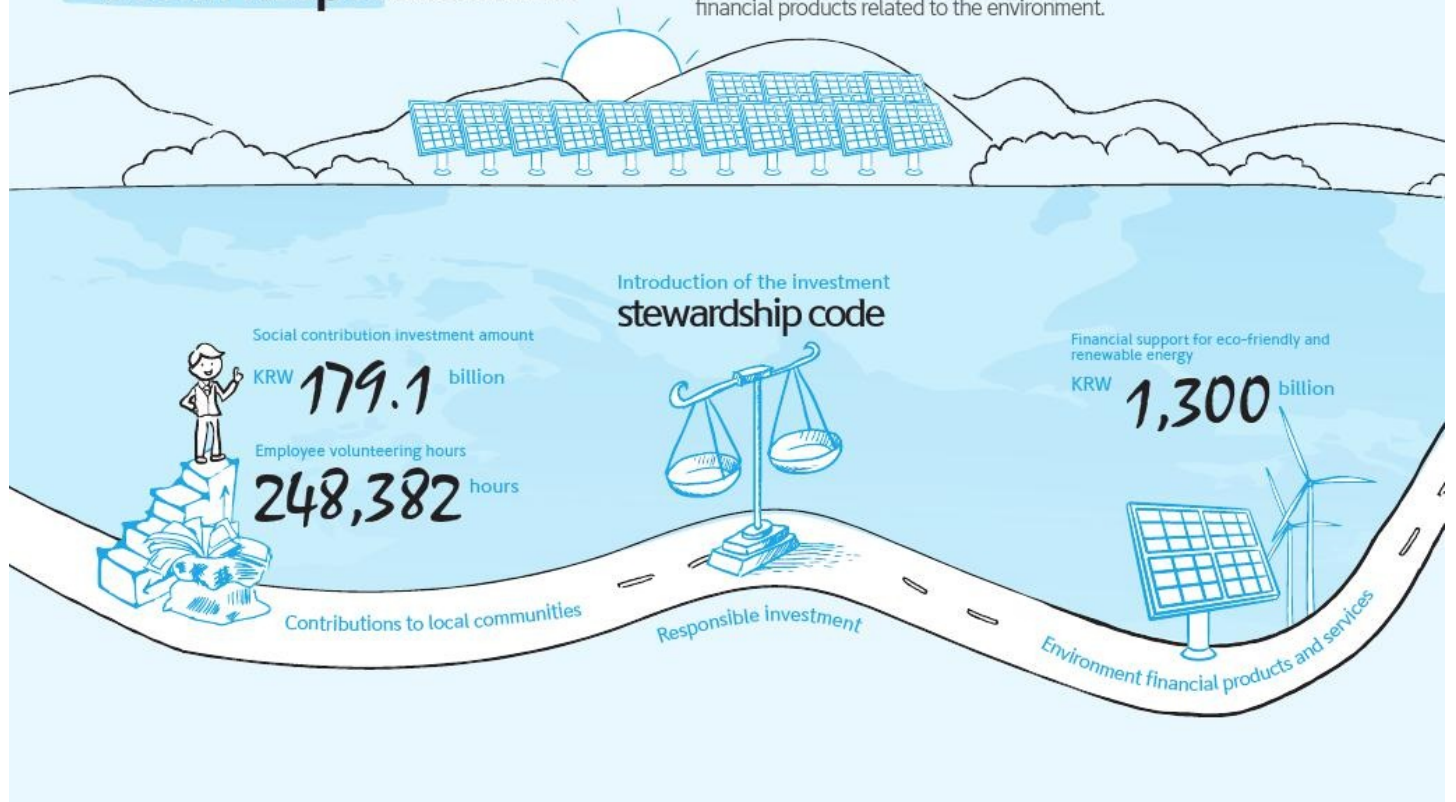


Realizing Positive Social Responsibilities

Shinhan Financial Group engages in various social contribution activities for local communities, introduces the Stewardship Code to fulfill social responsibilities relevant to its core business of financing, and operates financial products related to the environment.



Increasing Community Investment

Shinhan Financial Group promotes compassionate finance that increases the values of both Shinhan and society together and creates synergies.

Shinhan Financial Group recognizes 'social contribution' as a 'mutually beneficial activity' that raises values for the customers, Shinhan, and society and designated the 3 major fields of social contribution that includes 'welfare, culture, and the environment', while performing volunteer work and donations in the form of activities relevant to our core business of 'financing'.

Expanding Responsible Investments and Green Financial Products

The introduction of the Stewardship Code became a hot issue in 2017, as the National Pension Service prepared to adopt the Code, emphasizing fiduciary duties and social responsibility. In addition, the importance of corporate non-financial factors is growing as various stakeholders including customers, shareholders, and investors begin to consider not only profits but also its positive impact on society.

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

CASE STUDY

Compassionate Finance, Your Companion for the Future 'Society of Hope Project'

Shinhan Financial Group launched a new social contribution project to practice its mission 'Compassionate Finance, Your Companion for the Future' with the spirit of 'benefiting the world through the power of finance'. The 'Society of Hope Project' represents the determination of Executives and the Board of Directors that all subsidiaries of Shinhan will lead the efforts for the sustainable growth of the Korean economy and realization of social values.

Shinhan Financial Group plans to engage in 'mutually beneficial activities' that raise values for the customers, Shinhan, and society and support income-led growth and innovation through the 'Society of Hope Project'. It is a social contribution program of injecting KRW 270 billion by 2020 in total to support the income earning activities of socially marginalized and low-income groups and the growth of SMEs.

We are helping customers with low credit ratings, employment of women with low-income, youth seeking work overseas, establishment of after-school childcare centers for their economic independence. We also aim to contribute to enhancing

individual and institutional capabilities by supporting urban regeneration projects and youth training for the fourth industrial revolution from the perspective of innovative growth. All subsidiaries of Shinhan Financial Group will continue to implement the 'Society of Hope Project' by 2020 to be engaged in more strategic and developed social contributions.



Financial Recovery Program for People with Low Credit Ratings

Shinhan Financial Group has arranged a business agreement with the Ministry of Employment and Labor (MOEL) to provide a financial recovery program for people with low credit ratings as its first 'Society of Hope Project'. Among 5,000 applicants who are participating in the Successful Employment Package Program of MOEL, those who are subject to be engaged in the second stage of career training are provided with partial living expenses for 6 months to the maximum by the Credit Management Consulting Team of Shinhan Credit Information, besides training allowances. Shinhan Credit Information also provides them with credit and financial consulting services. The Credit Management Consulting Team has been expanded and operated to provide more active and engaged consulting services since early March.

Providing Support for After-school Child Care Centers for Women Experiencing Career Disruption

Shinhan Financial Group has signed an MoU with the Ministry of Gender Equality and Family and invested KRW 5 billion to support about 5,000 socially marginalized women experiencing career disruption to continue their work. Also, we will implement a project to establish after-school child care centers by injecting KRW 9.5 billion to build basic facilities that are favorable to parenting within the community.

Participation in Local Communities and Social Contribution Activities

Social contribution expenses

KRW **1,791** million

Employee volunteering hours per person

248,382 hours

Social Contribution System and Activities

Shinhan Financial Group has been conducting businesses to support social minorities, disadvantaged groups along with the culture and arts, and the environment, and providing volunteer activities based on its coexistence, sympathy, and symbiosis which are its philosophy on social contribution.

The 'Grand Festival of Volunteer Work' consisting of various activities for mutual coexistence with local communities was first held in 2008, and all group employees attend the event between April and May each year. The 2016 Grand Festival of Volunteer Work was held under the slogan of 'Global One Shinhan' and overseas employees carried out various volunteer activities in welfare facilities in their regions such as Vietnam and India.

Our efforts for social contribution in consideration of the environment are constantly made in various forms. Shinhan Bank has installed sunlight power generation equipment in 26 welfare facilities and started the rooftop garden project since 2009. We also donated and recycled unused PCs belonging to the company and our employees, contributing to energy resource conservation and reuse.

The social contributions of Shinhan Financial Group have been creating a ripple effect across society and performance through continuous support over a long period of time to bring actual changes to the local community. The fund of KRW 100 billion endowed from the group was used to establish the 'Shinhan Scholarship Foundation' in 2006 and it has given out scholarships amounting to KRW 22.6 billion

to 6,031 students since its establishment. The scholarship program helps to identify prominent students who are suffering from harsh living conditions, in order to help them fulfill their potential.

Shinhan Bank is improving the facilities of senior welfare centers and senior community centers to improve the quality of life of the elderly in the era of the silver generation. Shinhan Bank has made a business alliance with the Ministry of Health and Welfare and the Korea Association of Senior Welfare Centers to build THE Dream guest rooms with the aim to establish a cooperative system for senior welfare and installed its first Shinhan THE Dream guest room in the municipal welfare center for seniors in Yongsan.

Shinhan Card has been operating the 'Arumin', the first website dedicated to donations operated in the financial industry as well as the first social contribution brand of the Korean card industry, for over 10 years. As of the end of 2017, over 270,000 customers have participated to collect KRW 5.2 billion in total. This has helped us to lead the way for the culture of small donations as an exemplary channel of donation in the financial industry.

Meanwhile, Shinhan Life Insurance has designated October as the period of '1004DAY Grand Festival of Volunteer Work' and has been engaging in volunteer activities to practice sharing with local communities since 2011. The company conducted the 'Compassionate Wall Painting' project in 2017.



Shinhan Financial Group's volunteer work - Creating Clean Cities Together



Shinhan Life Insurance's 1004 Grand Festival of Volunteer Work - Compassionate Wall Painting



the first financial company supporting the KBO and recorded the largest amount among the professional sports league sponsors in Korea. Also, it served as an opportunity for Shinhan to get closer to the public by becoming involved with the national pastime.

Shinhan Financial Group launched the 'Shinhan Rookie Sponsorship Program' in 2011, which is a program that sponsors prominent Korean sports athletes over the long term. We are also sponsoring Kwang Ki Lee, and Magnus Kim who are all prominent ski athletes, despite skiing being an unpopular event in Korea, but the sport will be featured at the Winter Olympics to be held in Pyeongchang in Gangwon-do in 2018. Furthermore, Shinhan supported the Korea Basketball Tournament, the most prestigious game among amateur basketball competitions as an official sponsor of the women's basketball league in 2017 and 2018.



Incheon Shinhan Bank S-Birds Women's Basketball Team

Sports Sponsorships

Shinhan Financial Group is making efforts to vitalize the sports culture and support athletes and related infrastructure in Korea. In 2017, Shinhan Bank has concluded a contract with the Korea Baseball Organization (KBO) to become the title sponsor of the KBO league worth KRW 24 billion for 3 years. Shinhan became

Global Social Contribution

Shinhan strives to strengthen its social contribution activities in overseas to create bigger social impact.

In 2017, we published the CSR Guide for Global Shinhan and released it to 150 Shinhan networks in 20 countries. We expect that the CSR Guide for Global Shinhan will provide directions in our social contribution efforts overseas by discovering sustainable social contribution projects that support and fulfill the needs of the regions.

Shinhan Bank's volunteer group visited children's hospitals in Yangon and Yankin of Myanmar along with volunteers from Seoul National University Hospital to provide medical volunteer services and distribute advanced medical technologies. We also provided a children's fund in Vietnam and 7 other countries and engaged in scholarship programs and various social contributions activities in overseas.

Shinhan Financial Group, Youth Vocational Training Center in Vietnam

In 2013, Shinhan Financial Group opened the Vocational Training Center in Ho Chi Minh City, Vietnam. The center provided about 2,500 young Vietnamese with employment and entrepreneurship education programs with an injection of KRW 1.4 billion. Youth from low-income families living in the city were also able to benefit from career training programs including those in Korean language, accounting, computer repair and computer office automation (OA). Program participants were young people who were unemployed and failed to enter higher educational institutions due to their poor family background or those who came to the city seeking for jobs. We supported them to get a job by providing education for free.

After graduating from high school in Long An Province, Wing Knoc Bao Win was living in difficult conditions to take care of his elderly parents and other family members. One day he had been given a chance to learn the Korean language and computer OA for 8 months in the center and began to work as an intern. With his enhanced Korean language skills, he later joined a Korean company in Long An Province as an interpreter as well as quality assurance manager and was able to enjoy a better life.

Shinhan will continue to provide vocational training to students and youth from low-income families in Vietnam to help them gain higher incomes and economic independence.



The 8th graduation ceremony that took place at the youth vocational training center in Vietnam

Expansion of Responsible Investment

Efforts to Increase Responsible Investment

Shinhan is making various efforts to expand responsible management factors in its investment environment. For instance, Shinhan BNPP Asset Management utilizes external consulting agencies to assess the non-financial factors of each business for corporate analysis as its investment target. We regularly review corporate analysis data, attend relevant seminars, and immediately reflect governance or social and environment issues to the responsible investment portfolio when they occur. We are further seeking options to apply non-financial factors to our research materials and data.

In December 2017, we introduced the Stewardship Code containing contents related to socially responsible investment. Also, we plan to foster socially responsible investment funds on a consistent basis. Socially responsible investment funds are strategically selected centering on the ones with a huge growth potential, although the value of assets management is relatively small. We will do our best to attract pension funds and institutional funds in the future.

Meanwhile, we are providing the customers with marketing and education programs at the group level to raise their awareness on responsible investment. Through these efforts, we are enhancing customers' understanding on non-financial factors and actively promoting the fact that expansion of socially responsible investment is linked to their higher yields.

The performance of Shinhan BNPP 'Tops Beautiful SRI Fund', a strategic fund of Shinhan, continued to exceed the benchmark's return in 2017. Shinhan BNPP Asset Management operates a portfolio focusing on the ones with higher scores on non-financial factors by combining internal and external research data and materials and maintains outstanding performances as all of the 3-year performances are in the top 25%. In 2018, we will actively reflect factors relevant to responsible investment to maintain our performances in the upper ranks of the class.

Shinhan Life Insurance applies the asset management methods considering both social and environmental, and ethical factors and sticks to the principle of developing responsible products and services that increase the core value of insurance. Under the background of low interest rates and low growth, Shinhan Life Insurance plans to strengthen the competitiveness of variable insurance products by utilizing SRI funds and other relevant funds from the long-term perspective and contribute to the long-term growth of the society in general.

The company gradually increases and rebalances the scale of funds under management by comparing the assets and performance of ESG ETF related products of other management companies regularly. The company also reviews the possibility of partial-

ly including other funds besides them if it is considered that the value of ESG investment is higher than other assets to diversify the company's portfolio. Based on this, Shinhan plans to strengthen socially responsible investment and increase the yield rates of variable products from the long-term aspect.

Shinhan Life Insurance' SRI-based variable insurance products

(Unit: KRW million)

Product	Units	Monthly premium
Shinhan PowerPlus non-participating variable annuity insurance	1,165	372
Shinhan SafePlus non-participating variable annuity insurance	695	168
Shinhan non-participating variable universal whole life insurance for 6 major diseases	506	83
Shinhan S-Life variable universal whole life insurance	201	55
Total	7,290	2,092

Fund Name	AUM (KRW million)	Net Assets (KRW million)	Item	Period (as of Feb. 28, 2018)						
				3M	6M	9M	1Yr	24M	36M	YTD
Tops Beautiful SRI Securities Trust No. 1	6,503.10	4,362.61	Yield rates	1.94	8.38	9.88	23.61	39.3	35.79	-0.02
			Excess earnings	3.80	5.75	6.57	8.32	13.91	14.4	1.50
			BM	-1.85	2.63	3.31	15.3	25.39	21.39	-1.53

Introduction of the 'Stewardship Code' to Implement Our Stewardship Responsibilities

Societal demands pertaining to shareholder return and corporate governance are increasing and the importance of transparent corporate management is being emphasized centering on the Korea Fair Trade Committee (KFTC). Recently, movements to adopt the Stewardship Code have been intensifying across the globe and South Korea's National Pension Service plans to introduce the Stewardship Code in the second half of 2018 as well.

Under such changing investment environments, Shinhan BNPP Asset Management prepares to adopt the Stewardship Code in December 2017 to lead a sound investment culture and improve profits from the long-term perspective.

The Stewardship Code clearly states the stewardship responsibilities and its introduction is expected to contribute to building a culture of long-term investment and sustainable growth. The stewardship responsibilities represent shareholder activities of reviewing core corporate management items such as strategies and performances, risk management, environment, society, and governance. Shinhan plans to communicate with the Executives of companies that are our asset management and investment targets in accordance with the proxy voting guideline.

Investment in companies and assets satisfying social and environmental demands leads to better performance for the long term. Moreover, this coincides with Shinhan's mission, 'Compassionate Finance, Your Companion for the Future' and offers higher yield rates for customers.

'Stewardship Code' Principles (summarized version)

1. Shinhan BNPP Asset Management, as a steward of assets entrusted by its clients, beneficiaries, etc., to take care of and manage, should formulate and publicly disclose a clear policy to faithfully implement its responsibilities.
2. Shinhan BNPP Asset Management should formulate and publicly disclose an effective and clear policy as to how to resolve actual or potential problems arising from conflicts of interest in the course of its stewardship activities.
3. Shinhan BNPP Asset Management should regularly monitor investee companies in order to enhance investee companies' mid- to long-term value and thereby protect and raise their investment value.
4. While Shinhan BNPP Asset Management should aim to form a consensus with investee companies, where necessary, it should formulate internal guidelines on the timeline, procedures, and methods for stewardship activities.

5. Shinhan BNPP Asset Management should formulate and publicly disclose a voting policy that includes guidelines, procedures, and detailed standards for exercising votes in a faithful manner, and publicly disclose voting records and the reasons for each vote so as to allow the verification of the appropriateness of its voting activities.
6. Shinhan BNPP Asset Management should regularly report its voting and stewardship activities to its clients or beneficiaries.
7. Shinhan BNPP Asset Management should have the capabilities and expertise required to implement stewardship responsibilities in an active and effective manner.

See the Stewardship Code of Shinhan BNPP Asset Management (p. 74)

Providing Green Financial Products and Services

Loan products and billings (as of the end of 2017)

(Unit: KRW million)

Loan for companies with outstanding green environmental management

6,150

New green corporate loan

101,057

Eco-friendly Products and Services to Promote the Transition to a Low Carbon Economy

Shinhan Financial Group implements policies to expand renewable energy PFs, eco-friendly funds, and green loan products based on its core business. The '2020 CSR Strategies', mid- to long-term strategies of Shinhan Financial Group proposed in 2017, set goals for climate change related projects to inject KRW 1.3 trillion in the form of loans and investment in green industries.

Shinhan Bank, Shinhan Investment Corp., Shinhan Life Insurance, and Shinhan Capital have provided deposit and loan products related to climate change from the beginning of the market and continued their investment on renewable energy as alternative options to the investment of owners' equity. Based on this, they launched the Group & Global Investment Group (GIG) to maximize the One Shinhan capacity and jointly invested KRW 100 billion to create a blind fund. 'Shinhan BNPP Future Energy Private Equity Fund No. 1' will be engaged in various transactions relevant to renewable energy for the next 22 years with the fund.

Shinhan Bank has built a cooperative system for green finance centering on the SME and Venture Financing, Corporate Banking Client, and Project Financing Departments. Shinhan Bank is also engaged in PF activities at home and abroad, and provided brokerage and consulting services.

Green Finance Cooperation System

- Green finance product development and marketing
- Provision of target lists, designation and registration of target companies
- Carrying out renewable energy PFs at home and abroad
- Brokerage and financial consulting services to domestic and foreign renewable energy generation projects such as solar energy, wind power, etc.

Vitalization of Green Finance by Expanding Partnerships with Environment-related Public Institutions

Shinhan Financial Group has established a cooperation platform with the government and public institutions related to the environment to vitalize green finance and support the industries that will lead the future economic growth. For instance, Shinhan Financial Group arranged a business agreement with Korea Energy Agency for the vitalization of the energy storage system (ESS) industry.

We have extended our policy support for ESS to expand its distribution as a technological foundation of the new energy industry and provided loans to both ESS suppliers and demanders under the 'warranty agreement on new energy industry' and which became the only financial support program specializing in the ESS industry (with 34 cases worth KRW 31.6 billion in total as of 2017). We are also actively participating in private-public consultative bodies related to energy chaired by the Minister and Vice Minister of Trade, Industry and Energy including new energy industry convergence alliance and the financial investment committee on new energy industry.

We have launched the 'loan for companies with outstanding green environmental management' in April 2017, concluded a 'business agreement for the vitalization of green financial products' with the Korea Environmental Industry and Technology Institute, a subsidiary public institution of the Ministry of Environment, to link the environmental data provided by the government institution (enVinance) with our loan qualification process. Companies exhibiting excellent green environmental management performance are provided with loans at prime rates and other preferred services.



The 12MW solar power plant in Hamada in Shimane Prefecture Japan

Participating in Renewable Energy Projects

Solar energy is a stable asset to pursue a relatively high rate of return and a representative renewable energy source that can help to mitigate global warming effects and reduce CO2 emissions. In 2017, Shinhan Financial Group financed various renewable energy projects contributing to expanding renewable energy generation facilities.

Shinhan will further develop funds that can invest in solar power projects and ones related to solar power ESS and secure investment opportunities preemptively in accordance with the government's action plan to implement the 'renewable energy 3020'. Also, demands for non-solar renewable sources such as wind power, biofuels, fuel cells, waste-to-energy, and others are increasing and which expands the investment on such areas as well. We participate in various projects in countries with a high consumption of eco-friendly energy including Japan, the US, Portugal and others.

Financing support for the eco-friendly industry

(unit: KRW 100 million)

Product	Subsidiary	2015	2016	2017
Loan	Shinhan Bank	223.3	160.9	121.9
Fund	Shinhan BNP Paribas Asset Management	-	258.8	602.8
Project financing (home/abroad)	Shinhan Bank	1,916.0	2,272.0	2,306.0
	Shinhan Investment Corp.	-	3.0	1,780.0
Total		2,139.3	2,694.2	4,810.6