

Differences in Corporate Governance Practices

We are a “foreign private issuer” (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs are listed on the New York Stock Exchange, or NYSE. Under Section 303A of the NYSE Listed Company Manual, NYSE-listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the NYSE with limited exceptions. Under the NYSE Listed Company Manual, we as a foreign private issuer are required to disclose significant differences between NYSE’s corporate governance standards and those we follow under Korean law. The following summarizes some significant ways in which our corporate governance practices differ from those followed by U.S. companies listed on the NYSE under the listing rules of the NYSE:

NYSE Corporate Governance Standards

Majority of Independent Directors on the Board

Listed companies must have a board the majority of which comprises independent directors satisfying the requirements of “independence” as set forth in Rule 10A-3 under the Exchange Act.

Executive Session

Non-management directors are required to meet on a regular basis without management present and independent directors must meet separately at least once a year.

Audit Committee

Listed companies must have an audit committee that has a minimum of three members, and all audit committee members must satisfy the requirements of independence set forth in Section 303A.02 of the NYSE Listed Company Manual.

Nomination/Corporate Governance Committee

Listed companies must have a nomination/corporate governance committee composed entirely of independent directors. In addition to identifying individuals qualified to become board members, this committee must develop and recommend to the board a set of corporate governance principles.

Compensation Committee

A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. The charter must be made available on the company’s website. In addition, in accordance with the U.S. Securities and Exchange Commission rules adopted pursuant to Section 952 of the Dodd Frank Act, the New York Stock Exchange listing standards were amended to expand the factors relevant in determining whether a committee member has a relationship with the company that will materially affect that member’s duties to the compensation committee.

Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser’s independence from management.

Shinhan Financial Group

Our board of directors consists of 11 directors, of whom 9 directors satisfy the requirements of “independence” as set forth in Rule 10A-3 under the Exchange Act.

Our non-executive directors hold executive sessions as needed in accordance with the Regulation of the Board of Directors.

Our Audit Committee consists of four outside directors, who satisfy the independence requirements under Section 303A.02 of the NYSE Listed Company Manual.

We maintain a Committee for Recommending Candidates for CEO composed of five outside directors, which oversees general corporate governance matters and reviews and recommends nominees for presidents and CEOs in our group. We also maintain a separate Committee for Recommending Candidates for Independent Directors and Members of Audit Committee composed of four outside directors.

We maintain a Remuneration Committee that oversees and approves the management’s evaluation and compensation programs. This committee consists of three outside directors.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Listed companies are required to establish corporate governance guidelines and to adopt a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

We adopted a corporate governance framework in February 2015 and remain in compliance with international standards modeled after the guidelines established by the Financial Services Commission. We have also adopted a code of ethics applicable to all officers and employees of our holding company and our subsidiaries, including all financial, accounting and other officers and employees that are involved in the preparation and disclosure of our consolidated financial statements and internal control of financial reporting. We have also established a supplemental code of behavior for all officers and employees of our holding company and our subsidiaries in order to provide additional guideline for the performance of their work-related duties as well as their daily conduct.

Shareholder Approval of Equity Compensation Plans

Shareholders of listed companies are required to approve all equity compensation plans.

Although we may grant stock options under our Articles of Incorporation, we have not granted any stock options since April 1, 2010. We currently maintain two equity compensation plans: a PS plan for directors and key employees and an employee stock ownership plan for all employees under the Framework Act on Labor Welfare.

PSs for directors require a board resolution within limits approved by shareholders, while PSs for key employees require only a board resolution. No specific requirements for granting PSs are imposed under applicable Korean law or our Articles of Incorporation.

The employee stock ownership association's equity compensation scheme is governed by its own internal regulations, over which we have no control under Korean law.