Hope Installment Deposit" to empower the deprived to be independent and accumulate property since December 2011, and benefits not just the socially deprived class such as those living on welfare, the disabled, and multicultural families but also customers who paid towards any working class loan products. The no. of accumulated payment reaches 3.59 million cases with its increasing amount of KRW 667.6 billion.

Debt Rearrangement

Since October 2012, Shinhan bank has been operating its "SHB Household Debt Healing Program," a unique debt rearrangement program for attenuating a financial shock on customers of credit loans or mortgage loans in the form of "Credit Loan 119" and "Housing Healing Program." Customers who are currently behind or have been behind their debt payments are eligible for the "Credit Loan 119" program that helps private rescue with lowered loan interest rates and conversion of the balance to payments on an installment basis. "Housing Healing Loan" specifically offers benefits to customers whose mortgage loan payments are in arrears in terms of repayment delay and repayment in installment, interest delay and so on. This program helped more than 44,000 customers in 2018. The bank plans to help customers in arrears not to become lenders with long-term liabilities or blacklisted by notifying the debt rearrangement system in advance and helping them to apply for the arrange-

ment via a mobile platform.

Exclusive Channel for Working Class.

As the first bank that opened up "Financial Hope Plaza," a hub account for working class finance in the banking sector, Shinhan bank runs Hope Finance Plazas in 167 main regions throughout the country. Moreover, it has "Financial Hope Supporters," a dedicated staff offering financial services for the working class whose service ranges from loans, credit management, financial consultations, help finding employment and appropriate welfare programs, etc.

Innovative Finance with a Higher Accessibility

Shinhan Bank opened the "Joint Heart Windows for the elderly and the disabled" across its 697 branches throughout the country and conducted relevant training for all branches. This window features a "sign language consultation service" for the disabled while key branches are equipped with specially designed telephones for the disabled. In an effort to build a Braille service process, it adopted a Terms of Service in Braille for visually impaired persons and makes it mandatory to apply VOICE1 (Speech to Text barcode) in its Terms of Service and product descriptions, etc.

Through 'MySHOP', which is a win-win platform that connects customers and the franchisee stores optimally, Shinhan Card adds necessary benefits to customers and supports marketing of small entrepreneurs. Based on the industry's largest big data of 22 million customers and 2.7 million stores, the company provides the franchisee owners with market insights and recommend the stores to the customers with an AI-based model. In addition, it provides customers with 1:1 franchisee benefits according to their individual preferences.

Shinhan Investment's commitment to improving the convenience of seniors and the visually and hearing-impaired with various services including smartphone voice over recordings,

voice OTP, Braille security cards, Visible ARS, screen magnifiers, video captions, etc., has allowed the bank to win the Web Accessibility Quality Certificate. On the other hand, as shown in the number of monthly users accessing the consultation service that specializes in serving the elderly, which consists of 1000 users for special counselor services and 200 users for slow speech services, there has been a generally favorable response from elderly customers.

Financial Economy Education for Better Understanding of Finance

Solidify a Digital-based Financial Education Platform

Each year, Shinhan Bank develops diverse content for a differentiated financial education system and adopts them to its programs. So far, it has trained about 800 financial economy instructors to support a steady stream of education and new instructors that are annually appointed for training backed by standard financial training plans and contents. The newly generated financial education contents building on AR/VR technologies in 2018 are designed to facilitate access and intrigue those who are in need of financial education with app-enabled, interactive content. This sets the Bank's financial education content apart from others and complies with the demands of the digital era. Considerations on content expansion into YouTube channels and demand-oriented content are underway as well.

Financial Education for the Future Generation

The financial education offered by the Group delivers practical knowledge and first-hand experience to its audience classified by different ages and strata. The Group conducted financial education programs tailor-made to around 50,000 youth and adults in 2018.

Shinhan Children's Financial Experience Class is the Group's representative educational donation program for elementary school students where students can attain hands-on experience in finance. Students are invited to an experience hall which simulates the actual settings of a bank window and encourages them to participate in a set of tasks in the form of missions such as opening an account, issuing a bank card, etc.

Greatly appreciated by both students and their parents, the class was held at the Gwanghwamun and Busan branches and a total of 61 classes were held for 3,937 students in 2018.

Shinhan Card's Big Data Summer School is a pro-bono program of big data training for college and graduate students, providing them with opportunities to find jobs explore their careers through mentoring. The program is run in collaboration with leading institutions such as Seoul National University, the Ministry of Culture, Sports and Tourism, the Seoul Metropolitan Government, and CJ & M. Launched in 2014, the program has attracted approximately 580 participants over 6 sessions.

Shinhan Investment established a relationship with elementary, middle and high schools and runs the "Compassionate Finance Camp" to allow teenagers who will shape the future of the economy to cultivate the proper awareness of finance and experience the financial environment. In 2019, the financial coding course will be available allowing students to experience various financial practices and career experience opportunities in response to the 4th Industrial Revolution and digital environmental transition.

Financial Education for 1 Company 1 School

In line with the government's policy to run a free semester system, Shinhan Bank consistently offers career and job experience training. The experience hall at the Youth Financial Economic Education Center at the Gwanghwamun branch provides students with the opportunity to explore their career aptitude by participating in a banker experience.

In 2018, the bank took part in the Korea Education Donation Exhibition organized by the Ministry of Education with the intention of offering the opportunity for more students to obtain career experience. For 2018 alone, the bank carried out 176 career experience trainings for 15,879 students.

In addition, it fortified the contents of a "Financial Experience Class on the Wheel," that utilizes mobile banks (BankBird) and systematically offered classes covering experience-oriented content involving finance (elementary school), career (middle/high school) for 80 schools in financially deprived regions. As this is a rare opportunity for students residing in secluded places to explore bank jobs or career aptitude as bankers, it was well received by communities.

The bank was also active in conducting a 1-company 1-school Financial Education campaign organized by the Financial Supervisory Service, resulting in a total of 339 classes for 24,087 students and subsequently received the Head of Financial Supervisory Service Award as a model example for the campaign awards ceremony. Its remote video-based career mentoring, the first of its kind in the financial sector to make use of digital platforms is an interactive program and offered career exploration opportunities to students in 26 schools in financially deprived regions in rural, mountainous and fishing villages aided by its educational system within the Shinhan Youth Financial Economic Education Center.

Financial Education for the Underprivileged

Shinhan Bank extends its financial education services to the less fortunate who have relatively limited opportunities for education. To help North Korean defectors settle in South Korean society, it continuously provides defectors and teenagers of the group who receive training from the Settlement Support Center for North Korean Refugees (Hanawon in Anseong, Hwacheon) with financial education and daily financial training, respectively, 38 times in 2018.



Financial Education for North Korean Defectors

It also provides teenagers with developmental disorders with daily financial education programs combining theory and hands-on experience while distributing a standard curriculum for special education teachers for free.

As a result, the course has received a commendation from the Minister of Education at the 13th Financial Competition in 2018. Shinhan Life frequently engaged in offering training for the elderly of the financially deprived so as to help them to independently solve any finance-related matters concerning finance, asset management, and various forms of financial fraud prevention such as voice phishing. The training is conducted in conjunction with the Korea Association of Senior Welfare Centers to dispatch an in-house lecture team to senior centers. In 2018, a total of 143 lectures were delivered to 7,552 elders at senior centers throughout the country.

Establish Creative and Open Corporate Culture

Shinhan Financial Group relies on a creative and innovative organization culture to reinforce the capabilities of its executives and improves and brings about positive changes to the Group. It is devoted to establishing an employee-friendly working environment where every member of the Group can achieve happiness.



Shinhan
Financial Group

• The first Korean Company to be included in the Bloomberg Gender Equality Index (GEI) in 2019

Securing Talent and Developing Human Resources

Fostering Experts Specialized in Uplifting Customer Values

Shinhan Financial Group offers diverse training programs by its subsidiaries to empower its employees to enhance the capabilities to take on the challenges of an evolving era.

To support employees' competency building and professional career development, Shinhan bank adopts the practices of recruitment by different sectors from business/asset management, asset operations, digital/Big Data, ICT, etc. As part of these efforts, it also runs systems such as "Reserve manpower for professional activities" and "Reserve manpower for employees living abroad" etc. to assist those who would like to assume professional jobs involving IB, risk management, digital, Big Data, global markets, etc. to develop the relevant capabilities.

Since 2018, it has been operating a "Managerial Leader System," designed to select, coach and foster professional in terms of management and plans to expand the managerial leader pool, increase the number of female managerial leaders and employees eligible for coaching. It continues to reinforce training in the field of corporate finance and asset management to offer a customized, comprehensive solution to satisfy various needs of customers and operates an expert cultivation program in cooperation with Korea's leading universities.

Fostering Digital Talent

In 2018, the Group gave its employees various training opportunities including digital training for executives and managers, a masters program in Digital Finance Engineering at Korea University Graduate School of Computer & Information Technology, Data Scientist Fostering and Digital Technology (Digital marketing, Cloud, etc.) Expert Courses and more. With an eye on transforming all executives and employees into digital professionals, the Group plans to introduce various forms of digital training suited to different competency levels. To overcome the limits in timeframe and spatial issues, the Group is planning to release "S-MOOC," an online university course program specifically designed for a professional level of training.



Development of a Smart Learning Platform

The advent of the 4th Industrial Revolution shines a spotlight on smart digital education platforms. In this regard, Shinhan Investment developed its own smart learning platform called “S-Hub” to effectively increase the expertise of executives and employees. With the aid of Big Data analysis, individually customized video services will be provided to promote ongoing learning of respective career fields of interest and high usage of the platform is secured by regularly uploaded in-house educational content.

Inclusion in the “Bloomberg Gender-Equality Index”

Shinhan Financial Group is the first Korean company to be chosen as a distinguished company to be included in the Bloomberg Gender-Equality Index (hereinafter “GEI”), announced on January 2019. The intention behind Bloomberg’s introduction of GEI is to facilitate investors to see how companies are committed to the upward mobility of female employees as it is common practice for investors and businesses to evaluate corporate reputation, risks and performance in terms of environment, society and governance (ESG) information. Companies eligible for GEI should have a market value of over USD 1 billion in the NYSE and pass the performance of around 70 indices across four categories including internal employment & female management statistics, female workforce policy, community support activities and gender-equality related products/services.

Workplace Wellbeing and Improving Human Rights

Smart Work System for Work-Life Balance

By building a workable corporate culture, Shinhan Financial Group is committed to ensuring its employees’ happiness, which, in turn, shall be reflected into the best possible customer services.

In celebrating its 16th anniversary in September 2017, all subsidiaries within the group simultaneously employed a group-wide flexible work system. Following the lead by Shinhan Bank in July 2016 that introduced a “Smart Work System” encompassing telecommuting and flex-time work, Shinhan Group became the first financial group in Korea to have implemented the flexible work system in all its subsidiaries. Previously, CEO Cho Yong-byoung of Shinhan Financial Group asserted, “The happiness of customers derives from the happiness of employees,” and thus suggested that all subsidiaries in the group adopt a flexible work system, which was well received by the CEOs of differing Group subsidiaries, resulting in the all-out, group-wide implementation of the system starting from September 1, 2017. Aiming for “work-life balance,” and the “creation of good place to work,” Shinhan Financial Group took the initiative to implement a flex-time work system that gives all employees an opportunity to plan their working time, while the rest of the subsidiaries gradually adopt the system depending on their circumstances.

In accordance with the promulgation of the Amended Labor Standard Act that seeks to “shorten working hours” in March 2018, domestic businesses are legally obligated to maintain weekly labor hours within 52 hours, and the Group and its subsidiaries are subject to the Amended Labor Standard Act applied to the consecutive order of business size (no. of permanent workers).

Shinhan DS, an ICT subsidiary of the Group was first bound to abide by the revised law to the Group on July 2017. Shihan DS conducted an exclusive TFT project to review types of flexible working systems and their feasibility and consequently adopted an alternative work arrangement for those in System Management (SM) positions and a discretionary work arrangement for those in System Integration (SI) while implementing a PC-OFF control system throughout the Group.

Shinhan Bank and Jeju Bank are to be impacted by the revised law in January 2019, followed by Shinhan Card, Shinhan Investment and Shinhan Life Insurance in July 2019. It will be joined by a total of 6 Group subsidiaries including Shinhan Financial Group Co., Ltd., Shinhan BNP Paribas AM, Shinhan Capital, Shinhan Savings Bank, Shinhan AITAS, and Shinhan Credit Information on January 2020, followed by Shinhan Alternative Investments and Shinhan REITs Management on July 1, 2021.



80points

2018 Shinhan WAY survey of organization satisfaction Group average (4.0 on a scale of 5)





It is the intention of the Shinhan Financial Group to manage labor hours with the introduction of a flexible working system and PC-Off control in consideration of the business characteristics and unique circumstances of the subsidiaries subjected to the 52-hour work week in 2019. And after assessing whether or not individual measures taken by the subsidiaries are effective, it will take countermeasures optimal to different business environments to ultimately address two issues at once – the legal responsibility of curtailing work hours and work-life balance.

Using RPA to Improve Work-life Balance by Reducing Repetitive Tasks

Shinhan Bank has successfully completed the RPA (Robotics Process Automation) ONE project, which is specifically designed to ensure the efficiency of repetitive tasks. Adopted with the view of the introduction and a wider utilization of RPA, the “RPA ONE project” automated 13 processes across six departments and greatly enhanced work efficiency by automating around 6000 daily tasks, in addition to introducing a ground-breaking process that automatically handles tasks related to the surveyor’s report on real-estate image registration even after business hours.

6,000 Tasks

Automated by “RPA ONE project” in 13 processes across six departments



Support Maternity Protection and Work-Family Life Reconciliation

To reconcile work and family life, the Group operates a range of welfare programs for childcare. For instance, Shinhan Bank offers parental leave, a two-hour shortened work period a day for pregnant employees and a flexible work system. Furthermore, Shinhan Card has lengthened the period of parental leave to 24 months including maternity leave per baby. It also supports employees in needs of fertility treatment with subfertility leave. Also to be included is various pregnant women protection programs is a shortened work hour system for childcare and specially designed chairs for relieving the fatigue of pregnant women

The Group endeavors to support childcare by operating Child Care Centers as well. The group operates three Child Care Centers which are located in Jung-gu, Gangbuk in Seoul and Ilsan, Gyeonggi-do. Shinhan Bank operates its own three (Ilsan, Yangcheon, Songpa) in-house childcare centers in Seoul.

6 Centers

Child Care Centers are operated with various supporting programs





Carry Out Corporate Social Responsibilities

Shinhan Financial Group strives to attain sustainable finance whereby Group's values are aligned with social and environmental values, thereby creating a synergistic effect.

The Group views sustainable finance as its backbone of management activities to the extent that sustainability is proactively taken into account when it comes to determining loans and investment. As a result, it not only enhances the relevant financial products, but also encourages sustainable business practices for customers and clients.

In addition, the Group exerts leadership in generating greater hope in society as it launched a "Society of Hope Project" geared towards solving social problems such as the eradication of polarization and job creation, and is injecting resources amounting to KRW270 billion by 2020.

Sustainable Finance and ESG Investment Products

Establishment of the Leading Position in Low Carbon Financial Market

195 parties of the UN Framework Convention on Climate Change in Paris including Korea and EU collectively agreed to keep the increase in the global average temperature to below 2°C, to further limit it to less than 1.5°C. South Korea plans to increase the proportion of new and renewable energy in power generation by 35 to 40%, while reducing its GHG gas emissions by 37% from business-as-usual (BAU) levels by 2030. In this regard, the target emission amount is at 536 million tons. In keeping with the paradigm shift in energy, Shinhan Financial Group is actively engaged in supporting project financing in the new and renewable energy business as well as investment and loan hybrid funds for the environmentally-friendly industry and technologies in order to sharpen its competitive edges in finance and take the lead in future-oriented climate finance.

Investments in New and Renewable Energy Development Projects

Incorporated by new and renewable energy policies pursued by the international community and the Korean government, the Group established a mid- to long-term climate finance roadmap that is centered on investing KRW 20 trillion in the environmentally-friendly industry and technologies. Accordingly, the Group is an active player in project financing regarding new and renewable energy infrastructure market at home and abroad. Its investment commitments include: KRW 2 billion in Energy Storage System (ESS) Project(9MWh) in cooperation with Honam Wind Power; KRW 50.3 billion in the PV(Photovoltaic) Power Plant (129MW) Construction project of Techren Solar, US; KRW 36.5 billion in the Photovoltaic Power Generation Project (25.5MW- Kazono, 15MW - Yokogawa)in Shizuoka Prefecture, Japan; KRW 7.8 billion in a Hydropower Project(218MW) in Angat, Philippines, KRW 38.3 billion in the Tafilah Wind Power Plant Project, Jordan and; KRW 56 billion in a Photovoltaic Power Generation Project in Cam Lam, Vietnam in 2018. Also, KRW 39.7 billion was provided for fuel cell facility loans and KRW 50 billion for biomass power generation. Total project financing for the nine projects is KRW 280.4 billion. In addition, the Group offers green finance loans to increase loans to green enterprises and induce environmentally-friendly living in individual customers (transaction volume for the loans in 2018 – KRW 310.8 billion in total).

KRW 15.7 trillion

Environmentally-friendly investments/
loans in 2018



* Sustainable finance refers to finance that seeks sustainability while considering ESG factors. The European Union (EU) defines it as a key requirement to realize "better finance" that will bring sustainable finance to the economy and society in the long term in order to prepare for new risks. It will lead to better jobs, less inequality and the transition to a low-carbon economy.



Shinhan Investment lends KRW 56.3 billion in the form of project financing for the US gas-fired combined cycle power plant with an output of 1,181MW of power, which is valued as much as KRW 1.46 trillion in project costs and invests in the fund to acquire a stake in a Dutch waste processing company (177MW), and supported the fund amounting to KRW 11 billion in a medical waste power generation project of Samyoung E&E. Moreover, it invested KRW 21.6 billion in Calpine, a new and renewable energy generator situated in California, the US and KRW 12.4 billion in EMKH, a domestic waste treatment company, making its total investment and loan amount in 2018 to amount to KRW 149.7 billion. At the same time, we acquired corporate bonds for domestic eco-friendly companies (total acquisition amount: KRW110 billion), contributing to smooth financing. In concert with Nissan Motor, Shinhan Card launched an environmentally-friendly card that benefits customers who purchase the company's electric vehicle, LEAF, with premium membership benefits, recharger installation support, recharging cost discounts, etc. It intends to add more environmentally-friendly concept products in the future.

Shinhan Life Insurance also keeps on intensifying its investments in ESG covering companies of environmentally-friendly energy and with sustainable growth potential. In 2018, it invested in Photovoltaic Power Generation and wind power generation (5 cases in Korea, KRW 119.6 billion/ 2 cases overseas, KRW 115 billion)

Shinhan BNP Paribas Asset Management continues to expand its investment in ESG in terms of environmentally-friendly energy and new and renewable energy companies. As of late 2018, the scale of investment reached KRW 800 billion and it will establish a co-op system with domestic and foreign new and renewable energy invested companies and continue to expand investment in related fields. Shinhan REITs Management holds the 'Prime Tower' (KRW 175.5 billion) in trust. The building acquired green building certification granted to environmentally-friendly buildings.

The First Green Bond Issuer in Korean Won

In August 2018, Shinhan Bank issued 200 billion won worth of Green Bonds to support green finance for the first time as a commercial bank in Korea. Green bond refers to specifically labeled bonds whose proceeds are exclusively used for environmentally-friendly green projects such as new and renewable energy. Shinhan Bank prepared a green bond management system in accordance with the Green Bond Principle (GBP) established by the International Capital Market Association (ICMA) and has been verified through external agencies. As the spread of the social atmosphere that emphasizes corporate social responsibility and the share of socially responsible investment (SRI) in the bond market has expanded, it is expected that demand for ESG bonds related to environment, society and governance will continue to increase. Shinhan Bank will post the expected figures on Green Bond support projects and expected contribution to environmental improvement on its website in the form of annual investor reports until the amount of bonds issued is exhausted.

Increased Responsible Investments (ESG Investment)

We are witnessing a soaring influence of ESG factors such as environmental pollution, power abuse or harassment by business owners, product responsibility, corruption, etc. over corporate value. Responsible investment can be understood as a method of investment that considers not just financial indexes of a business but its comprehensive social responsibility encompassing environmental, social aspects and governance. In its effort to promote responsible investment, the Group is devoted to continuously develop responsible investment products that yield stable ROIs in the mid and long-term as well as to assist customers' ESG investments.



Responsible investment assets of Shinhan Bank PWM customers total 140.8 billion KRW (10 billion KRW in funds and 130.8 billion KRW in loans), and Shinhan Investment's WM customers have total assets of KRW 269.9 billion (as of the end of 2018). They include private equity funds in green energy and Social Responsibility Investment (SRI) public equity funds that incorporate excellent ESG enterprises into investment portfolios.

Shinhan BNP Paribas Asset Management relies on an external consulting agency in assessing ESG factors of individual companies used to screen its potential investment. It regularly examines corporate analyses and takes part in the relevant seminars, and promptly reflects any governance-related, environmental or social issues to socially responsible investment portfolios. In line with growing social demand in ESG investments, it established an internal system to evaluate ESG ratings of businesses and plans to reflect them in fund management within the year. In addition, the company preemptively adopted the stewardship code that encompasses socially responsible investment in December 2017, and is strategically cultivating socially responsible investment funds. Keeping with the global trends of an increasing importance of ESG factors in investment decisions, it has singled out socially responsible investment funds as its strategic funds with ensuing endeavors such as promoting pension funds and institutional funds.

In addition, it carries out Group-wide marketing and training programs to enhance customer understanding of responsible investment. These programs help customers to gain better comprehension of the necessity of ESG factors and the company to be engaged in raising awareness that an increase in the ESG investments may lead to a higher ROI for customers.

While the former investment method applied to a strategic fund of Shinhan BNP Paribas Asset Management, 'TOPs Beautify SRI Fund' (AUM KRW 56.9 billion) was to refer ESG ratings from an external consulting firm and corporate analysis results from the internal stock research team, it will be modified to include the internal ESG rating system to the fund operation in an attempt to fortify socially responsible investment in 2019. Shinhan BNP Paribas Asset Management fully integrates ESG elements into the investment process and demonstrates excellent results in the mid- to long-term.

Introduction and Implementation of the 'Stewardship Code' Fulfilling the Obligation of Trustee

Amid the increasing social pressure to ensure acceptable shareholder returns and to reform governance structure, emphasized by the Fair Trade Commission, transparent management has never been more important to a corporation. It is a recommendation at national level to boost shareholder returns including corporate dividends, and against this backdrop, the need for the stewardship code has emerged. Many countries around the world are already implementing stewardship codes, and more and more countries are adopting them. Since the introduction of the stewardship code in Korea, not only the National Pension, but also many asset management companies are participating and expanding the scope.

In a transforming investment environment, Shinhan BNP Paribas AM set the pace by joining the stewardship code in December 2017 so as to guide a sound investment culture and subsequently strives to improve mid and long-term ROIs for its customers.

The goal of the stewardship code is to establish a long-term investment culture and to contribute to the sustainable growth of a company by specifying and exercising the accountabilities of trustees. It leads to more invigorated shareholder activities in examining core management matters covering business strategies and performances, risk management, environmental and social issues and governance, etc., and Shinhan Financial Group is devoted to ameliorating investment culture and ROIs by proactively exercising its voting rights of the invested assets.

It is our firm belief that these endeavors will eventually lead to greater fruits for our customers on a mid and long-term basis and is consistent with the Group's mission to do good in the world based on the power of finance.



Society of Hope Project

Financial Recovery for People with Low Credit Ratings

Injecting KRW 30 billion over three years, the Financial Recovery Program for People with Low Credit Ratings helps financially deprived persons who face hardships posed by the credit crunch and unemployment to attain economic independence by offering a maximum of KRW 1.8 million per person as a training allowance during the duration of the training for vocational competence development from the Ministry of Employment and Labor. In particular, the 1st model case competition proved the program's effectiveness and successfully paved the way to improve public awareness of the financially deprived.

Support for Women facing Career Interruptions

Under the MOU with the Ministry of Gender Equality and Family sealed in January 2018, the Group's projects to assist women from the most vulnerable classes to reentry into labor market and to establish after-school childcare centers for elementary students and co-op childcare centers helped around 5,000 career-disrupted women to receive training allowances, thereby promoting economic activities to narrow income gaps. Starting from the first Shinhan Childcare Center facility built in Seodaemun-gu, Seoul, the group completed the opening of 42 facilities throughout the nation. The after-school childcare activities to dual-income family children alleviates the burden of childcare from parents, contributing to the reconciliation of work and family life and supporting the women from interrupting their careers due to child fostering. The first Shinhan Childcare Center facility is recognized as an excellent model of low-fertility support, becoming a popular location for showcasing public welfare policy and an ideal benchmarking case.

Rehabilitation of Families in Crisis and Discovery of Heroes of Hope

The Group is engaged in projects to spread the culture of sharing by assisting the rehabilitation of families in crisis by providing economic aid for a better tomorrow. It also awards social heroes who had gone out of their way to help people in danger. The projects are undertaken under six distinctive titles including: 'A Better Tomorrow' to support housing and living expenses; 'A Brighter Tomorrow' to assist with educational and child upbringing expenses; 'A Safer Tomorrow' to help families suffering from domestic abuse; 'A More Cheerful Tomorrow' to support disaster/accident relief and; 'A More Hopeful Tomorrow'. In cooperation with the Community Chest of Korea and Good Neighbors, the Group provided support to 445 households from the underprivileged and awarded 7 heroes of hope last year.

Support for Youth Employment Overseas

The Group's Overseas Employment Support of Youth project is conducted under the MOUs with Hankuk University of Foreign Studies and KOTRA and selects and aids 100 young people who would like to find a job in another country through domestic and overseas training to reinforce their global competencies to job matching through overseas networks of the relevant institutions. The Group is committed to turning the project into a forward-looking platform to introduce promising young talents to the world.

Youth Education for the 4th Industrial Revolution

Youth Education Project for the 4th Industrial Revolution specifically focuses on providing students with developmental disabilities the necessary skills and talents to weather through the era of the 4th Industrial Revolution. The Group made a joint effort with special schools to offer various courses, including software coding, color therapy, financial education programs, etc. It also recruits and fosters specialized software lecturers, especially from those who majored in special education to heighten the specialty and effectiveness in software education training for the developmentally disabled. Through this project, the Group intends to bring about a positive change in the lives of these students who are likely to be left in blind spots of informatization about the 4th Industrial Revolution.

Total Care for Youth Debt

The Group is committed to gain a foothold on sustainability in social contribution activities based on the reinforced connection with businesses with several measures such as: expanding assistance to the financially deprived through more programs and explore new projects to meet its innate role as a financial group with a joint undertaking of CSR programs with other Group subsidiaries. As a part of the effort, it signed an MOU on 'Total Care for Youth Debt' and pursues a project to help young people who are facing economic difficulties due to education loans even after being employed escape from the debt trap and to become self-reliant as healthy members of society.

KRW 30 billion

Financial Recovery Program for People with Low Credit Ratings



5,000 people

Support for Women facing Career Interruptions





Social Contribution

Do Dream Project to Support the Future of Youth

Shinhan Bank had operated social contribution program with Korea SMEs and Startups Agency for young people from 2012 to 2017 and upgraded it as Do Dream Project to foster smart leaders in the era of 4th industrial revolution. Through SME reputation improvement and benchmarking trips for overseas excellent companies, it matches excellent talent with SMEs. As of 2018, 43 universities and 123 SMEs participated in this project and 156 employees were recruited.

Do Dream Space

Shinhan's Do Dream Space is engaged in activities to give young people substantial support in finding a job and opening a business by offering office/study spaces and various educational/training content along with opportunities to open a store, Cafe or office in front of Seoul Forest which attracts 1.5 million visitors a year. In 2018, Do Dream Space selected 210 young adults to provide various startup competency training covering industry analysis, business model development, data analysis, marketing, law and others, which resulted in a total of 85 business items being commercialized.

The outcome marks an outstanding figure that may lead to job creation for 270 people considering that the average employment effect of startups according to the Small and Medium Business Administration remains at 3.2 persons. In addition, 'Do Dream Match Makers' program that aims to connect promising startups with young job seekers provided 106 students with training courses on key job competencies required by startups for 20 hours in 5 weeks, and 18 trainees actually got hired through 'Job Matching Day.'

Cafe Do Dream - Vocational School in an Urban Space

Cafe Do Dream is a virtuous job creation platform whereby Shinhan Bank supports the social/economic independence of out-of-school youths with training and jobs based on internal resources and re-invests its education expenses. Though the program, 6 interns were recruited and received on-the-job training and barista training in 2018 and now the expansion of the business is in review to make the most out of the unused space in the bank.



Digital Life School, Do Dream Space Startup Training



Cafe Do Dream



Global One Shinhan Volunteer Festival

Joined by executives and employees of Shinhan global network, 'Global One Shinhan Volunteer Festival' is a representative voluntary service activity with an 11-year long history and covers a range of activities in 23 regions in 18 countries around the world. In Korea, the Group maintains its sponsorship in Seoul International Wheelchair Marathon from 2005, and the annual campaign to take care of cultural properties in rural settings since 2008. For nine years, executives and employees of the Group visited and offered helping hands to rural chores in the pertinent village under a '1 company 1 village sisterhood' (Shinhan Bank – Omija, Shinhan Card – Sambaeri, Shinhan Investment – Sanggunduri, Shinhan Life Insurance – Canoe). In addition, they are engaged in various welfare programs and voluntary environmental efforts such as the provision of basic supplies.

Social Contribution Brand of Shinhan Card 'Areumin'

'Areumin', the social contribution brand of Shinhan Card, occupies the center stage of the company's public welfare endeavors encompassing 'Areumin library', 'Areumin volunteer group', 'Areumin site' and so forth. From 2018, the company undertook 'Euljiro 3-ga Project' under MOUs with Seoul Metropolitan City and Seoul Metro to promote urban rehabilitation and revitalization of small private businesses. Opened in 2010, 'Areumin library' is aimed at improving the quality of life and culture through reading by supporting environmentally-friendly reading environments and recommending books for children, teenagers and local residents. As of 2018, there are a total of 478 'Areumin libraries', 473 in Korea and 5 overseas. Therefore, they contribute to enhancing the quality of life of the members who are likely to be overlooked in terms of education offered in regional childcare centers, local welfare centers, children's hospitals, and overseas (Vietnam, Indonesia, and Myanmar.)

'Areumin volunteer group,' joined by all executives and employees including the CEO, is actively engaged in diverse volunteering programs throughout the year. Their commitment is seen to be noteworthy judging from their hours of voluntary service in 2018, which recorded 28,315 hours in total (12 hours per person on average). The volunteer services span from environmental protection, support for isolated children and teenagers and assisting the elderly living alone, wage sharing, etc. Shinhan Card runs the largest number of donation channels through its 'Areumin site' where customers can easily donate their points and credit card, check card or gift card payments to 151 domestic NGOs through the website, applications, the ARS service (1661-1122) or the customer service staff. The first of its kind in the financial sector, 'Areumin site' has contributed KRW 5.41 billion in accumulation from 2005 to 2018, positioning the site as the representative channel specialized in domestic donations.

Sport Sponsorship

Shinhan Financial Group is committed to promoting the domestic sports culture and to supporting athletes and its infrastructure. In 2018, Shinhan Bank signed a KRW 24 billion worth-sponsorship contract with the Korea Baseball Organization (KBO), effective for three years, an unprecedented move in the field of finance, which set a new record in terms of sponsorship contract amount in the domestic professional sports leagues. This win-win relationship between the KBO, the most popular sport in Korea, and the bank allows them to form closer ties with the public.

The Bank has been operating the 'Shinhan Rookie Sponsorship program' designed to source and support promising young athletes in Korea on a long-term basis while sponsoring 'Korean Basketball Festival', the most prestigious amateur basketball game in Korea as a women's pro basketball title sponsor during the seasons of 2017 to 2018. It also sealed a sponsorship contract with the Korea Volleyball Association in May 2018.

Global One Shinhan Social Contribution



Ho Chi Minh City, Vietnam

About 100 local employees of Shinhan Investment and Shinhan Life Insurance donated bicycles in order to help impoverished children get to school.



Jakarta, Indonesia

Around 50 local executives and employees of Shinhan Bank, Shinhan Card and Shinhan Investment support children in orphanages with educational materials and food supplies.



China

Employees from local corporations in Beijing, Qingdao, Xunyang, Wuxi, Shanghai, gave financial support for patients suffering from rare diseases and offered necessary goods required for retirement homes.



Mumbai, India

Conducted tree planting and provided electronic books for the disabled



Kazakhstan, Cambodia, Myanmar and Mexico

We improved voluntary services in welfare facilities and provided PCs at local schools for improvement of educational facilities.

Management of Environmental and Societal Risks

Shinhan Financial Group has established an environmental and social risk management system that includes environmental and social risk management best practices. It selected areas of concern in the areas of environment and society and manages them through monitoring and other relevant activities. It also establishes clear guidelines on conditional financial assistance to illegal activities and construction of coal-fired thermal power plants, evaluates socio-environmental impacts for a high-risk PF, and if necessary, it may make it mandatory to reflect countermeasures to lessen the impacts in the form of provisions in a financial agreement.

ESG engagement

We conduct client engagement activities on ESG risks and opportunities, and take measures such as loan withdrawals and credit rating downgrades in case of negative issues. The followings are engagement cases.

- For loans supplied to global restaurant chains listed on the KOSDAQ, the reputational risks have been identified by embezzlement and malpractice of CEOs and obstruction of business.
- We found a massive accounting fraud of an electrical contractor specializing in electrical works for nuclear power plants, a SME that was not subject to external audit, during the process of regular credit evaluation.
- We detected habitual gambling of the CEO of a small-sized blue chip company manufacturing cosmetics during the qualification process for new loans.



- Awarded a commendation from the Minister of Land, Infrastructure and Transport for a reduction in GHG gas emissions
- MOU with the Korea Energy Agency for revitalizing new energy industries and new and renewable energy generation projects
- MOU with Hanwha Energy to promote new and renewable energy business.

Integrated ESG Risk Management

The Group has set a roadmap to introduce an ESG Risk Management System in 2017 so as to reflect not just financial performance of a business but also its non-financial performance in the areas of environment, society and governance on its investment decision making. Accordingly, the Group established best practices for the Group's socio-environmental risk management that defines the overall socio-environmental risk management system covering the purpose of managing socio-environmental risks, principles and key tasks, and R&R, among others. The kernel of the system, the management of areas of concern and the review system for environmental and social aspects was also subsequently established. As for the areas of concern, the best practices identifies 12 industries including forestry, mining, drift-net fishing, crop production, tobacco, coal processing, oil refining, electricity generation, infrastructure, arms and munitions, chemical substances, wastewater/waste, and the Group is engaged in regular monitoring of their individual exposures and main risks accordingly. Considering issues on climate change, it established and adopted its own financial support standards that circumscribes the conditions of financial support given to a project financing of new coal-fired thermal power plants in Korea and OECD countries to apply a supercritical technology or above, or to be less than 800g CO₂ /kWh.

Furthermore, it makes it mandatory to conduct a socio-environmental risk assessment for a project financing whose potential socio-environmental impact is significant, and if necessary, it should add the provision stipulating the measures to mitigate the impact to the financial agreement. The Group carries out a review to evaluate the potential environmental and social impact of a proposed project on the neighboring natural environment, eco-system, the infringement of living rights, the health of residents, etc., and reflects the outcome in the decision-making process.

In addition, it rules out any financial support for the production or transaction of goods or services that violates the laws and regulations of the relevant countries while it makes it a rule to restrict loan offerings for unhealthy industries including manufacturers of unsound recreation devices, bars and money lending business and demands new applicants from the industry to acquire an approval from the Loan Review Committee.

The Group will assist the further exploration and expansion of the sustainable development areas including renewable energy, GHG reduction, fuel-efficient vehicle, resource recycling and partake in a global level response to challenges including TCFD and others.

Risk Management System

The Group's risk management committees constitute the primary mechanism to establish risk management policies and strategies in line with its management strategies.

Risk management committees and related working committee, exclusive teams handling risk management, form specific policies and strategies consistent with those of the Group.

With the aid of the scenario-based integrated risk situation analysis and various early alarm indicator monitoring, they prepare a Group-wide risk management system and determine the level of risk through impact analyses and implement subsequent countermeasures. The Group Risk Council shares these details and jointly tackles any risks through the Group Risk Management Committee depending on the significance of matters. In addition, it also runs 'Risk Expert Network' joined by those who are in charge of risk management in the Group subsidiaries and risk experts. It is held regularly for more than once a month for theme-based study and research, discussion and shares the current risks faced by the Group and seeks to find creative solutions to increase synergy within the Group.

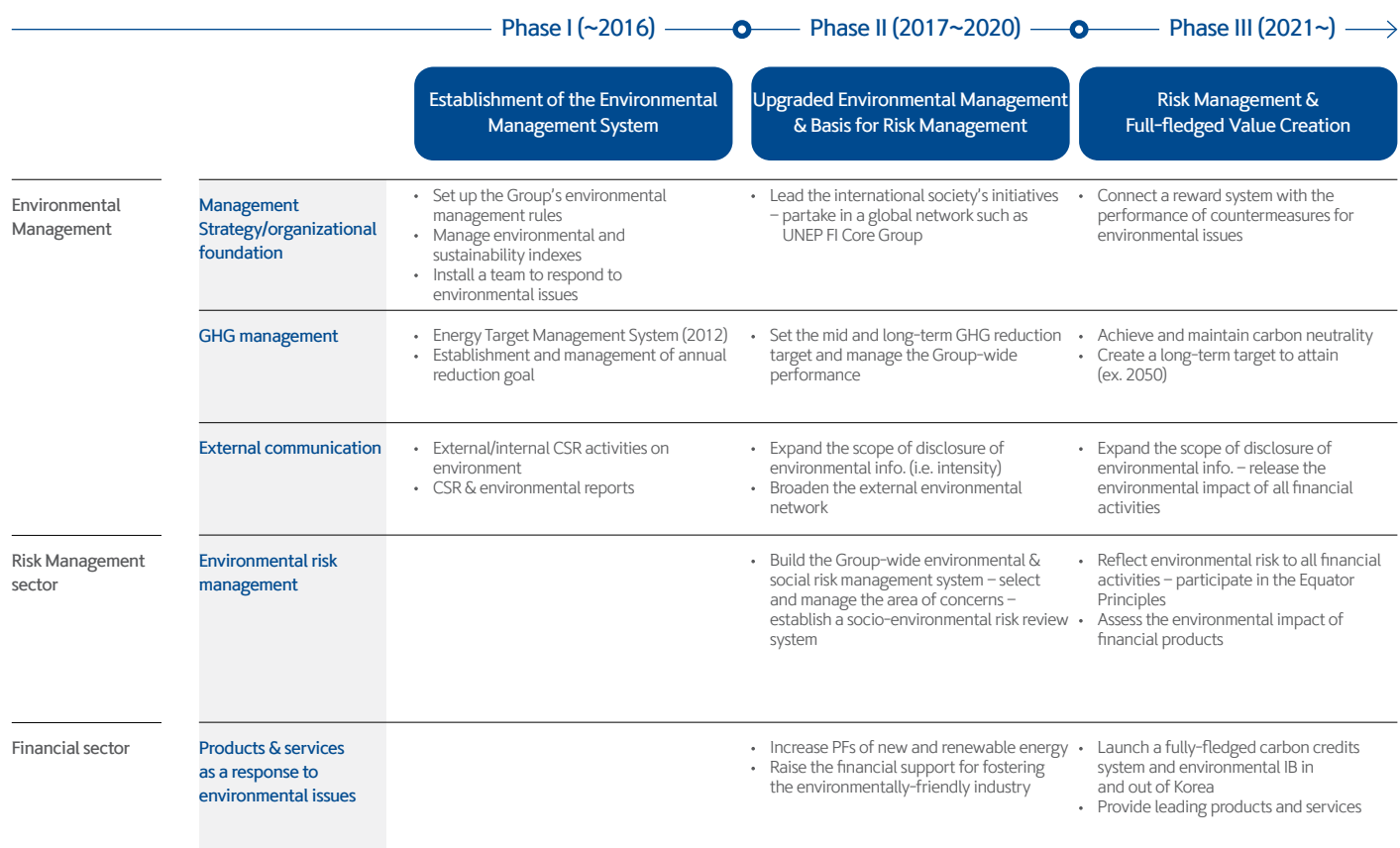
Shinhan Financial Group is continuously upgrading its risk management system to respond flexibly to business changes such as digital finance and to prepare appropriate loan operation strategies according to different risk levels. Shinhan Bank concentrated its effort on fortifying its risk management competency as shown in its development of Asset Liability Management (ALM) that manages assets and liabilities in an integrated manner in 2017.

Advancing the Environmental Management System

As domestic and overseas environmental regulations are strengthened and demand for renewable energy and energy efficiency continues to expand, Shinhan Financial Group has been upgrading its environmental management and paved a way to effective risk management.

For the first time in the financial industry, Shinhan bank publishes an annual environmental report to transparently disclose quantitative data on resource and energy usage, environmental pollutant emission and discharge, green purchasing results along with its environmental management strategies and performances, which can be accessed via its website to facilitate easy communication with external stakeholders.

Environmental Management Advancement Roadmap





Implementation of GHG Emissions Reduction

Shinhan Bank is a participant of the "GHG/Energy Target Management System" committed to executing annual GHG reduction targets so as to contribute to meeting the National GHG Emissions Reduction Target. Since being designated as the business under the Target Management System in 2012, the bank has been reducing its GHG emissions by an average of 23% or more compared to the target level, and in 2018, as the government allocated 95,452 tons of GHG emission allowances to the bank, with a concerted effort of all executives and employees, it exceeded the permitted level by 16.3%(15,567 tons). It is a consequence culminated in the bank's various projects including switching to LED lighting, the operation of environmentally-friendly data centers, keeping recommended cooling/heating temperatures, shorten the signboard lighting hours, etc., in the headquarters and branches.

Shinhan Investment practices the energy-saving principles in the headquarters and branch buildings. In the first half of 2018, the company changed its 3,286 lights in the headquarters building into energy-efficient LEDs, and prevented excessive energy consumption by putting the upper and lower limits on indoor cooling and heating temperatures in summer and winter. In its effort to protect the environment and to achieve its GHG emissions target, it replaced its commercial vehicles with hybrid-types and planted over 100 Japanese apricot trees through its 'Tree-Planting Voluntary Service.' To cut down its indoor energy consumption by 5% by 2020, Shinhan Investment plans to expand energy-saving activities and provide its executives and employees with training and activities to instill a greater awareness of environmental protection.

Environmentally-friendly & Highly-efficient, 'Integrated Data Center'

Shinhan Data Center, responsible for integrating and managing data in the Group, set its goal to attain a building that can be labeled as the 'Optimal Green Data Center' and consequently designed a building that obtained a Gold rating by LEED certification developed by the US Green Building Council (USGBC), a prestigious international body in green architecture, as it is characterized by high energy efficiency and the minimum amount of GHG emissions. To summarize its efforts: it installed LED lamps to the most of the lighting to save more than 1,300MWh energy a year; replace the mechanical differential pressure switches of turbo refrigerators with digital ones to annually save 193MWh in 2018 and; decreased annual gas consumption by 2,714m³ by effectively operating indoor cooling and heating temperature, hot water temperature and usage times.

In addition, the effective cooling tower operation through a water treatment facility helped it to cut down annual make-up water and city water consumption by 1,829 tons while recycling heavy water and rainwater to save 4,946 tons of water a year. It also reduced annual CO₂ emissions by 341t CO₂ compared to 2016 as it produced 93.56MWh photovoltaic energy and 56,680MJ as solar heat with its own photovoltaic infrastructure.

341 tCO₂

Annual CO₂ Emissions Reduced in 2018
compared to 2016 in Group Integrated Data Center



Cost-saving Effect of Data Center by Increasing Energy Efficiency

Category	Year 2018	Year 2017	Amounts reduced	Costs reduced (KRW)
Cooling water pump (kwh)	551,416	744,743	-193,327	-17,206,103
Gas (m ³)	26,090	28,804	-2,714	-2,035,500
Photovoltaic power (kwh)	93,550			-13,390,477
Solar power (MJ)	56,680			-886,853
Tap water (m ³)	39,551	41,380	-1,829	-4,863,311
Wastewater (m ³)	1,412			-3,754,508
Sewage (m ³)	3,534			-9,396,906
Total				-51,533,658

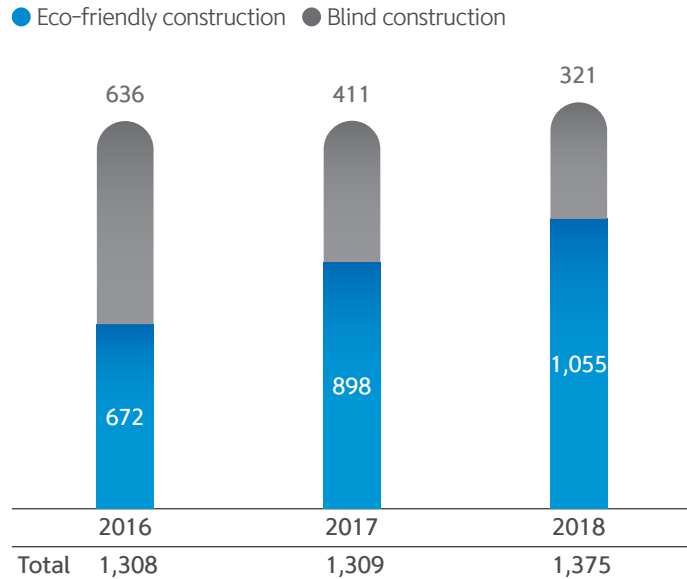
Investment in Environmentally-friendly Facilities and Introduction of High Energy Efficiency Products

Shinhan Bank is increasing its investment in environmentally-friendly facilities by augmenting the use of environmentally-friendly building materials during its branches' environment-renovation works and adopting environmentally-friendly prefabricated systems (partitions, walls, service counters, etc.) In addition, as it actively encourages the use of products from environmentally-friendly, green enterprises, it leads to the use of highly-efficient products such as water purifiers, air cleaners, and bill counters by purchase or rental contracts. This endeavor will expand to the introduction of electric vehicles for business purpose, the establishment of electric vehicle recharge infra and continued use of high energy efficiency products.

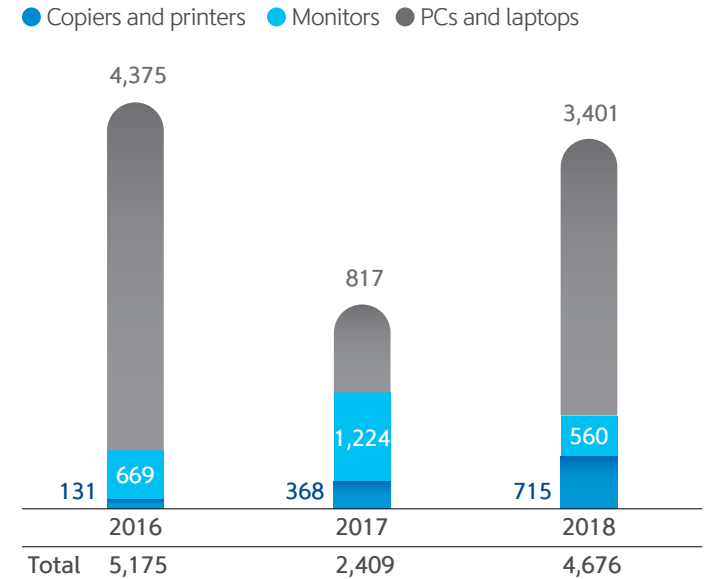
Realization of Paperless Branches via Digital Windows

Shinhan Bank has made SOL kit service, a consultation service based on tablet PCs, available in all of its windows throughout the country. The tablet PCs are loaded with a 'consultation content management portal' that has information on over 1,000 different financial products, and it eliminates the need to print separate notification and consultation materials, thereby saving paper resources. In addition, the consultation materials displayed on the tablet PC will be delivered, if requested, to a customer via text message or Kakao Alim Talk. The SOL kit service helps the bank digitalize more than 17 million paper documents a year, if converted to one piece of A4 paper (4.37g), which is estimated to reduce the use of 75 tons of paper per year. With environmental management in mind, the bank will maintain its commitment to complete a paperless bank by broadening the scope of digitalization of face-to-face works and establishing a solid basis for a digital consultation process.

Use of Eco-friendly Materials (KRW million)



Green IT Purchasing (KRW million)



Paper Document Reduction





Factbook

- 57 — Corporate Governance Structure
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Corporate Governance

In the interest of long-term development and protecting stakeholders including shareholders and financial consumers, Shinhan Financial Group is committed to establishing a governance structure that secures transparency, soundness, and stability and at the same time, fully reflects its pathway to growth and organization culture.

Independence of Board of Directors

To ensure the soundness of the Board of Directors, the Group appoints independent outside directors, which is stipulated in its Article 39 of the Articles of Incorporation, Annual Report on Corporate Governance and the official website. Furthermore, the Group voluntarily abides by the independence requirement of outside directors of listed corporations as specified by the New York Stock Exchange (NYSE)

Diversity and expertise in the composition of the Board

In an effort to materialize a diverse governance structure, the Group stipulates "principle of diversity" in the composition of the Board of Directors, and the provision ensures that directors cannot have common backgrounds or represent specific interests. Also, it adopted a clear standard of 'Diversity' which requires to arrange a long list of candidates for outside directors with varying experience and perspectives in terms of ethnicity, gender, age, experience and cultural backgrounds. At present, the Board of Directors consists of outside directors from four different nationalities including South Korea, Japan, the US and France to contribute their respective, global viewpoints to

corporate management and other efforts made in line with the principle of diversity include more defined standards to encompass over 20% of female candidates to the long list.

(Unit: persons)

Area of Expertise	Before March '18 Shareholders' Meeting	After March '18 Shareholders' Meeting	Since December 26, 2018
Finance	5	5	4
Economy	1	1	1
Business Administration	4	3	3
Accounting	1	1	1
Law	1	1	1
Information Technology	0	1	1
Total	12	12	11

No. of female candidates in the outside director pool

(Unit: persons)

Classification	No. of female candidates in the outside director	Variation compared to the previous period
As of Feb., 2015	11	
As of Aug., 2015	14	+3
As of Feb., 2016	39	+25
As of Dec., 2016	49	+10
As of Aug., 2017	42	-7
As of Jan., 2018	39	-3*
As of Oct., 2018	33	-6**

* Total candidate pool was reduced by 66 persons, resulting in an increase in the proportion of women (Female candidates: Aug. 2017 23.1% → Jan. 2018 33.6%)

** Decline caused by overall candidate pool reduction after qualification evaluation by Independent Director Recommendation Committee

To strengthen our expertise, the Board of Directors is composed of independent directors who are experts in the six fields of finance, business administration, economy, law, accounting and IT, as specified by the Act on Corporate Governance of Financial Companies. It is because of the unique characteristics of the financial industry that we aim to appoint independent directors of such wide-ranging experience.

Principle of the Operation of the Board of Directors

Obligation to Participate in Activities of the Board of Directors

The Company is a listed corporation on the New York Stock Exchange (NYSE) and adopts a minimum attendance rate of 75% as the qualification requirements for outside directors as specified in the guidelines of Institutional Shareholder Services (ISS). In 2018, there were a total of 13 Board of Directors meetings held (four general meetings per semester, and nine temporary meetings) and the average attendance rate of directors was 97%. The group discloses the activities and attendance rate of the Board of Directors through the annual report on corporate governance.

Prohibition of Concurrent Board Membership

In accordance with Article 39-2 of the Articles of Incorporation stipulates that the outside directors of the Group cannot be elected as outside directors of other companies. Whether or not they are holding a concurrent office is transparently disclosed in the brief biographical information of the Board of Directors.



Governance Report

Status of the Board of Directors (Base date: Mar 31, 2019)

Classification	Name	Date of first appointment	Experiences
Executive Director (CEO)	Yong Byung Cho	Mar. 23, 2017	CEO, Shinhan BNP Paribas Asset Management CEO, Shinhan Bank Shinhan Finance Group CEO (current)
Chairman of Board of Directors (Independent director)	Cheul Park	Mar. 25, 2015	Senior Deputy Governor, Bank of Korea Chairman & CEO, Leading Investment & Securities Co.,Ltd
Independent director	Hwa nam Kim	Mar. 22, 2018	Chairman of Board of Directors, Jeju Girl's School Foundation (current) CEO, Gimhae Corporation Co.,Ltd (current)
	An Soon Park	Mar. 23, 2017	Chairman, the Korean Residents Union in Japan (current) Chairman, Taisei Group Co.,Ltd (current)
	Yang Ho Byeon	Mar. 27, 2019	President, Korea Financial Intelligence Unit Company Advisor, VIG Partners (current)
	Jae Ho Sung	Mar. 27, 2019	Chairman, Korea council of International Law (current) Professor, Sung Kyun Kwan University School of Law (current)
	Man Woo Lee	Mar. 26, 2014	Chariman, Korean Accounting Association Professor, Korea University Business School (current)
	Yoon Jae Lee	Mar. 27, 2019	Secretary to the President for Finance and Economic Affairs CEO, KorEI
	Kyong rok Choi	Mar. 22, 2018	Research Associate, Information Technology Center at Keio University CEO, CYS Corporation (current)
	Philippe Avril	Mar. 25, 2015	CEO & Representative Director BNP Paribas Securities(Japan) Ltd Chief Country Officer BNP Paribas, Tokyo Branch (current)
	Yong Hak Huh	Mar. 27, 2019	CIO of Alternative Investment, Hong Kong Monetary Authority First Bridge Strategy Ltd. CEO
	Yuki Hirakawa	Mar. 25, 2015	CEO, Hirakawa Industry Co.,Ltd CEO, Level River Industry Co.,Ltd (current)
Non-executive director	Ok Dong Jin	Mar. 27, 2019	CEO, Shinhan Card CEO, Shinhan Bank (current)



Process and Criteria for the Appointment of Independent Directors

Independent directors are elected at the general shareholders' meeting with the recommendation by the Independent Director Recommendation Committee and Shinhan Financial Group makes sure that independent directors with financial experience and expertise in various areas can be included in the committee based on the independence requirements stated in the related laws and regulations. The Independent Director Recommendation Committee recommends the candidates after verifying that they are qualified to meet the requirements specified in the related rules and regulations through a fair and transparent process and fully utilizes recommendations by shareholders, stakeholders, and external advisory agencies, if necessary.

Seven Principles on the Appointment of Independent Directors

1. Expertise: An individual that is equipped with sufficient experience and expertise in related areas such as finance, economy, management, accounting, and law that are required to carry out the duty
2. Fairness in carrying out duties: An individual that is not influenced by special interests and is able to conduct his or her duty for the interest of all shareholders and financial consumers
3. Ethical responsibility: An individual that has a proper sense of ethics and responsibility to conduct his or her duty
4. Faithfulness: An individual that is able to make efforts required to carry out the duty of an independent director in good faith
5. Diversity: Nationality, gender, age, experience, background and harmonization with current board members
6. Compatibility to Shinhan Financial Group: An individual that is able to share the vision, growth paths, and corporate culture and contribute to the development of Shinhan
7. Effectiveness: An individual that can converge the competitive edges of various industries in consideration of paradigm shifts in the financial industry

Evaluation of the Board of Directors

The Board of Directors evaluates the adequacy of resolutions and reporting items, level of management information provided, its roles and responsibilities, and others with regard to the operation of the board each year and refers the result to its operation in accordance with the Internal Code of Corporate Governance (evaluation of the performance of Board of Directors and others). Also, all members of the board are evaluated on their performances in conjunction with an external assessment agency to ensure the fairness and independence of the evaluation based on operating performance (including the appropriateness of the meeting duration, agendas, and frequency of the meetings) and their given roles (for the activities relevant to the authority of the board defined in the Internal Code of Corporate Governance of the Shinhan Financial Group). Meanwhile, all sub-committees are subject to the evaluation with regard to their operation including the adequacy of resolutions and reporting items, level of management information provided, its roles and responsibilities, and others at least once per year and the result are reflected to their operation and such evaluation is carried out by all members of sub-committees and the external assessment agency.

Evaluation of Independent Directors

The initial term of independent directors is 2 years, provided that the term of re-election shall not exceed one year. In case of recommending independent directors for reappointment, annual performance evaluation results are reflected (in accordance with Article 24-4 of the Internal Code of Corporate Governance, and Article 10-3 and 10-7 of the Regulation of Independent Director Recommendation Committee). Currently, an internal evaluation of independent directors is conducted

based on the methods agreed upon by the board with the help of an external assessment agency to ensure the objectiveness and anonymity of the evaluation. Evaluations of independent directors for their performance in 2017 were conducted during January of 2018. As for the independent directors who were considered for reappointment, the result of their performance evaluation was reported to the 3rd Independent Director Recommendation Committee meeting which was held on February 7, 2018 to reflect it to the board's decision on their reappointments. The performance evaluation of independent directors is composed of a self-assessment, the board's review (assessment by all independent directors excluding the person subject to the assessment) and employee review and the evaluation indicators include items related to expertise, fairness in carrying out duties, ethical responsibility, and faithfulness. In addition, opinions on each independent director are described comprehensively to reflect quantitative factors to the assessment.

Performance Assessment and Compensation

The compensation system for inside directors is determined by the Remuneration Committee and the Board of Directors and the amount of variable compensation is decided based on both annual and long-term operating and financial performance of the group. As for independent directors, their compensation system is determined by the Board of Directors and the total amount of remuneration by us varies depending on the number and level of participation in meetings of the board and sub-committees. The compensation cap of directors is approved at an annual shareholders' meeting and the Board of Directors determines the details within the maximum ceiling for the year. As for inside directors, details on the compensation for the group Executives including internal directors are additionally reviewed by the Remuneration Committee, which consists of independent directors only.

Remuneration System

The compensation limit of the Board of Directors is determined at the general shareholders' meeting by resolution and compensation is paid fairly and transparently according to the compensation rules after the shareholders' resolution. The information on the employee compensation system including the remuneration information of directors and auditors are disclosed transparently through an annual report on the governance and remuneration structure. In particular, the annual compensation for internal and independent directors of the board and individual annual compensation paid by us to our directors and auditors whose annual compensation is over KRW 500 million is disclosed in an annual report on the business plan and governance.

Key Performance Indicators for CEOs and Executives

To assess the financial performance of the CEOs of the holding company, Shinhan applies its key performance indicators (KPI) concerning shareholder value (total shareholder return), profitability (ROE and ROA), soundness (NPL), risk (RAROC), efficiency (CIR), and others. To assess their non-financial performance, we are evaluating their achievement in strategic tasks in line with the strategic directions of Shinhan (Digital Transformation, Globalization, Proactive Risk Management, etc.). Executives of the holding company are evaluated on their performances based on the group's KPIs and the implementation rate of key strategic tasks according to their duties. As for the CEOs and Executives of subsidiaries, all KPIs of the group, company, and their duties, as well as strategic tasks of their duties are reflected in their performance assessment in certain ratios. Hence, both financial indicators of the group, company, and their duties and

non-financial evaluation factors including the 10 CSR strategic goals including customer satisfaction, digital finance subscription rate, number of financial economic education, and ethics compliance education completion rate are reflected in their performance evaluation.

Criteria for Deferred Compensation, Alignment, Clawback, and Guarantee of Performance-based Compensation

The performance-based compensation consists of performance units and performance shares. The performance units are paid by cash in a lump sum based on the operating and financial performance of the company of the previous year and performance shares are provided in the form of deferred compensation based on the 4-year performance after it is initially granted. Among the performance-based compensation, the performance shares are subject to adjustment based on the average performance of 4 years after they are initially granted and the final amount is determined according to the market price of the company's shares at the end of adjustment period. The total amount to be paid can be adjusted if a corporate loss takes place before the payment or the company fails to achieve the expected performance. Also, the plan is designed to adjust the amount to be paid when the market price of the company's share falls due to decreasing corporate value.

CEO Compensation

In 2018, our Chairman and CEO received total compensation of KRW 1,149 million, consisting of salary and wages. In addition, he was granted 18,200 performance shares whose exercisability will be determined by a review of our business performance and share price movements during the period from 2018 to 2021.

CEO-to-Employee Pay Ratio

(Group-wide; Unit: KRW million)

CEO's total compensation	Employee compensation	Ratio (times)
1,149	Median 126	9.1
	Average 119	9.6

Shares held by Executive Directors and CEOs

There is no requirement to hold shares in the company, but the directors have acquired shares as part of responsible management.

Title	Name	No. of shares held	Multiple of base salary
Chairman & CEO	Cho Yong-byoung	12,000	1.19
Other Executives	Park Woo-hyeok and 4 others	18,390	0.89
Executive Vice President	Park Woo-hyeok	2,141	0.41
Assistant Executive Vice President	Ryu Seung-heon	7,903	1.85
	Jeong Ji-ho	1,321	0.31
	Kim Im-geun	2,025	0.47
Executive Director	Lee In-gyun	5,000	1.39

* Based on share price as of April 29, 2019, the group CEO owns shares worth KRW 534.6 million and receives a basic salary of KRW 450 million.

Shareholders with ownership of 5% or greater

(As of December 31, 2018)

Shareholder	No. of shares owned	Shareholding percentage (%)
National Pension Service	44,497,838	9.38
BlackRock Fund Advisors	29,063,012	6.13



Human Rights

Promise to Respect Human Rights

Shinhan Financial Group is committed to the protection of human rights and respect for human rights as set out in the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights by the UN Commission on Human Rights. This declaration is made based on the pertinent laws and regulations of the regions and areas of concerns on human right issues of all business sites operated by the Group and shared among all executives and employees of the Group, partner companies and key stakeholders.

The Group takes the initiative to advance human rights in its management activities as it eradicates a potential source of human rights infringement in the life cycle of financial products covering development, sales, service provision and if any infringement case occurs, it will undertake its utmost endeavors to ensure a prompt and effective remedy for victims.

The Group pursues a co-prosperous relationship with its partner companies, including subcontractors and service providers by ensuring fair transactions in a fair and equitable manner. The promise to respect human rights is applicable to the Group's affiliates, subsidiaries and joint ventures and partner companies tied by a contractual relationship.

Shinhan Financial Group is fully aware of the fact that sales and business activities relating to the provision of financial products and services may exercise direct or indirect influence on stakeholders' human rights and thus strives to prevent potential human rights related issues from occurring in its value chain.

To do so, the Group conducts an annual human rights risk assessment and makes a transparent report on the impact assessment process, the outcomes and preventive measures taken.

Areas of Concern relating to Human Rights Issues

1. Protection of Labor Rights

- Provide executives and employees with safe and pleasant work environments and prevents unfair labor practices such as forced labor or child labor.
- Observance of Working Hours: In accordance with standards prescribed by the pertinent labor relations laws and regulations at which a business site is located, specify regular and overtime work hours and provide employees who have worked extra hours outside a regular work schedule with overtime allowance according to the aforementioned rules.
- Reward Employees with Proper Salaries: Pay employees' salaries and benefits above the level of the minimum wage set forth in the pertinent labor relations laws and regulations at which a business site is located.
- Prohibition of Discrimination: Do not discriminate against employees without grounds in its human resources management including the maintenance of employment, performance evaluation, promotion and salary payment because of their educational or regional background, age, gender, ethnicity or religious beliefs.

2. Application of ESG Screenings for Investments

- Restrict sales activities such as loans and deposits and investments in specific regions, industries, companies or individuals suspected to be engaged in forced labor or child labor.
- Restrict sales activities such as loans and deposits and investments industries, companies or individuals that may be inclined to infringe human rights of indigenous people caused by significant environmental and social impact.

3. Improved Accessibility to Financial Services

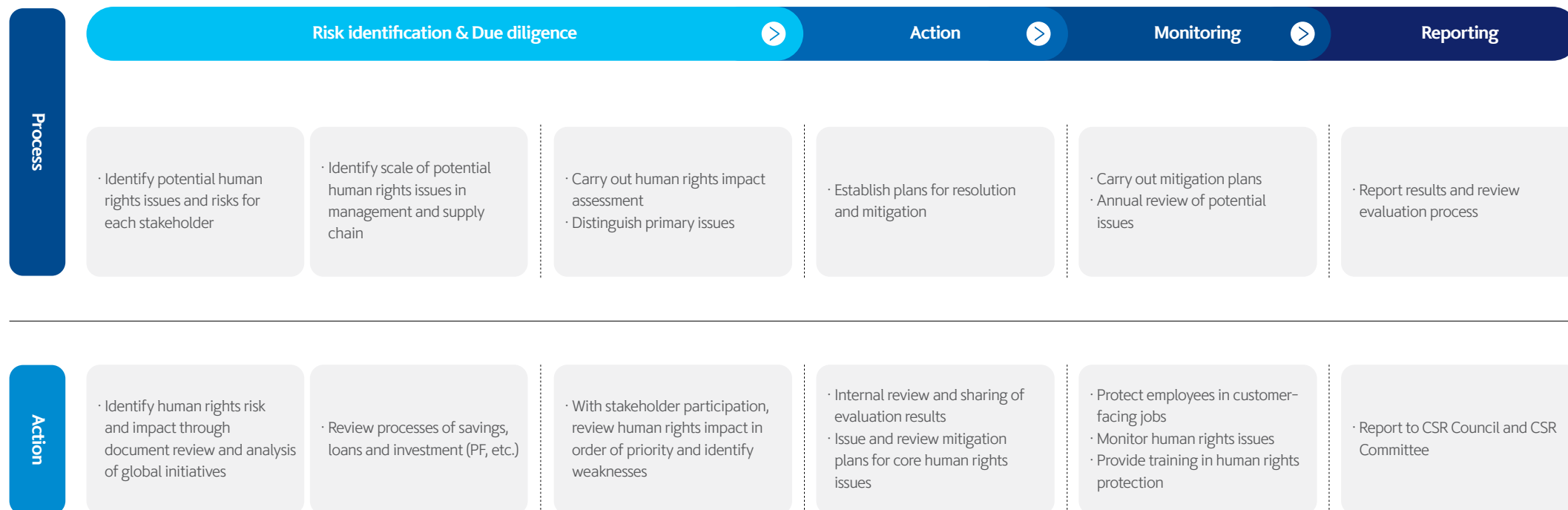
- Equal Services: Do not offer discriminative financial services to customers based on gender, ethnicity, religious beliefs, or political inclination.
- Information Protection: To prevent any human rights infringement arising from the leakage of customer information, take necessary technological actions and collect the minimum information necessary for sales activities.
- Protection of the Financially-deprived: Provide additional information and guidance for users such as the elderly, the disabled, and the less fortunate whose access to financial services is limited.



Process of Managing Human Rights Impacts

By adopting ex-ante assessment of the substantial and potential impact of its management activities, Shinhan Financial Group fulfills its obligation to meet human rights due diligence requirements and has been conducting a human rights risk assessment for all stakeholders annually since 2016.

Human Rights Impact Management





Results of the Human Rights Risk Assessments

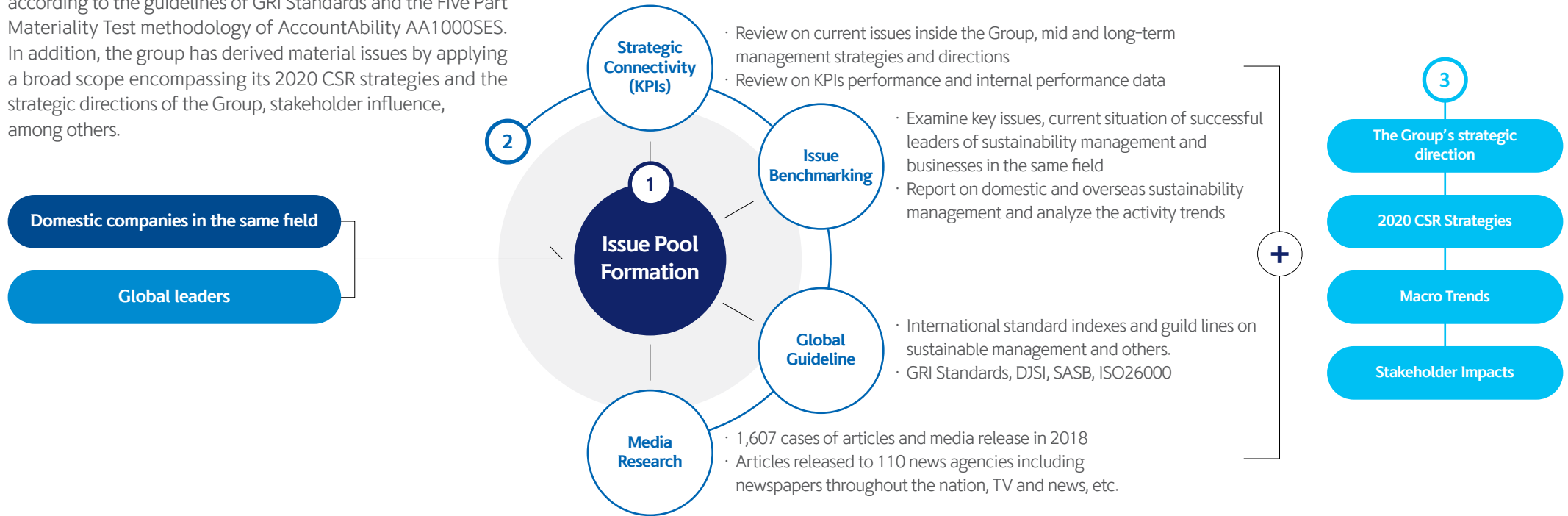
The human rights risk assessment identifies six potential human rights issues and mitigation plans to prevent the identified human rights issues in advance were established by the relevant affiliates, departments and partner companies.

Stakeholders	Human rights issues	Risk identification and mitigation process	No. of sites with mitigation plans	Remedial measures
Employees	Prevention and remedy for workplace harassment	-Operate the whistleblowing system	-No. of reports: 23 (workplace rudeness, legal violations in work processes, etc.) -No. of processed cases: 23 -Completion rate: 100%	-Revise office regulations and personnel management regulations to prevent and take action against workplace harassment
	Securing industrial safety and health for employees	-Detailed analysis of medical check-up and health risk evaluation -Provide mental health & wellness checkup for executives and employees	Follow-up management -Applicable group affiliates: 8 -Group affiliates engaged: 8 -Engagement rate: 100%	-Provide follow-up and management programs by symptom-type after medical checkup : Notify workers with diseases on health risks and offer a referral to a tertiary hospital, detect major diseases for high-risk workers and prevent problems in advance (re-checkup rate 100%) -Provide psychological counselling and diagnosis to deal with stress, depression, and to improve childcare and family life
Partner companies	Stress management for customer-facing employees	-Operate a protection system for "emotional laborer" workers	Protection for customer-facing employees -Applicable group affiliates: 7 -Group affiliates engaged: 7 -Engagement rate: 100%	-Operate a systemized break time after facing customers with behavior problems -Give warnings to customers utilizing abusive language, sexual harassment, and other threats and transfer them to the exclusive consultation group that deals with blacklisted customers -Permanently operate the Grievance EAP(Employee Assistance Program) and the Dream Counselling Center for mental health and wellness of consultants
Customers	Customer information protection	-Investigate the status of information protection in affiliates and partner companies	Security check results -Targets: 411 entities (branches, contractors, partner companies) -Mitigation-needed: 108 entities -Completion rate: 100%	-Subject of security inspection: 411 total (branches, outsourcing, partner companies) -The 3rd party check/field inspection/self-assessment based on security inspection checklist -Main document storage/disposal, personal info. masking, etc.
The underprivileged group including children, the disabled, migrant workers, etc.	Improving financial accessibility	-Offer financial and economic education -Provide additional services such as providing dedicated staff for the underprivileged	Dedicated service counters -Applicable group affiliates: 7 -Group affiliates engaged: 7 -Engagement rate: 100%	-Provision of financial and economic education: 149,125 persons in 2018 -Designate windows for the elderly and disabled in 697 branches throughout the country -Provide Terms of Services in Braille for the visually impaired
Local community	Protection of the local community and the indigenous people in case of implementation of a large-scale development project	-Conduct a socio-environmental impact assessment when providing financial support for PF development	Implementing environmental and social risk reviews -4 projects (2 A-rating projects and 2 B-rating projects)	-Environmental and social risk reviews, Collect opinion reviews and monitor issues



Materiality Assessment

Shinhan Financial Group carries out materiality assessments that select material issues from the perspectives of customers, the Group and society based on the definition of materiality according to the guidelines of GRI Standards and the Five Part Materiality Test methodology of AccountAbility AA1000SES. In addition, the group has derived material issues by applying a broad scope encompassing its 2020 CSR strategies and the strategic directions of the Group, stakeholder influence, among others.



1

Issue Pool Formation

- Examine and analyze reporting practices by Korean companies in the same field of business and leading foreign companies
- Refer to companies in other industries recognized for having an effective response relevance to external assessments such as DJSI

2

Materiality Assessment Methodology

- Business Impact
 - Relevance to Strategy (KPIs)
- Stakeholder Impact
 - Issue benchmarking
 - Global guideline
 - Media research

3

Reflecting Strategies, Trend, Stakeholder Opinions

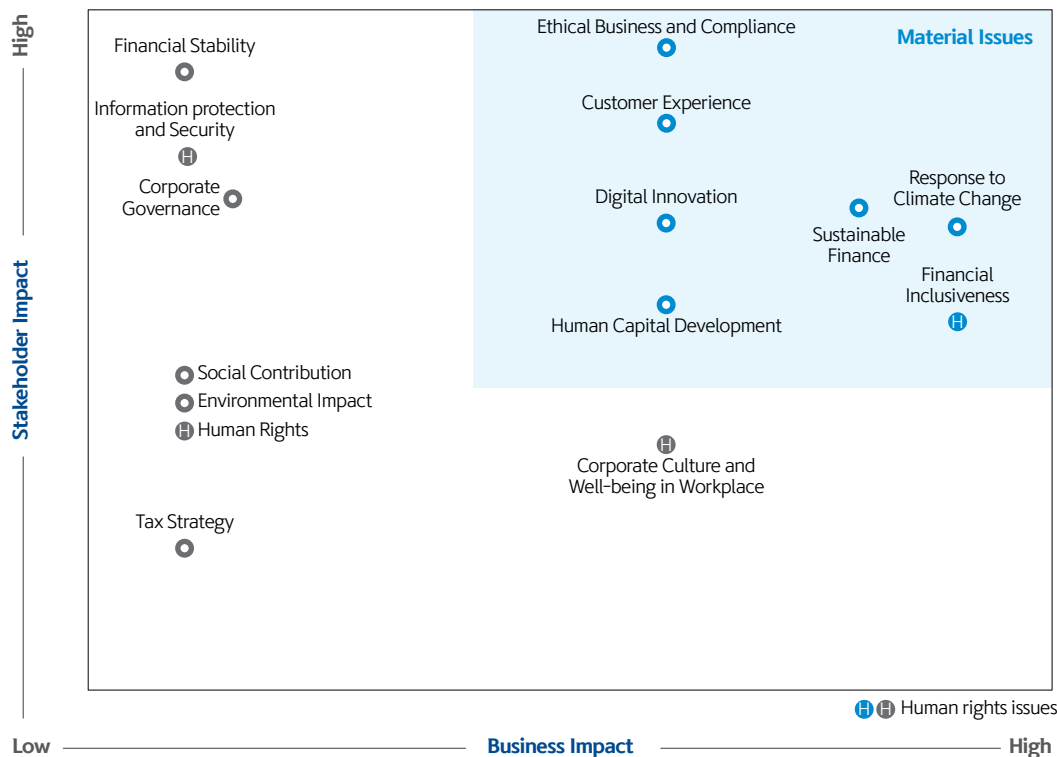
- Reflect the Group strategies and specific targets
- Check the current trend such as social responsibility of financial business and digital finance
- Determine the expectations of stakeholders

A total of seven material issues have been identified by the materiality assessment and are consequently reported in conjunction with the 2020 CSR strategies. The Group is devoted to enhancing its sustainability by reporting both mid-and long-term and potential issues.

4

Materiality Matrix

- Conduct the assessment based on business impact and stakeholder impact
- Identified 7 material issues and 8 mid/long term and potential issues



5

Materiality issues and 2020 CSR strategy mapping

- Seven material issues are reported in accordance with the 2020 CSR strategy

Strategies	Material Issues	2017 Performance	2018 Performance	2020 Goal
Providing Solutions to Enhance Customer Value	Customer Experience	Customer satisfaction index 93.8 points	Customer satisfaction index 94.2 points	Customer satisfaction index 94.2 points
	Digital Innovation	637,568 participants in financial literacy courses (cumulative)	786,693 participants in financial literacy courses (cumulative)	1,000,000 participants in financial literacy courses (cumulative)
	Digital Innovation	Subscription to digital financing services – 66.8%	Subscription to digital financing services – 70.1%	Subscription to digital financing services – 72.2%
Fair and Ethical Business Practices	Ethical Business and Compliance	Percentage of employees receiving ethical behavior training and signing a pledge of ethical behavior – 99%	Percentage of employees receiving ethical behavior training and signing a pledge of ethical behavior – 99%	Percentage of employees receiving ethical behavior training and signing a pledge of ethical behavior – 99%
Increasing Financial Inclusiveness	Financial Inclusiveness	Financial support for working groups - KRW 1.9 trillion (cumulative)	Financial support for working groups - KRW 4.1 trillion (cumulative)	Financial support for working groups - KRW 6.3 trillion (cumulative)
	Financial Inclusiveness	Support for the startup ecosystem - KRW 4.4 trillion (cumulative)	Support for the startup ecosystem - KRW 8.5 trillion (cumulative)	Support for the startup ecosystem - KRW 6.6 trillion (cumulative)
Establishing a Creative and Open Corporate Culture	Human Capital Development	102 hours of training per employee	105 hours of training per employee	100 hours of training per employee
	Human Capital Development	Participation rate in the smart work system – 72%	Participation rate in the smart work system – 64%	Participation rate in the smart work system – 65%
Carrying Out Corporate Social Responsibility	Sustainable Finance	Value of investments/loans for eco-friendly industries - KRW 1.1 trillion (cumulative)	Value of investments/loans for eco-friendly industries - KRW 16.8 trillion (cumulative)	Value of investments/loans for eco-friendly industries - KRW 20 trillion (cumulative)
Manage Environmental and Societal Risks	Response to Climate Change	Volume of GHG emissions - 97,630tCO ₂ eq	Volume of GHG emissions - 95,933tCO ₂ eq	Volume of GHG emissions- 89,347tCO ₂ eq (2030)



Increasing Value for Stakeholders

Shinhan Financial Group is committed to the mutual growth of the values of the Group and society through communication with diverse stakeholders. It fulfills its responsibilities and obligations for its customers, shareholders and investors and strives to attain greater satisfaction and co-prosperity of its executives and employees and partner companies. Moreover, it realizes compassionate finance that aligns with various entities such as local community, NGOs and government agencies, resulting in a virtuous cycle in society.

Stakeholders	Key Expectation	Responses of Shinhan Financial Group	Communication Channel
Customers	Innovative customer experience	Offer exclusive products to Shinhan SOL app Provide investment information service based on Big Data	- Customer Reviewers - Website VOC - Shinhan Poll
	Improved service convenience	Convenient Tablet PC consolation service, SOL kit	
	Protection of underprivileged customers	Support a smart banking service for foreigners who are restricted in terms of time and language	
Shareholders /investors	Increased trustee's obligation	Introduce Shinhan BNP Paribas Stewardship Code	- Consultation with investors - Investor engagement
	Considering long-term shareholder values	Secure a foundation for sustainable growth via ESG risk management and socially responsible investment	
	Improved corporate governance	Obtain 'A+' rating in the ESG section for its Board of Directors' independence and transparency by the Korea Corporate Governance Service (KCGS)	
Executives & employees	Work-life balance	Run 3 and 6 childcare centers in the Group and bank branches, respectively	- In-house suggestions - Labor-management council - Intranet
		Expand the scope of application of its flexible work system, Smart Work System	
		Increase work efficiency by reducing simple and repetitive tasks with RPA	
	Competency building for executives and employees	Introduce a management leader system to foster talents to raise customer values	
		Execute training on digital competency building	
Cultivation of female workforce	Develop a smart learning platform		
	Create 'Shinhan SHeros', a program dedicated to foster female talents		



Stakeholders	Key Expectation	Responses of Shinhan Financial Group	Communication Channel
Partner companies	Communication with partner companies	Invite and hold briefing sessions partner companies to discuss win-win collaboration and solutions	- Meeting for co-prosperity - Survey on transaction satisfaction rate
	Welfare support for partner companies	Initiate "Hands-on Classes for Finance" for the children of partner companies' employees	
	Operate cultural programs with participation of partner companies		
Local community	Local social contribution activities	Operate 1 company-1 village sisterhood system	- Local community and NGO meetings - VOC on Website
	Global social contribution activities	Host 'Global One Shinhan Voluntary Festivals'	
Government	Expansion of inclusive finance	Increase loans, deposits and debt arbitration for the working class	Consultative body on the financial authority's policies
	Response to environmental policies	Announce 'ECO Transformation 20:20' strategy to take an initiative in climate finance to fund the implementation of the Government's 3020 plan	
	Job creation	Take measures to support young people with Shinhan Do Dream Space, Match maker's Program, Cafe Do Dream	
	Signed MOU with KOTRA to assist young people in finding jobs overseas Signed MOU with the Ministry of Gender Equality and Family to help women whose careers have been interrupted to become employed		



Quantitative Data – Economy

1. Economic Performance

Creation of Economic Values

(Unit: KRW billion)

	2016	2017	2018
Sales	31,989.7	38,432.5	35,344.0
Pre-tax profit	3,170.5	3,797.6	4,466.6
Net Profit*	2,774.8	2,918.8	3,156.7

* Net profit : Based on shares of controlling company

Distribution of Economic Values

(Unit: KRW billion)

	2016	2017	2018	
Shareholders/ Investors	Dividends and Interests	4,718.5	4,643.3	5,745.4
Executives & employees	Payroll	1,827.0	1,914.7	1,945.3
	Benefits	688.5	753.5	791.3
Government	Corporate tax	345.5	848.1	1,268.3
Local community	Social contribution investment	49.4	104.1	181.8
Partner companies	Purchases and services	1,452.8	1,482.7	1,583.3

Revenues by segments

(Unit: KRW billion)

Wholesale/Corporate/Investment Banking	3,432
Project Finance	113
Asset Management	500
Wealth Management/Private Banking	474
Retail Banking	3,994
Others (Insurance, etc.)	1,467
Total	9,980

2. BIS Leverage Ratio

(Unit: KRW billion)

BIS Leverage Components

	2017	2018
(Basel III) Tier 1 Capital	27,673	30,678
(Basel III) Total exposure (on and off balance sheet exposures)	464,100	512,921
(Basel III) Leverage Ratio	5.96%	5.98%



3. Tax by Country

(Unit: KRW billion)

		2016	2017	2018	
Domestic	Sales	31,018.8	37,253.2	33,602.6	
	Operating profit	2,876.1	3,503.5	4,023.9	
	Corporate tax	284.0	759.9	1,173.2	
Overseas	Japan	Sales	169.8	176.4	187.8
		Operating profit	72.0	103.0	99.6
		Corporate tax	23.1	29.0	29.5
	China	Sales	230.1	284.4	284.9
		Operating profit	12.8	35.1	49.1
		Corporate tax	4.1	9.9	10.6
	Vietnam	Sales	148.8	194.5	296.8
		Operating profit	62.8	60.2	124.4
		Corporate tax	12.6	11.9	24.4
	US	Sales	91.7	108.8	135.1
		Operating profit	29.1	36.5	15.9
		Corporate tax	10.3	15.4	1.2
	Other total	Sales	330.5	415.2	836.8
		Operating profit	55.9	90.4	186.5
		Corporate tax	11.4	22.0	29.4
Total	Sales	31,989.7	38,432.5	35,344.0	
	Operating profit	3,108.7	3,828.7	4,499.4	
	Corporate tax	345.5	848.1	1,268.3	

4. Effective Tax Rate

(Unit: KRW million)

	2016	2017	2018
Earnings before tax	3,170,472	3,796,257	4,466,610
Reported taxes	345,553	848,133	1,268,345
Effective tax rate (%)	10.9	22.3	28.4
Cash taxes paid	718,757	749,649	900,016
Cash tax rate (%)	22.7	19.7	20.1

5. Defined benefit plan obligations and other requirement plans

(Unit: KRW billion)

	2016	2017	2018
Present value of defined benefit liabilities	1,690.0	1,695.2	1,842.0
Fair value of external accumulated assets	(1,559.1)	(1,688.1)	(1,714.6)
Recognized liabilities from defined benefit plan	130.9	7.1	127.3



6. Financial Accidents and Measures

(Unit: Cases, Persons)

Classification		2016	2017	2018
Violations	Embezzlement	5	1	7
	Malpractice	2	2	2
	Bribery	0	3	0
	Intercession of private loan	2	0	1
	Violation of real-name policy	1	3	2
	Provision of private loan	4	3	3
	Others	2	3	1
	Measures	Salary reduction	6	2
Reprimand		5	2	10
Warning		5	13	18
Caution		7	14	11
Others (beyond salary reduction)		8	5	11

7. Policy Impacts

(Unit: KRW billion)

	2016	2017	2018
Total fees of relevant associations	29.2	32.7	32.1
Korea Federation of Banks	8.6	8.3	9.2
Credit Finance Association	1.8	2.1	0.2
Korea Financial Investment Association	17.7	20.9	21.4
Korea Life Insurance Association	0.7	0.9	0.9
Korea Chamber of Commerce & Industry	0.4	0.5	0.4

* Shinhan Financial Group strictly complies with the Political Funds Acts of Korea prohibiting donations of corporates or entities and never offer any funds intended to directly influence the existing policies or the formation of a policy such as political funds, campaign funds, funds for lobbying specific political group or party. However, it contributes to the development of public goods with associations whose political neutrality is checked and maintained. The group fully understands a possibility of costs on policy influence that may turn into a risk factor in the mid and long run and preclude the possibility by managing the total donation details and sizes. According to contribution management guidance, it established a working-level contribution committee in charge of operating contribution and deliberating donation decision and execution and if the donation exceeds KRW 1 billion, it is obligatory to pass a resolution by the Board of Directors in advance.



Qualitative Data – Sustainable Finance

1. Sustainable finance

(Unit: KRW billion)

Business Division	ESG Business	Company	Category	Content	2018			
Corporate Finance/ Investment Banking	ESG Loans	Shinhan Bank	Innovative finance	Technological finance	9,598.1			
				Job creation & innovative growth guarantee loans	383.5			
				Loans secured by moveable assets	18.8			
			Social finance	Products for social enterprises	313.9			
				Eco-friendly	New and renewable energy win-win guarantee loans	118.2		
			New energy industry guarantee loans		65.5			
			Loans for rational energy use		52.4			
			Business loans for solar power		25.5			
			Green remodeling loans		11.1			
			Loans for environmental improvement		10.6			
			Loans to nurture recycling businesses		9.0			
			New green corporate loans		7.5			
			Loans to nurture environmental businesses		4.3			
			Corporate loans for excellence in environmental management		3.2			
			Environmental improvement loans for private childcare facilities		1.5			
			Loans for gas safety		1.4			
			Finance loans for alternative industries		0.4			
			Structural adjustment loans for regional and small business	0.2				
			Total – ESG loan amount					10,625.1
			Total – All credit exposure					126,274.5
ESG loan ratio (%)					8.4%			



(Unit: KRW billion)

Business Division	ESG Business	Company	Category	Content	2018
	ESG bonds	Shinhan Bank		Green bonds	200.0
		ESG bond issues			200.0
		Total bond issues			30,348.9
		ESG bond issue ratio (%)			0.7%
	Green/sustainable infrastructure finance	Shinhan Bank		CGN Yulchon Fuel Cell Facility No. 4	39.7
				Cam Lam, Vietnam – PV plant (100MW)	55.9
				U.S. – Techren Solar I PV plant	50.3
				CGN Daesan Power, Biomass	50.0
				Jordan – Tafila wind power plant (51.75MW)	38.2
				Japan – Shizuoka Prefecture, Kazono PV plant (22.5MW)	22.3
				Japan – Shizuoka Prefecture, Yokogawa PV plant (15MW)	14.2
				Philippines – Angat hydroelectric plant	7.8
				Korea – Honam Region, Energy Storage System	2.0
			Shinhan Investment Corp.		U.S. – South Field, Combined-cycle natural gas power plant
				Netherlands – Total underwriting for waste treatment	48.4
				U.S. – Invested in U.S. gas/new energy firm Calpine	21.6
				Korea – Invested in waste treatment company EMKH	12.4
				Korea – Financing for energy company Samyoung E&E	11.0
		Shinhan Life Insurance		Korea – Priority loan refinancing for Yeongwol Solar	400.0
				Korea – Priority loan for solar project in Wando, Sinji-myeon	179.8
				Korea – Expressway solar power, new/renewable energy (25MW)	92.8
				Netherlands – Total underwriting for waste treatment	48.4
				Korea – Financing for energy company Samyoung E&E	11.0
		Green/sustainable infrastructure finance			1,162
	Total infrastructure finance			3,668	
	Green/sustainable infrastructure finance ratio (%)			31.7%	



(Unit: KRW billion)

Business Division	ESG Business	Company	Category	Content	2018	
Asset management	ESG investment	Shinhan BNP Paribas Asset Management	Sustainability	Renewable energy/Energy efficiency	811.4	
				Eco-friendly transportation	360.1	
				Basic infrastructure for developing countries	294.1	
				Job creation, SME financing	131.9	
				Natural resources	13.8	
				Healthcare, education	11.1	
				Best in Class	SRI fund	0.5
				ESG assets under management (AUM)	1,622.9	
				Total assets under management (AUM)	28,179.3	
			ESG AUM ratio (%)	5.8%		
PB-WM	ESG investment	Shinhan Bank	Sustainability	Job creation, SME financing	63.6	
				Basic infrastructure for developing countries	39.7	
				Healthcare, education	23.8	
				Natural resources	1.6	
				Renewable energy/Energy efficiency	0.1	
				Best in Class	SRI fund	10.0
				ESG assets under management (AUM)	138.8	
				Total assets under management (AUM)	2,684.5	
				ESG AUM ratio (%)	5.2%	
			Green/ESG loans	Shinhan Bank	Shinhan SOHO loan	28.6
Shinhan Jeonse guarantee loan	6.1					
Shinhan Companion SME	2.2					
Growth loans for companies not subject to external audit	0.9					
Shinhan Jeonse home loan	0.8					
SME facility investment loan	0.7					
Shinhan Green Growth Loan	0.1					

(Unit: KRW billion)

Business Division	ESG Business	Company	Category	Content	2018
				New Hope Spore Loan	0.1
				Jeonse home loans for the people	0.1
				Jeonse home loan for workers	0.1
				Shinhan S-Dream Jeonse loan	0.1
				ESG loan balance	39.6
				Total loan balance	567.4
				ESG loan ratio (%)	7.0%
Retail banking	Green/ESG loans	Shinhan Bank	Finance for the working class	Shinhan Jeonse guarantee loan	4,265.7
				Shinhan New Hope Spore Loan	471.3
				Buttress Jeonse loan	283.9
				Buttress loan for SMEs, young entrepreneur rental deposit	159.5
				Shinhan Sol Pyeonhan New Hope Spore	53.4
				Shinhan university/youth sunshine loan	11.7
				SUNNY New Hope Spore Loan	5.2
				Shinhan New Hope Dream Loan	1.9
				Shinhan Stepping-Stone Loan	1.0
			Eco-friendly	Shinhan EV-MYCAR Loan	0.8
				ESG loan balance	5,254.4
				Total loan balance	34,640.4
				ESG loan ratio (%)	15.2%
	ESG investment	Shinhan Bank	Sustainability	Basic infrastructure for developing countries	98.8
				Eco-friendly transportation	21.5
				Job creation, SME financing	7.7
				Natural resources	6.5
				Renewable energy/Energy efficiency	2.3
			Best in Class	SRI fund	5.2
				ESG assets under management (AUM)	142.0
				Total assets under management (AUM)	8,237.2
				ESG AUM ratio (%)	1.7%



2. Fossil Fuel Exposure

(Shinhan Bank, Unit: KRW billion)

		2016	2017	2018
Fossil fuel exposure ¹		3,443.3	3,197.4	3,985.5
Narrow exposure ²		248.5	277.8	304.6
Mining industry	Coal mining industry	91.5	133.1	176.9
	Crude oil and natural gas mining industry	5.3	144.6	104.3
	Service industry related to crude oil and natural gas mining	151.7	0.1	23.4
Wide exposure ³		3,194.8	2,919.6	3,680.9
Manufacturing industry	Corks and related products manufacturing industry	3.0	3.1	2.2
	Briquettes and other coal product manufacturing industry	22.6	10.5	5.8
	Crude oil refining and processing industry	1,221.9	967.9	1,518.4
	Lubricant and grease manufacturing industry	37.8	53.2	48.9
	Other petroleum oil refinement retreatment industry	26.3	28.8	24.0
Electricity, gas, steam, and water industries	Thermal power generation industry	1,316.6	1,224.7	1,462.5
	Gas manufacturing and pipe supplying industries	566.6	631.5	619.1
Ratio of fossil fuel exposure compared to total loan amounts within the group		1.38%	1.21%	1.40%

1 Energy Industry Classification Status (Korea Energy Economics Institute) – [included] mining, manufacturing and supplying activities related to energy [excluded] distribution, transportation industries, etc.

2 Narrow exposure: direct mining of fossil fuels (mining industry)

3 Wide exposure: including direct mining and manufacturing/power generation businesses

3. Environmental and Social Risk Review for Project Financing

(Unit: case)

	2018
No. of projects under environmental and social risk review	4
A class	2
B class	2
C class	0

Quantitative Data – Inclusive/Productive Finance

1. Inclusive Finance

			2016	2017	2018
Shinhan bank	New Hope Spore loan	KRW billion	472.0	543.8	635.4
	Mid-interest rate loan for the working class	KRW billion	60.0	109.4	159.5
	Household debt healing program	KRW billion	633.0	769.0	944.0
	Microfinance*	KRW billion	18.0	18.0	16.2
	Shinhan hug loan	KRW billion	59.7	105.4	117.0
	Korea Inclusive Finance Agency	KRW billion	8.0	4.1	53.0
	Fee discount for socially vulnerable groups	KRW billion	-	-	0.6
	New hope installment savings	KRW billion	353.0	239.0	281.0
Shinhan life insurance	Premium discount for socially vulnerable groups	KRW million	47.0	63.0	53.3
	Payment delay of premiums for disaster-affected families	KRW million	4.0	20.0	11.8
	Microinsurance	KRW million	214.0	283.0	190.5
Shinhan savings bank	Sunshine loan	KRW billion	84.0	186.0	235.6
	Mid-interest rate loan for the working class	KRW billion	11.9	24.8	51.8
	Shinhan hug loan	KRW billion	41.0	57.0	73.3
Jeju bank	New Hope Spore loan	KRW billion	5.6	6.4	7.1
	Mid-interest rate loan for the working class	KRW billion	2.3	0.6	0.6
Total		KRW billion	2,013.5	2,422.5	2,830.7

* 1,353 cases in 2018 (Cumulative 11,911 cases)

2. Innovative Finance

			2017	2018	
Corporate finance		Technological finance	KRW million	7,676.7	9,598.1
		Job creation & innovative growth guarantee loan	KRW million	123.4	383.5
		Loans secured by moveable assets	KRW million	6.6	18.8
Venture capital	Discovery	Shinhan Future's Lab	KRW million	0.8	1.6
		Company discovery	KRW million	0.0	12.3
		Finance for new technology businesses	KRW million	26.1	13.8
	Nurturing	Company nurturing	KRW million	19.0	234.8
		Shinhan BNPP FoFs	KRW million	0.0	100.0
		Match government funding	KRW million	26.0	0.0
		Social enterprise fund	KRW million	0.0	9.0
Total			KRW million	7,878.6	10,371.9



3. Social Enterprise Support*

(Unit: KRW billion)

	2016	2017	2018
Loan	15.6	20.7	57.9
Goods Procurement	0.3	0.1	1.2
Sponsorship and donation	0.2	0.1	0.1

* Data coverage: 2016~17 bank, 2018 group

4. Social Contribution

(Unit: KRW billion)

	2018
Amount of investment in social contribution	181.8
Charitable donations	81.2
Investment in local community	69.6
Commercial initiatives	31.0

Investment Amount by Donation Types

(Unit: KRW million)

	2018
Cash	181,583
Converted values of voluntary service input	106
Voluntary service time (time)	234,843
Converted value of goods donations ¹	68
Indirect costs ²	176

Quantitative Data – Customers

1. Customer Satisfaction

(Unit: point)

	2016	2017	2018
Shinhan Bank	95.8	96.2	95.4
Shinhan Card	87.2	87.6	88.3
Shinhan Financial Investment	94.6	94.4	93.2
Shinhan Life Insurance	95.0	96.0	96.0
Jeju Bank	97.6	97.6	97.5

2. Customer Complaint Handling

(Unit: case)

	2016	2017	2018
Total no. of customer complaints	2,307	2,175	2,582
No. of processed cases	2,307	2,175	2,581
Completion rate	100%	100%	100%

3. Information Protection

		2016	2017	2018
Number of cases of customer information leakages	No. of cases	0	0	0
	Information protection training for executives and employees			
	Training hours	132,820	132,820	129,810
	No. of participants	21,597	20,776	20,551
Information protection training for external/business partners	Training hours	25,182	24,309	23,908
	No. of participants	5,352	5,423	5,171



Quantitative Data – Employees

1. No. of Executives and Employees

(Unit: persons)

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Total no. of employees	9,522	12,646	9,308	12,414	9,155	12,261
Positions						
Management*	6	167	8	185	10	187
Regular employees	9,046	11,440	8,893	11,262	8,714	11,037
Contract workers	470	1,037	407	967	431	1,037
Total no. of turnovers and retirees	827	956	793	1,137	858	1,057
No. of voluntary turnovers**	192	248	352	553	655	694

* Director -CEO

** (Excluded) honorary retirement, regular retirement, disciplinary dismissal, transfer within group, (Included) voluntary retirement



2. Diversity

(Unit: persons)

		2016		2017		2018	
		Female	Male	Female	Male	Female	Male
Female leadership	Management*	6	167	8	185	10	188
	Upper-level managers**	2,332	8,334	2,489	8,326	2,427	8,207
	Managers	709	1,468	732	1,447	774	1,514
No. of veteran employees		425	662	405	648	387	628
No. of disabled employees		55	153	57	152	58	146

* Director - CEO

** Managers - General Managers

3. Safety and Health

	2016	2017	2018
No. of industrial accidents (case)	2	5	11
Absence from industrial accidents (day)	5	79	242
Absenteeism	0.0001	0.0015	0.0045
Total missed hours (time)	40	632	1,936
Total work hours (time)	44,336,000	43,444,000	42,832,000
Accident rate	0.0090	0.0230	0.0514
Lost time injury frequency rates (LTIFR)	0.05	0.12	0.26



4. Maternity leave status

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Employees scheduled to return to work in the current year after maternity leave (persons)	790	11	879	12	842	21
Employees who returned to work in the current year after maternity leave (persons)	715	8	796	10	722	19
Share of employees that returned to work in the current year after maternity leave	91%	73%	91%	83%	86%	91%
Returning employees that served over 12 months after maternity leave in the previous year (persons)	412	8	485	7	573	9
Share of returning employees that served over 12 months after maternity leave in the previous year	65%	100%	68%	88%	72%	90%

5. Labor Associations

	2016	2017	2018
No. of candidates to join labor associations (persons)	16,446	16,228	15,926
No. of members of labor associations (persons)	15,938	15,938	15,592
Membership ratio of labor associations	96.9%	98.2%	97.9%



6. Competency Enhancement

(Unit: hours, KRW million)

	2016	2017	2018
Total education hours	2,352,974	2,054,556	2,071,844
Total education expenses	22,713	25,030	23,960
Education hours per person	115	102	105
Education expense per person	1.1	1.2	1.2

7. Increase in Awareness of Ethics and Human Rights

	2016	2017	2018	
No. of participants in training	Online training (persons)	91,080	22,019	21,646
	Signing on the pledge of ethical behavior (persons)	5,817	21,893	21,391
Training hours	Online training (hours)	2,846	27,013	43,292
	Human rights education (hours)	-	3,670	21,646

Quantitative Data – Environment

1. GHG Emissions

(Unit: tCO₂eq)

	2016	2017	2018
Emission amount total (Scope1+2)	98,590.1	97,630.5	95,933.0
Scope1	16,732.1	16,733.3	15,699.1
Scope2	81,858.0	80,897.2	80,263.9
GHG emission intensity (Employees*)	4.9	4.9	5.0

* Based on regular workers excluding Jeju

2. GHG Emissions (Scope3)

(Unit: tCO₂eq)

	2016	2017	2018
Scope3	18,501.7	19,465.5	19,158.6
Business trips			
Airline (Domestic)	95.8	181.8	79.3
Train	117.3	188.6	116.5
Bus	30.5	47.5	9.4
Cash-in-transit			
Gasoline	-	-	-
Diesel	409.8	418.6	429.3
LPG	3.1	0.7	-



Purchase of Products and Services	Printing paper	5,031.4	4,581.2	3,613.8
	Credit cards	11,800.3	13,128.8	13,996.4
	Savings accounts	191.6	175.8	164.7
Capital goods	Laptops	0.1	2.3	-
	PC desktop	180.5	28.2	112.9
	Monitors	79.6	143.0	65.1
	Printers	66.1	122.3	156.1
	LED lights (50W)	226.4	176.1	148.3
Waste	Credit cards	113.3	126.0	134.4
	Savings accounts	4.1	3.8	3.5
	General waste (Incineration)	41.1	39.9	31.8
	Recyclable waste (Paper)	22.6	10.6	4.9
	Recyclable waste (Styrofoam)	0.1	0.0	-
	Recyclable waste (Styrofoam)	1.5	1.9	2.6
	Recyclable waste (Cans)	0.0	0.0	0.0
	Recyclable waste (Plastic)	0.1	0.2	0.3
Water	Tap water	65.0	64.1	65.4
	Underground water	21.6	24.2	23.9



3. Energy Consumption

(Unit: MWh)

	2016	2017	2018	2030 Goal**
Total Energy Consumption	53,945.5	56,411.7	54,158.1	50,007.4
Electricity	33,327.0	35,395.1	34,343.1	31,855.6
Gas	5,532.1	5,588.3	5,991.2	5,029.5
Gasoline	14,879.6	15,261.3	13,659.4	12,972.1
Diesel	206.8	167.0	164.5	150.3
Energy Intensity (employees*)	2.7	2.9	2.8	-

* Based on regular workers excluding Jeju, ** 10% reduction compared to 2017

4. Paper Consumption

(Unit: ton)

	2016	2017	2018
Paper	764.7	666.3	542.8

5. Water Consumption

(Unit: m³)

	2016	2017	2018
Tap water	195,745.0	192,978.0	197,136.0
Underground water	64,970.0	72,813.0	71,903.0
Total	260,715.0	265,791.0	269,039.0



6. Waste Discharge

(Unit: ton)

	2016	2017	2018
General waste	334.0	324.8	258.3
Recycled waste	214.1	117.4	85.9

7. Environmental Investment

(Unit: KRW million)

	2016	2017	2018
Environmental investment amount	5,790	4,455	6,651
Purchase of eco-friendly IT products	4,310	2,409	4,676
Purchase of LED lights	1,480	737	599
Replacement of outdated facilities	0	1,309	1,375

Global Initiative

Indices for Principles for Responsible Banking

Report Framework		Report Area
Principle 1: Alignment		
1.1	Business model	2020 CSR strategies
1.2	Linkage among strategies, SDGs, the Paris Convention and relevant frameworks	Announcement of the "ECO Transformation 20-20"
Principle 2: Impacts		
2.1	Identify significant risks that may lead to positive/negative ESG impacts	Materiality Assessment
2.2	Management of the identified positive/negative impacts	
Principle 3: Clients & Customers		
3.1	Policies and process for responsible management of clients and customers	Fair and Ethical Business Practices
3.2	Endeavor to encourage sustainable economic activities of clients and customers	Sustainable finance and ESG investment products
Principle 4: Stakeholders		
4.1	Identification of stakeholders, management and communication of key pertinent issues	Increasing Value for Stakeholders
Principle 5: Governance & Target Setting		
5.1	Environmental and social risk management	Manage Environmental and Societal Risks
5.2	Governance and the management of executives and employees to implement the principles for responsible banking	CSR Governance
5.3	Target setting for managing significant positive/negative impact	2020 CSR strategies
5.4	Endeavor to manage the targets	
5.5	The outcome of the previous target management	
Principle 6: Transparency & Accountability		
6.1	Endeavor to implement the principles for responsible banking	Enactment of UNEP FI Principles for Responsible Banking



UNGP Index

Report Framework		Report Area
PART A: GOVERNANCE OF RESPECT FOR HUMAN RIGHTS		
POLICY COMMITMENT		
A1	What does the company say publicly about its commitment to respect human rights?	
A1.1	How has the public commitment been developed?	Promise to Respect Human Rights
A1.2	Whose human rights does the public commitment address?	
A1.3	How is the public commitment disseminated?	
EMBEDDING RESPECT FOR HUMAN RIGHTS		
A2	How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	
A2.1	How is day-to-day responsibility for human rights performance organized within the company, and why?	CSR Governance
A2.2	What kinds of human rights issues are discussed by senior management and by the Board, and why?	
A2.3	How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?	Promise to Respect Human Rights
A2.4	How does the company make clear in its business relationships the importance it places on respect for human rights?	
A2.5	What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?	Human Rights Risk Assessment Results
PART B: DEFINING THE FOCUS OF REPORTING		
Statement of salient issues		
B1	State the salient human rights issues associated with the company's activities and business relationships during the reporting period.	Human Rights Risk Assessment Results
Determination of salient issues		
B2	Describe how the salient human rights issues were determined, including any input from stakeholders.	Human Rights Risk Assessment Results



Report Framework		Report Area
Additional severe impacts		
B4	Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.	Human Rights Risk Assessment Results
PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES		
SPECIFIC POLICIES		
C1	Does the company have any specific policies that address its salient human rights issues and, if so, what are they?	Areas of Concern relating to Human Rights Issues
C1.1	How does the company make clear the relevance and significance of such policies to those who need to implement them?	CSR Governance
STAKEHOLDER ENGAGEMENT		
C2	What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?	Process of Managing Human Rights Impacts
C2.1	How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?	
C2.2	During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	
C2.3	During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?	
ASSESSING IMPACTS		
C3	How does the company identify any changes in the nature of each salient human rights issue over time?	Human Rights Risk Assessment Results



Report Framework		Report Area
INTEGRATING FINDINGS AND TAKING ACTION		
C4	How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	CSR Governance
C4.1	How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?	CSR Governance
C4.3	During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?	Human Rights Risk Assessment Results
TRACKING PERFORMANCE		
C5	How does the company know if its efforts to address each salient human rights issue are effective in practice?	Human Rights Risk Assessment Results
C5.1	What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?	Human Rights Risk Assessment Results
REMEDIATION		
C6	How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?	Human Rights Risk Assessment Results



TCFD Index

Report Framework	Report Area
Governance Structure	
a) Supervision of the Board of Directors on the risks and opportunities relating to climate change	CSR Governance
b) The role of the management to evaluate and manage the risks and opportunities relating to climate change	Disclosure on Financial Impact of Climate Change (TCFD)
Strategies	
a) The risks and opportunities concerning climate change identified by the organization for short, mid and long-term investigations.	Disclosure on Financial Impact of Climate Change (TCFD)
b) Impacts of the risks and opportunities regarding climate change on the organization's business, strategic and financial plans	Sustainable finance and ESG investment products
c) Resilience recovery of the organization's strategies in consideration of a range of scenarios on various climate changes including one with below 2°C	
Risk Management	
a) Organization's process to identify and evaluate the risks related to climate change	Disclosure on Financial Impact of Climate Change (TCFD)
b) Organization's process to manage and control the risks related to climate change	Integrated ESG risk management
c) The ways in which the process to identify, evaluate, and manage the risks related to climate change is integrated into the organization's overall risk management	
Indices and Reduction Targets	
a) Indices adopted by the organization to assess the risks and opportunities concerning climate change in accordance with its strategy or risk management process	Disclosure on Financial Impact of Climate Change (TCFD)
b) Scope 1, Scope 2 and Scope 3 GHG emissions and related risks	Advancing the Environmental Management System
c) Methodology used by the organization to manage the risks and opportunities and performance against targets in terms of climate change	ESG Data

2018 GRI Standards Index

Universal Standards (GRI 100)			
Classification	Disclosure	Indicators	Page
Organizational Profile	102-1	Name of the organization	1
	102-2	Activities, brands, products, and services	1
	102-3	Location of headquarters	Back cover
	102-4	Location of operations	Annual report 9
	102-5	Ownership and legal form	Annual report 105
	102-6	Markets served	Annual report 106~107
	102-7	Scale of the organization	Annual report 9
	102-8	Information on employees and other workers	79
	102-9	Supply chain	63
	102-10	Significant changes to the organization and its supply chain	-
	102-11	Precautionary Principle or approach	52~55
	102-12	External initiatives	3
	102-13	Membership of associations	70
Strategy	102-14	Statement from senior decision-maker	5~6
	102-15	Key impacts, risks, and opportunities	10
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	11
	102-17	Mechanisms for advice and concerns about ethics	35~39
Governance	102-18	Governance structure	57~60
	102-20	Executive-level responsibility for economic, environmental, and social topics	10
	102-32	Highest governance body's role in sustainability reporting	10



	102-35	Remuneration policies	59~60
	102-36	Process for determining remuneration	59~60
	102-38	Annual total compensation ratio	59~60
Stakeholder Engagement	102-40	List of stakeholder groups	66~67
	102-41	Collective bargaining agreements	81
	102-42	Identifying and selecting stakeholders	66~67
	102-43	Approach to stakeholder engagement	66~67
	102-44	Key topics and concerns raised	66~67
Reporting Practice	102-45	Entities included in the consolidated financial statements	Annual report 105
	102-46	Defining report content and topic Boundaries	64~65
	102-47	List of material topics	64~65
	102-48	Restatements of information	-
	102-49	Changes in reporting	-
	102-50	Reporting period	98
	102-51	Date of most recent report	98
	102-52	Reporting cycle	98
	102-53	Contact point for questions regarding the report	3
	102-54	Claims of reporting in accordance with the GRI Standards	98
	102-55	GRI content index	92~95
	102-56	External assurance	96~97
Management Approach	103-1	Explanation of the material topic and its Boundary	64~65
	103-2	The management approach and its components	11~14
	103-3	Evaluation of the management approach	31, 35, 40, 43, 46, 52

Topic-specific Standards

Economic Performance (GRI 200)

Classification	Disclosure	Indicators	Page
Economic Performance	201-1	Direct economic value generated and distributed	68
	201-2	Financial implications and other risks and opportunities due to climate change	22~26
	201-3	Defined benefit plan obligations and other retirement plans	69
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	16~18
	203-2	Significant indirect economic impacts	16~18
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	70

Environmental Performance (GRI 300)

Classification	Disclosure	Indicators	Page
Energy	302-1	Energy consumption within the organization	85
Water	303-3	Water withdrawal	85
Emissions	305-1	Direct (Scope 1) GHG emissions	83
	305-2	Energy indirect (Scope 2) GHG emissions	83
	305-3	Other indirect (Scope 3) GHG emissions	83~84
	305-4	GHG emissions intensity	83

Social Performance (GRI 400)			
Classification	Disclosure	Indicators	Page
Employment	401-1	New employee hires and employee turnover	79
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	44~45
	401-3	Parental leave	81
Occupational Health and Safety	403-6	Promotion of worker health	44~45
	403-9	Work-related injuries	80
Training and Education	404-1	Average hours of training per year per employee	82*
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	27~29
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	61~63
	412-2	Employee training on human rights policies or procedures	82
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	61~63
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	77
Public Policy	415-1	Political contributions	70
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	78

* Gender and position breakdown will be applied afterward.



INDEPENDENT ASSURANCE STATEMENT

Introduction | Shinhan Financial Group commissioned DNV GL Business Assurance Korea Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of ‘Shinhan Financial Group CSR Report 2018’ (the “Report”). The directors of Shinhan Financial Group have sole responsibility for the preparation of the Report. 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’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

Scope and Basis of assurance | Based on non-financial data, sustainability activities and performance data of 2018 generated from Shinhan Financial Group, we have evaluated the adherence to AA1000 Accountability Principles (AP) 2018. We have reviewed the Topic-specific disclosures of GRI Standards which were identified in the process of defining reported content;

	Material Topic	GRI Disclosure
1	Providing Solutions to Enhance Customer Value	-
2	Fair and Ethical Business Practices	206-1
3	Increasing Financial Inclusiveness	FS ¹ 14
4	Establishing a Creative and Open Corporate Culture	404-1
5	Carrying Out Corporate Social Responsibility	FS7, FS8
6	Managing Environmental and Societal Risks	201-2

1 FS: GRI G4 Financial Services Sector Disclosures

2 The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

We performed our work using AA1000AS (2008) and DNV GL’s assurance methodology VeriSustain^{TM2} which is based on our professional experience and international assurance best practices. DNV GL provides Type 1 and the moderate level of assurance, and we applied the Type 2 for the selected data. The assurance was carried out from May till June 2019. The site visits were made to Shinhan Financial Group’s head office in Seoul, Korea. We undertook the following activities as part of the assurance process:

- 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 materiality assessment report.

Limitations | The engagement excludes the sustainability management, performance and reporting practices of Shinhan Financial Holding company’s other subsidiaries, associated companies, suppliers, contractors and any third-parties 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). We did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as data on the website of Shinhan Financial Holding Company and its 7 subsidiaries. These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for environmental and social performance are not verified, while the aggregated data at the corporate level are used for the verification. 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 reported data and information disclosed in the Report do not give a fair representation of Shinhan Financial Group’s related sustainability performance nor is prepared ‘in accordance’ with GRI Standards Core option. Further opinions with regards to the adherence to the Principles are made below;



The Principle of Inclusivity Shinhan Financial Group has identified internal and external stakeholder groups such as Customers, Shareholders & Investors, Employees, Suppliers, local communities and Regulators. Shinhan Financial Group engages with the stakeholders through various channels. Since 2017, Shinhan Financial Group has established their business strategies - "2020 CSR strategies" - reflecting stakeholder's opinion and the Report described major interests and concerns from each stakeholders group as well as Group's corresponding responses during the reporting period.

The Principle of Materiality Shinhan Financial Group identified sustainability issues through analysis of reporting practice of domestic industry peers and overseas advance companies, various global guidelines and media research. Shinhan Financial Group selected 15 issues based on the group's strategy and stakeholder's expectation, and 7 material topics are prioritized by assessing on stakeholders' interest and business relevance. Shinhan Financial Group reports its sustainability target and performance by linking the material topics with the business strategies "2020 CSR Strategies".

The Principle of Responsiveness Shinhan Financial Group reports their sustainability performance result on material topics in conjunction with the "2020 CSR Strategies". Shinhan Financial Group operates a CSR Committee to respond to key issues related to sustainability management and fulfill social responsibilities. In addition, Shinhan Financial Group includes their commitment on compliance of 'the United Nations Environment Programme Finance Initiative (UNEP FI)' and participation on 'Task Force on Climate-related Financial Disclosures (TCFD)' in the Report.

The Principle of Impact The Report presents the direct and indirect impacts of material topics identified during the materiality assessment. We have reviewed that Shinhan Financial Group identifies and monitors the impacts of material topics to stakeholders and tries to quantify these as possible.

Reliability of specific sustainability performance information DNV GL have tested data and information on a sampling basis. Further, we verified the reliability of selected data (Greenhouse gas emission, water consumption, waste generation, occupational accident rate, monetary value and number of transactions of Microfinance and Microinsurance) in the Report through sampling. DNV GL has interviewed the data owners in order to figure out the data control process and verified the selected data against the relevant documents and records. The intentional error or misstatement is not noted from the data and information disclosed in the Report. The data provided in the report was gathered from subsidiaries of Shinhan Financial Group and processed by headquarters to meet the purpose. Data owners were able to demonstrate the origin and interpretation of the data in a re-

liable manner. Shinhan Financial Group could report the information through consistent source that support comparability of data in the future reporting.

Competence and Independence | DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the DNV GL Code of Conduct³ during the assurance engagement and maintain independence where required by relevant ethical requirements. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. During 2018~2019, DNV GL has verified the greenhouse gas emissions and has certified ISO 14001:2015 and ISO 50001:2011 in Shinhan Bank. Verification and Certification services which DNV GL provided to Shinhan Bank are not considered as conflict of independence or impartiality of our work.

June 2019

Seoul, Korea

Jang Sup Lee

Country Representative

DNV GL Business Assurance Korea Ltd.

³ DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)





ABOUT THIS REPORT

Reporting Principles | This report complies with Sustainability Reporting Guidelines of Global Reporting Initiative (GRI) 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 and ₩).

Reference Standards | This report complies with the TCFD Recommendations and Principles for Responsible Banking. Also, the performance and progress on human rights activities according to UN Guiding Principles on Business and Human Rights (UNGPR) is reported.

Reporting Period and Scope | The reporting period of this report is from January 1, 2018 to December 31, 2018. Some qualitative activities and results from 2019 have also been included. For identifying trends, data for the previous 3 to 4 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 99.18% 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 in accordance with the AA1000AS (2018) assurance standard based on its principles of inclusivity, materiality, responsiveness, and impact by a global verification institute DNV GL. The format of the engagement was structured to meet the AA1000AS Type I and certain performance related information was verified according to the Type 2 of the same assurance standard. The result of verification can be found in page 96 to 97 of the report.



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