2017
Meritz Securities Sustainability Report

MERITZ Securities

MAXIMIZE THE CORPORATE AND CUSTOMER VALUES
AS A SMART PARTNER WHO BRINGS
STABILITY AND HAPPINESS

LEADING THE CHANGE OF FINANCE

LEADING THE CHANGE OF FINANCE

Meritz Securities will always make innovations
and changes with a steadfast belief
and attitude and lead to develop and create the new finance.

About this report

Meritz Securities publishes the first sustainability report. We wish to share our economic, social, and environmental activities and achievements via the sustainability report every other year in order to proactively communicate with our various stakeholders.

Reporting Principle

This report is based on the Core Options of the Global Reporting Initiative (GRI) Standard, a revised guideline of sustainability report.

Reporting Scope

This report covers all business sites of Meritz Securities in Korea and includes economic performance data of its subsidiary Meritz Capital.

Reporting Period

This report contains sustainability management performance from January 1, 2017 to December 31, 2017 and utilized data from the past three years (January 2015 - December 2017) to show historical trends. We included February 2018 data on certain topics in order to provide timely information.

Reporting Verification

We requested KoSIF to provide a third-party verification to publish objective and fair reports that stakeholders can trust. The verification report issued by the external verifier is available on page 57-58.

Feedback

This report is available at our website (home.imeritz.com). Please reach out to the below contact for any feedback or additional information requests.

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LEADING THE CHANGE OF FINANCE

Meritz Securities is a subsidiary of Meritz Financial Group.
We maximize synergies among our affiliates, including insurance,
capital, and asset management,
and demonstrate the best competency in the industry.

CEO Message

Dear our stakeholders,

We appreciate for your encouragement and supports to Meritz Securities with steadfast attention and affection. We are happy to be able to share our management environment, strategies, and the vision with you all via 2017 Sustainability Report that we have published for the first time.

Last year, we achieved a meaningful year in both quantity and quality. We transferred Meritz Capital into subsidiary and issued Redeemable Convertible Prefered Stock(RCPS). As a result, the shareholders' equity exceeded KRW 3.3 trillion, ranked at the sixth in the industry in terms of the equity capital. In addition, we were appointed as a comprehensive financial investment company("Large IB") by the Financial Services Commission. Even in unfavorable business environment, we surpassed our all-time high performance in 2015 by marking the operating profit of KRW 443.6 billion and net profit of KRW 355.2 billion. Our after-tax ROE in 2017 was the highest in the industry at 13.7%.

The Meritz Charmsarang Volunteer Group, which was launched in August 2007 as part of CSR(Corporate Social Responsibility), celebrated its 11th anniversary. Our employees and their families voluntarily participate in various charity activities such as drawing murals, baking, and briquetting to practice and show their care for the neighbors. We offered financial lectures such as 'Economy Camp with Parents' and 'For Our Children's Economic Independence', and introduced 'Meritz Junior Fund', which provides economic and financial knowledge to children and young generation.

In July 2017, we registered in new technology business finance industry, which gives us a room to further provide venture capitals to innovative companies and the 4th industrial sector where high potential growths are expected.

With the US interest rate hike starting from the beginning of 2018 and monetary policies in favor of the respective countries around the world, there are increasing concerns about the uncertainty. Meritz Securities will continue to build the growth base under these uncertainties. In addition, we would like to share our growth details with all of the stakeholders in more intimate way.

Meritz Securities has strengthened its merit in corporate finance leadership while doing its best to secure new growth engines for the next generation's core business. In addition, we will closely manage the risk to improve and protect the values of stakeholders, including the shareholders and customers.

We will also continue to carry out various activities to comply with corporate ethics and to create socially shared values. We will lead in fulfilling corporate social responsibilities and duties as well as creating a culture of co-existence and sharing. In addition, we will help new companies further grow, create new job and build income-oriented growths by providing finance to production fields.

Thanks for your continuing trust and support for Meritz Securities. I only wish hapiness for you and your family.

Meritz Securities Co., Ltd.
CEO **Choi, Alexander Himoon**

2017 Highlights

Meritz Securities - Appointed as a comprehensive financial investment company (Nov 2017)

Meritz Securities has increased the equities up to KRW 3.3 trillion by merging with IM Investment Securities in 2015 and issuing a paid-in capital of about KRW 400 billion, transferring Meritz Capital into our subsidiary in 2017 and issuing redeemable convertible preferred stock(RCPS). We have become a large-scale IB securities company. Despite a sharp increase in capital, we have maintained an average ROE of 16% during 2015-2017, which is the highest in the industry. With these achievements, Meritz Securities has grown to be the 6th largest comprehensive financial investment company in terms of the equity as of the end of 2017.

Spectrum expansion: From strong real estate finance to corporate finance

Meritz Securities is diversifying its businesses based on excellent human resources. We focus on real estate finance, which is our strengths, and are expanding our spectrum into corporate finance other than real estate sectors, including acquisition finance and corporate financial structure improvement and loans. Our corporate finance performance, excluding the real estate business, has steadily improved from KRW 600 billion in 2014 to KRW 2 trillion in 2016 and KRW 2.3 trillion in 2017. Meritz Securities initiated a new technology finance business last year, and is also making efforts to provide funds to SMEs and venture companies.

Charmsarang Volunteer Team: Ten consecutive years of sharing with the participation of all employees(Aug 2017)

Meritz Charmsarang Volunteer Corps, voluntarily founded by our employees on August 14, 2007, celebrates its 11th anniversary. The employees and their families are sharing their experiences with local communities through various volunteer activities such as drawing murals, baking, and briquetting. Every summer, on the 'Beautiful Saturday', all the employees donate their belongings to the Beautiful store and we donate the full amount of sales proceeds. Meritz Securities' employees and the families are taking the lead in corporate social responsibility by practicing and spreading the awareness of reuse, environment, sharing and donation.

Meritz Securities wins Editor's Deal of the Year by Aviation Week's Global Leader Awards 2017 for making the largest investment in aircrafts as a security company

Meritz Securities won the Deal of the Year in 2017 awarded by Aviation Week in the UK, recognizing its contribution to the aircraft sector investment. On November 2016, Meritz Securities invested KRW 227.5 billion out of the $982 million required to acquire 20 aircrafts from GECAS, the world's second-largest aircraft leasing company, creating a new area of the investment.

Industry-leading profitability for five consecutive years

Meritz Securities has maintained the highest profitability in the industry for the fifth consecutive year since 2013. The average ROE in 2015-2017 is 16%. We have achieved the highest level of net profits per equity, thanks to our talented professionals and outstanding risk management. In 2017, our net income was KRW 355.2 billion, which is 40% increase YoY while the equity increased to KRW 3,312.6 billion. In spite of the increase in the equity by KRW 1.4 trillion due to the acquisition of Meritz Capital and the issuance of RCPS, our ROE marked 13.7%(including Meritz Capital as of 2017), which is twice as high as the industry average of 7.7%.

Introduced Fintech to improve the customer' convenience and enhance the security

Meritz Securities introduced a biometric authentication in February 2017 that enables mobile trading services, using fingerprint recognition. This simplifies the existing complex procedures, while further enhancing the security. Biometric authentication via fingerprints enhanced information security, which eased fund transfer process. Meritz Securities partnered with Kakao in October 2017 to offer Kakao Pay services.

'Junior Fund' is launched to help contribute to economic education and independence of children(Jun 2017)

Meritz Securities launched the 'Junior Fund' in June 2017, which helps children and young people establish right economy and investment ideas. The Junior Fund is a reorganization of the Children's Fund, which has been available in the market in the form of public fund since 2005, and assists children and young people to be prepared to achieve financial independence. The commission fee is significantly lower than the average rate in Korea, while we induced our customers to make long-term investments by charging a commission when repurchased within 10 years.

Investment and financing project for venture companies with new technology(Jul 2017)

Meritz Securities has newly registered 'New Technology Business Financing', which supports SMEs and venture companies with investment and financing to help them develop or commercialize new technology. In this regards, we established 'New Technology Finance Team', which will be fully engaged with this tasks. This project will be an important channel for identifying and supporting Korean companies with promising technologies in line with the fourth industrial revolution that will bring innovation to the industry as a whole. To this end, Meritz Securities will exert its highest level of expertise in the industry.

Company Introduction

General Information

Meritz Securities, a core subsidiary of Meritz Financial Group, has achieved steady and stable growths despite the rapidly changing global financial market. This is because Meritz Securities has strived to strengthen its risk response capabilities and build practical, horizontal and professional culture across its business activities. Particularly in November 2017, Meritz Securities was designated as a comprehensive financial investment company and strive to be the leader in different corporate finance sectors in addition to our real estate investment, which has been our core strength.

Company Name	Meritz Securities Co., Ltd.
HQ Address	15 Gukjegeumyung-ro 6-gil, Yeongdeungpo-gu, Seoul, Korea
Date of establishment / Date of listing	Feb 24, 1973/ Jan 15, 1992
CEO	Choi, Alexander Himoon
Number of employees	1,439(as of Dec 31, 2017)
Equity	KRW 3,311.4 billion
Market capitalization	KRW 2,573.5 billion
Phone	02-785-6611
Website	home.imeritz.com

*Based on the number of common shares outstanding as of December 31, 2017

Credit Rating

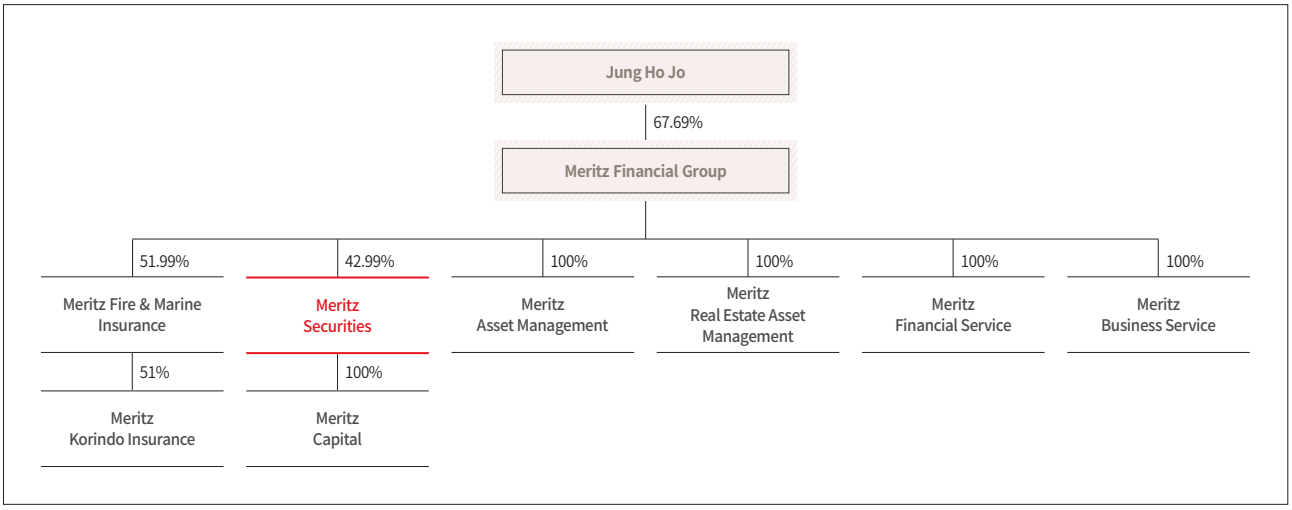
Category	Corporate Credit	Corporate Note
Korea Investors Service(KIS)	AA-	A1
NICE	AA-	A1
Korea Ratings(KR)	AA-	A1

Major Shareholders

Shareholder	Ownership (%)
Meritz Financial Group	42.99
National Pension Service	10.06
Others	46.95
Total	100.00

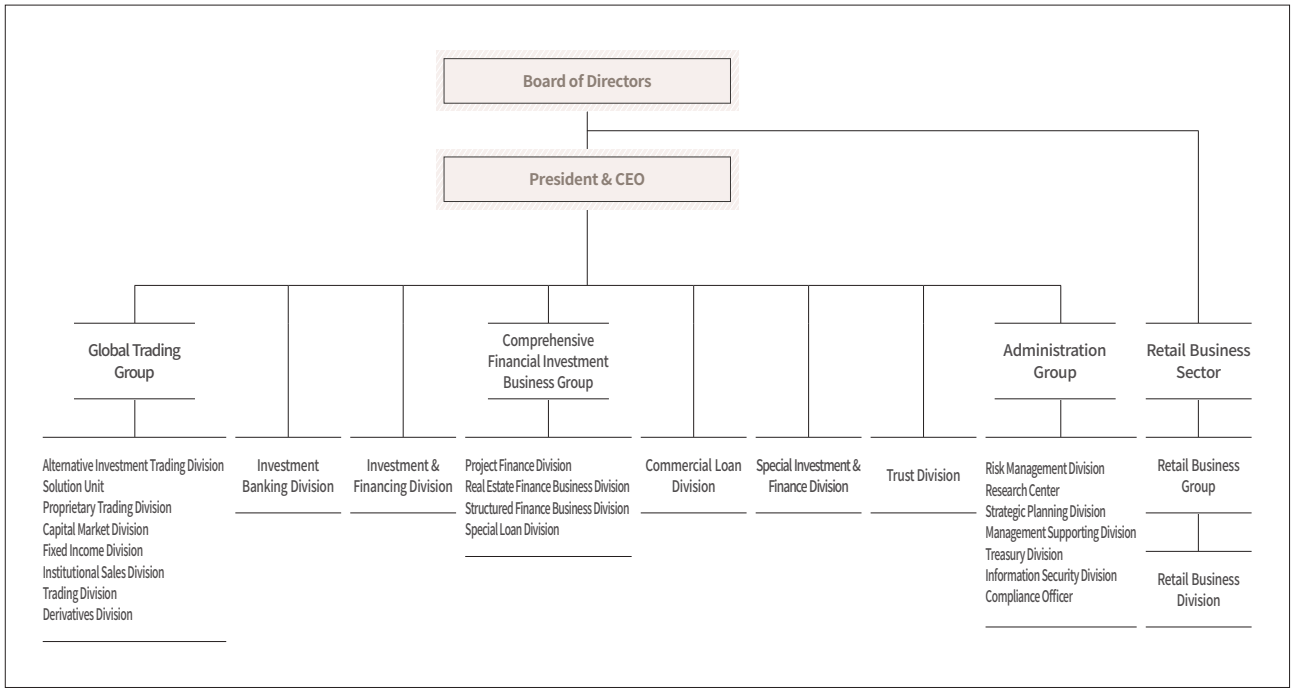
*Based on common stocks with voting rights(605,641,072 shares) and preferred stocks(21,739,130 shares) as of the end of 2017

Governance



Organization Chart

Head Office: 1 sector, 4 groups, 22 divisions, 1 center, 1 officer, 11 units, 2 chambers, 77 teams
Branches: 1 headquarter, 6 centers, 1 sales department, 5 teams



*(As of December 31, 2017)
*Please refer to the detailed organization chart at p.64-65

Company Milestones

2011 ~ 2017
- 2014 _ Acquisition of IM Investment Securities Co., Ltd.
- 2015 _ Merged with IM Investment Securities Co., Ltd.
- 2017 _ Meritz Capital became our subsidiary
- 2017 _ Designated as a comprehensive financial investment company

2001 ~ 2010
- 2006 _ Incorporated as a subsidiary of Meritz Investment Bank
- 2010 _ Merged with Meritz Investment Bank and changed its name to Meritz Securities

1996 ~ 2000
- 2000 _ Changed the name to Meritz Securities Co., Ltd.
- 2000 _ Seperated from Hanjin Group

1991 ~ 1995
- 1992 _ Listed on the Korea Stock Exchange

1980 ~ 1990
- 1990 _ Changed the name to Hanjin Investment & Securities Co., Ltd.

1973 ~ 1979
- 1973 _ Established Hanil Securities Co., Ltd.

Business Area

In addition to the financial investment business under the Capital Markets Act, we also provide comprehensive financial and corporate credit services as a comprehensive financial investment company.

Meritz Securities is engaged in the financial investment activities pursuant to the "Financial Investment Services and Capital Markets Act" and merged with Meritz Investment Bank on April 5, 2010 to engage in comprehensive financial business until April 4, 2020. We are engaged in investment, brokerage, advisory, trust, trust business, issuance, discount, trading, brokerage, acquisition and guarantee of short-term bonds(maturity within one year), investment or financing of facilities or working capital, foreign capital induction, foreign investment, hosting other international financing, borrowing foreign capital, payment guarantee and their relevant or supplementary activities.

Meritz Securities was designated as a comprehensive financial investment company on November 22, 2017 as the merger with IM Investment & Securities in 2015, increase in paid-in capital worth KRW 400 billion, acquisition of Meritz Capital in 2017 and the issuance of RCPS in 2017 satisfied KRW 3 trillion equity requirement.

Management Strategy and Achievements per Key Business Area in 2017

Corporate Finance

We have a wide range of networks and differentiated solutions in both Korean and overseas capital markets, providing tailored comprehensive financial services such as financing, financial advisory, and improvement of corporate governance to a variety of clients, ranging from venture companies, SMEs, large corporations, financial institutions and private equity fund. We are involved in credit offering(e.g. loan, discount on notes), acquisition, brokering arrangement, private placement, sales, brokerage, arrangement, delegation and consultation on M&A, arrangement and advice of project financing, payment guarantee, brokerage, arrangement and delegation of loan and loan receivables, and developing securitized and structured asset products.

Management Strategy	• Strengthen corporate credit services based on comprehensive financial services • Enhance customer satisfaction by providing comprehensive corporate financial services • Extensive supply of venture capitals to innovative companies and the fourth industrial revolution • Preemptively respond to intensifying competition and stricter regulations by developing alternative products
Key Achievements	• Hanam Poongsan District Intelligence Industry Center Development Project • PF loans for Korea Food Research Institute site • Investment commitment in revenue certificates for Signature Tower purchase • Loan commitment to Indukwon IT Valley Intelligence Industry Center

Retail Sector

Brokerage	Sales of Financial Products	Credit Offering	Real Estate Loan Arrangement

In 2014, we established a mega financial center based in Korean major cities for the first time in the securities industry to maximize brokerage and asset management capabilities by gathering stock and financial product experts. With this, we provide optimized portfolios taking into account of customer's investment propensity and purposes to help customize the investment design and provide differentiated services by brokering and arranging loans and loan receivables linked with comprehensive financial business.

Management Strategy

- Systematically manage customer assets with a variety of financial product line-ups
- Increase the customer returns through preemptive responses to the market changes and risk management
- Pursue mutual growths with the customers by designing investment products, reflecting life cycles

Key Achievements

- Net operating profit exceeded KRW 110 billion in 2017
- Retail assets reached KRW 15 trillion

Trading Sector

Based on advanced trading techniques coupled with financial engineering and accumulated investment know-hows, we manage financial investment products such as stocks, bonds, and derivatives, while generating stable and steady profits with thorough risk management. In addition, we developed structured products based on our various asset basis such as Korea and foreign indices, stocks and FX, which meet the needs of our customers in midst of the low interest rate, while supporting sales to individuals and institutional investors.

Management Strategy

- Pursue trading strategies centered on the absolute profit such as arbitrage and event-driven
- Research and development derivatives/OTC derivatives, derivatives-linked securities, structured products

Key Achievements

- Earnings are expected from structured products such as derivatives/OTC derivatives and derivatives-linked securities in the near future with establishment of Derivative HQ.
- Net operating profit is nearly KRW 110 billion, which almost doubles 2016 figure.

Wholesale Sector

Brokerage of Securities	Sales of Financial Products	Brokerage	Asset Securitization

Based on high-quality research that is internationally recognized, a variety of Korean and overseas networks, and stable tradings , we provide brokerage service to institutional investors and corporate clients in stocks, bonds, collective investment schemes, derivatives, and other alternative investment products as well as offering comprehensive solutions to help them make investment decisions and manage assets efficiently.

Management Strategy

- Strengthen the competency in alternative investment products such as aircraft, overseas real estate and infrastructure
- Diversify corporate revenue sources such as supplying structured products and offering consultations on financial products

Key Achievements

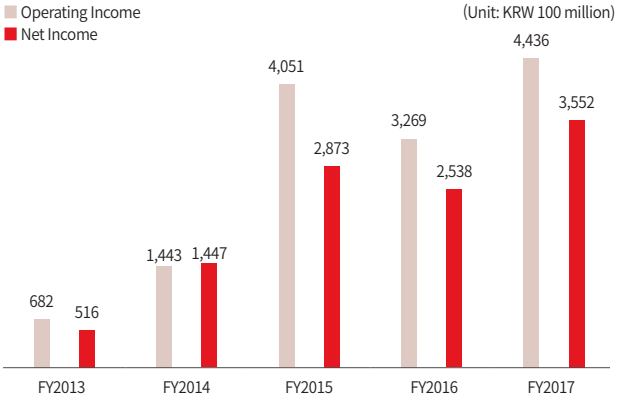
- Designated as the first-class broker in stock trading by National Pension Service
- Songdo M1 Cell Down

Economic Outcome and Allocation

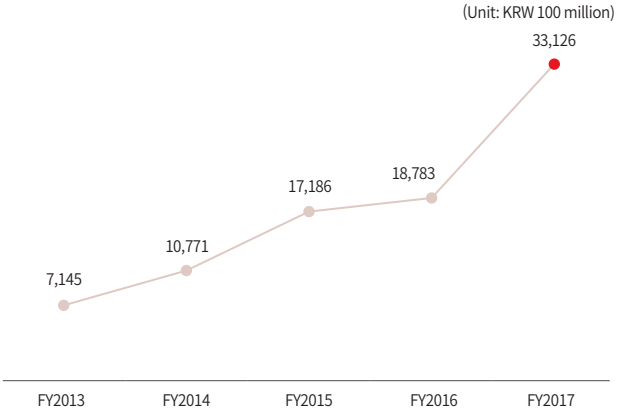
Meritz Securities has achieved remarkable progresses in terms of the capital and net income over the past five years. We maintain our dividend payout ratio beyond 35%, which is unrivaled in the financial industry, to share our economic success.

In 2017 IFRS consolidated financial statement, our revenue, operating income, and net profit increased by 7%, 36%, and 40% year-over-year, repectively. The consolidated ROE, including the financial performance of Meritz Capital recorded 13.7%, maintaining the highest level in the industry. This achievement is due to the robust performance of corporate finance and improved profitability across the divisions, especially in retail and trading sector, which enabled balance growths. In spite of the efforts in preemptive risk management, corporate finance sector continued to excel, focusing on high-quality deal sourcing. We also expanded our business areas, including overseas real estate, acquisition finance, aircraft, and corporate finance.

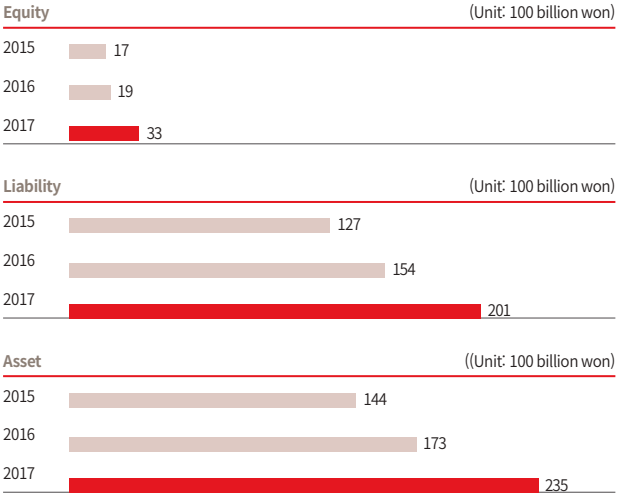
FY 2013-2017 Profit Growth Trend



FY 2013-2017 Equity Growth Trend



2015-2017 Consolidated Financial Information



(Unit: %)

Year	ROE	Consolidated Dividend Payout Ratio
2015	20.6	35.0
2016	14.1	36.0
2017	13.7	37.0

Economic Outcome Allocation per Stakeholder

(Unit: KRW 100 million)

Vision and Strategy

We strive to maximize the value of our customers and businesses.

Our management principle is being committed to the happiness of our customers, shareholders, employees, and the company in order to build a happy management environment with our customers, employees, and the company. This principle and values help us grow into a more sustainable company by realizing our management philosophy “maximization of the customer and company value”.

MERRY MERITZ

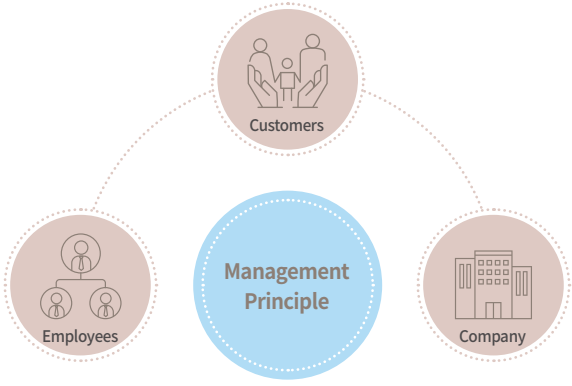
SMART MERITZ

Management Philosophy

Maximize customer and corporate value with Smart Partner that helps stability and happiness

Management Principle

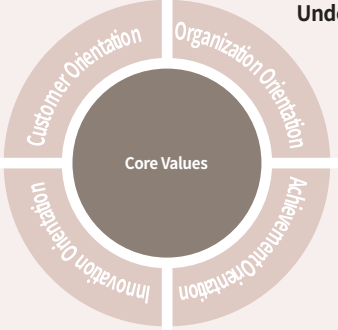
Happier life with customers, shareholders, employees, and the company



Core Values

Flexible Service-oriented Mindset
Advise the Smart value
Meritz delivers values
at the customer's point of view

Understanding Organizations and Peers
Be the Smart people
Meritz recognizes
the right role and attitude as a company



Innovative Thinking for Future
Create the Smart solution
Meritz generates solutions for the future
from a new perspective

Smart Challenge Spirit
Do the Smart challenge
Meritz achieves challenging goals
with our confidence in expertise

Leadership

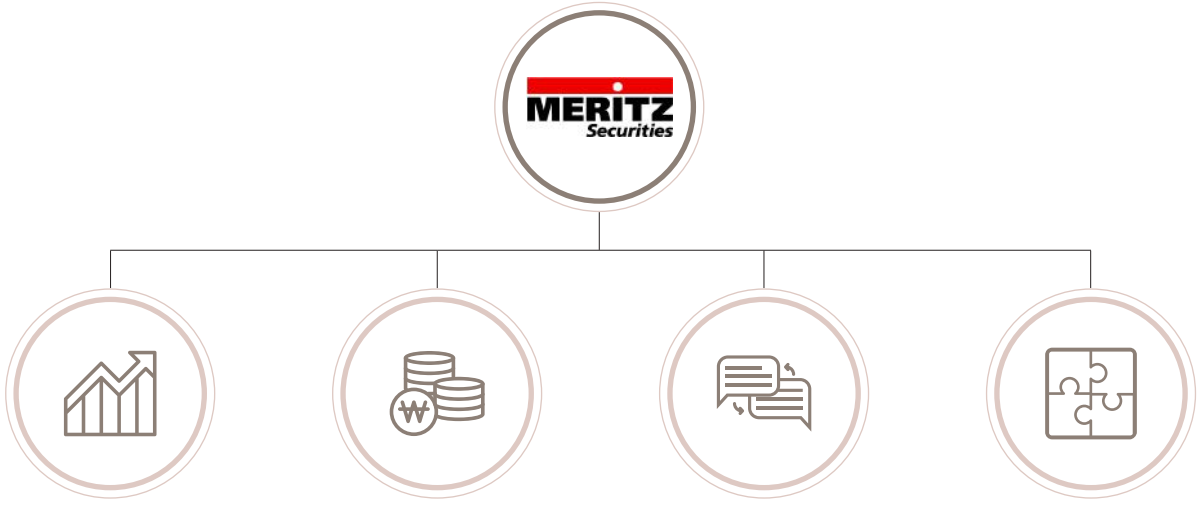
Boundary Spanner	Motivator	Pioneer

Our Four Major Cultures

Professionalism, Practicality, Horizontality and Free Communication are blended into our corporate culture.

Meritz Securities' overall management is rooted in four corporate cultures: Professionalism, Practicality, Horizontal Organization and Free Communication. They are not emptied words and we are putting our culture into practice as a core element of sustainability management. This culture is gaining a consensus among all the employees with the CEO's strong determination to implement them. Our culture is a basic guideline for all the employees to utilize Meritz' s capabilities and resources in solving challenges, and a mirror that reflects daily thinking and behavior of the employees.

Four Major Cultures



The leading rate of return in the industry

Meritz Securities strives to secure the best experts in each field and supports the employees to accomplish self-development. A culture where all employees are professional contributes to achieve the highest rate of return in the industry.

Risk management for both profitability and stability

Meritz Securities choose "Creating a workable company that prioritizes the practicality" as one of its strategic goals in 2017. By completely rejecting formalism and bureaucracy, we strive to ensure that the professional abilities of our employees lead to continuous creation of value for our customers, employees and corporations. This practical culture blends into the rest of the cultures, providing the foothold for Meritz to achieve industry-leading risk management.

Open-ended Discussion

Risk management, which is our strength, roots from open-ended discussions based on the horizontal organization structure. Free communications that enable employees to express their competencies and opinions, regardless of their rank, create the business and daily life at Meritz.

Grow and act in unity

Normally, as size of the organization grows, the bureaucracy and lack of communication lower the efficiency. However, Meritz Securities is aiming a culture of communication that enables the all employees to act as one team . The culture of free and horizontal communication creates an environment where Meritz Securities can flexibly and promptly cope with uncertainties in the global market.

Professionalism	Practicality	Horizontal Organization	Free Communication
A culture where all employees are motivated to become the best experts in the industry, and strive to strengthen the organizations, teams, and competencies.	A culture that thoroughly excludes unnecessary procedures and forms in order to achieve the maximum performance with limited resources and manpower.	A culture where there is no separate manager for management only, and every employee performs their own practical tasks and express their opinion, regardless of the rank.	A culture that allows free communications between departments and positions without barriers, enabling high-quality decision-making and innovation.

Ethics Management

In accordance with the Code of Ethics, Meritz Securities fulfills its responsibilities and obligations as a financial officer by practicing ethical management and raising the ethical awareness to the employees. We are also committed to protect the investors and contribute to the healthy development of the capital market and our economy.

Code of Ethics

(Customers Priority) The company and its employees must always think on the side of customers and strive to provide better financial services to customers.

(Compliance) The company and its employees must understand and comply with relevant laws and regulations in performing tasks.

(Faithfulness) Honesty and trust shall be the most important values for the company and its employees, and they shall faithfully perform the duties based on the principle of good faith.

(Respecting Market Order) The Company and its employees shall respect and maintain fair and free market economy order.

(Information Protection) The company and its employees shall securely protect and manage the company's business and customer information obtained during the course of business operations.

(Self-Innovation) The company and its employees must constantly strive for self-innovation based on their creative thinking to make them adaptable to changes in the management environment.

(Mutual Respect) The company should respect the autonomy and creativity of each employee and strive to improve their quality of life. Employees should respect each other, maintain good communication, and actively cooperate.

(Maximization of Shareholder's Value) The company and its employees should do their best to maximize the value of shareholders and other stakeholders with rational decision-making and transparent management activities.

(Social Responsibility) Both the company and its employees must recognize that they are members of the civil society and shall fulfill their social responsibilities and roles.

(Management's Responsibility) The management shall endeavor to establish a proper ethical culture by conducting ethical education for its employees.

(Report of Violation) If an employee finds or is aware of a violation of the bylaw or Code of Ethics in relation to his or her work, he or she shall immediately report to the Vice President and the Compliance Officer in accordance with the internal control standard set forth in the related regulations.

(Maintaining Dignity) The employees shall not engage in anything that could undermine the dignity or social trust of the company.

(Prohibition of Pursuing Personal Interest) The employees shall not unfairly use properties of the company nor pursue personal interest by abusing their position.

(Obligation after Employment Termination) The employees shall take appropriate follow-up measures, such as returning work-related data, when they retire, and shall not act to harm interests of the company and customers even after retirement.

Whistle-Blowing System

We operate the 'Corruption Reporting Center' to continuously grow clean and transparent as an ethical company. Anyone, including the employees, customers, and partners, can make a report anonymously or by disclosing their identity. The reported matters will be investigated and handled fairly and carefully under the supervision of Meritz Securities' Compliance Officer.

What should be reported?

- Acts of crime such as embezzlement, breach of duty, bribery
- Disclosure of company confidentials or customer information
- Personal use of company properties
- Sexual harassment, affairs, money borrowing bwterrn stakeholders, over-spending, gambling, etc.
- Other unlawful, unjust, unethical, and immoral acts
- Request or reception of bribery, entertainment, etc. in related to work
- Unlawful or unreasonable work processing or instruction
- HR misconducts, such as request for special employment, duplicate employment
- Violations of related laws, regulations, employee code of ethics etc.

Anti-corruption training result

Type	2015		2016		2017	
	Number of participants	Training hours	Number of participants	Training hours	Number of participants	Training hours
Online training	1,410	1,626	1,574	2,796	1,437	2,886
Group training	1	24	4	41	4	20

Internal Control

Meritz Securities holds the "Compliance Day" each quarter to review the compliance checklist for each team. In addition, we train them on key issues such as compliance training to prevent financial incidents, anti-money laundering training, and civil affairs manuals.

The internal control department monitors actual implementation of the internal controls and consumer protection system, including financial incidents. If necessary, we conduct on-site inspections to promote awareness of the importance of internal control. In addition, we inspect important issues such as preventing financial incidents, managing investment promotions, maintaining complaint counters, and implementing depositor protection system.

Anti-Money Laundering System(AMLS)

In accordance with the Act on Prohibition Against Money Laundering and Financing of Terrorism, Meritz Securities prevents acts of crime and operates customer due diligence(CDD) when executing transactions with the customers in order to establish clean finance. We also assess the risk of money laundering based on the customer and transaction type and perform enhance due diligence(EDD) for high risk areas. We have money laundering risk assessment system to prevent potential risk of money laundering in advance and review suspicious transaction report(STR) .

Meritz Securities established internal control system to prevent money laundering and pursue improvement and advancement of the system. In addition, we have strived to improve the quality of anti-money laundering system by taking preventive activities, such as conducting regular inspections and trainings in order to enhance employees' understanding of their work and strengthen their business capabilities.

Risk Management

We systematically manage risks to enhance profitability and stability.

Meritz Securities recognizes risk management as one of the core elements in corporate management and established risk management strategies to balance the risks and profits. In 2017, we prepared ourselves for uncertain market environment by taking a preemptive management approach with the firm-wide goal of "building unshakable growth base." We improved our risk management by quickening information sharing, obtaining excellent evaluators and enhancing the evaluation standards as a response to rapidly changing financial market and crisis.

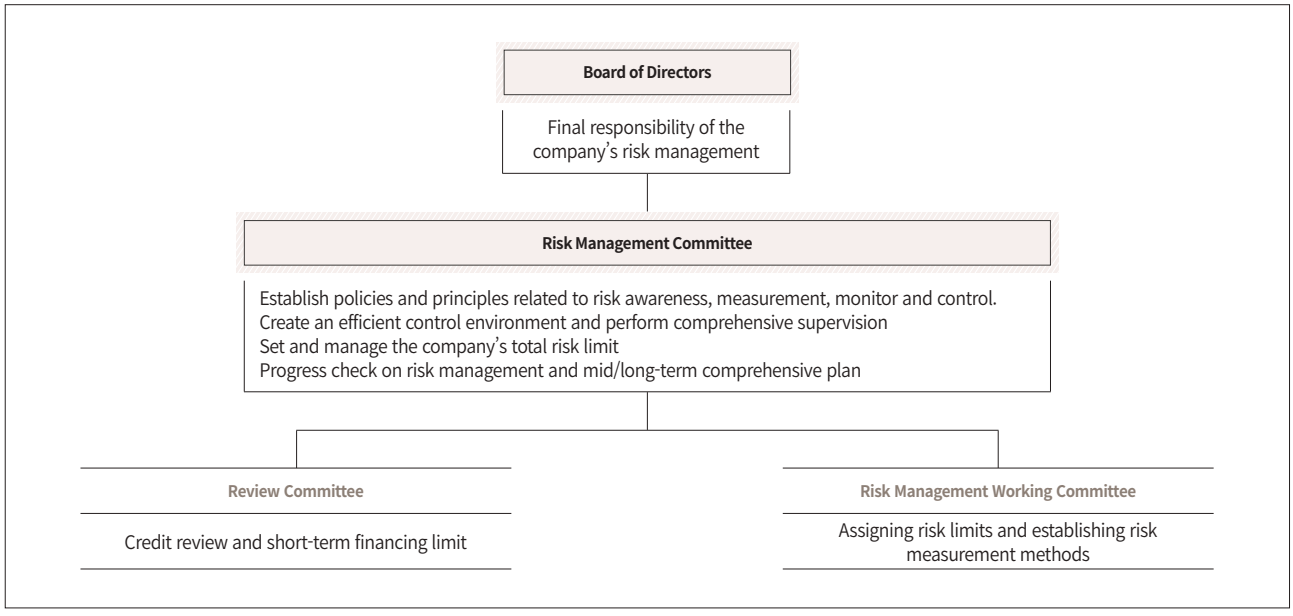
Risk Management System

Meritz Securities operates relevant committees and organizations for systematic risk management. The Risk Management Committee under the board of directors employs a total of 25 experts, including accountants, those from contractors and developers, and credit rating agencies. In addition, the Risk Management HQ examines investment-related deals received from each business division and submits them to the 'Deal Review' meeting, which is held twice a week. The Chief Risk Officer(CRO) has discussions with specialists from each field to make final decisions. With these efforts, we strive to secure both stability and profitability by selecting transactions whose risk can be assessed.

Key Achievements in Risk Management

We held five risk management committees in 2017. We handled a total of seven resolutions and four reported agendas. The main agendas include allocating risk limits and targets, and setting Net Capital Ratio(NCR).

Risk Management Organization Chart



Response by Risk Type

Meritz Securities defines and classifies various types of financial and non-financial risks in order to ensure our assets are healthy and the management remains stable.

Response by Risk Type

Risk Type	Definition	Response
Market Risk	Stock price, interest rate, exchange rate etc. Possible loss due to market price fluctuations	We conduct VaR(Value at Risk) and stress tests on all transactions, involving the market risks. With this, we determine how much cash assets we should possess and establish emergency funding plans.
Credit Risk	Possible losses arising from non-performance of counterparty's contractual obligations and changes in ability to fulfill obligations	We monitor credit status per quarter to focus on preemptive risk management. Credit exposure limits are set by credit rating, counterparty, business group, country, and industry to prevent exposure to excessive credit risk. We regularly follow up with our business partners to check on changes in credit and their ability to fulfill obligations.
Liquidity Risk	The possibility of loss due to the inability of debt repayment caused by financing plan disruption or not being able to dispose assets under management due to market inefficiency	We use liquidity gap analysis as a key index and use repricing gap analysis, duration gap analysis, interest rate scenario analysis, and liquidity scenario analysis as supplementary indicators. To be prepared for the maturity mismatches in financing and operations, we set and manage three-month cumulative liquidity ratio limit and one-month cumulative liquidity ratio limit to manage short-term liquidity.
Operation Risk	Loss incurred directly or indirectly during the operation, including inappropriate work processes, personnel, systems or external events	Each quarter, we measure and manage inherent operational risks via Risk and Control Self Assessment(RCSA), and make improvements by listing out the area of improvements. In addition, we enhance the safety of the operation by managing key risk indicators and spreading the risk management culture throughout the company.
Compliance Risk	The possibility of loss due to legal disputes rising from conflicting interpretations in risk and legal areas caused by the revision of laws and regulations	We review the rules and amendments of laws and regulations that have been completed or in progress, and proactively reflect them in our work scopes. Relevant departments will cooperate to analyze how certain activities affect the company to come up with our reponses to the risks.
Sales and Reputation Risk	A possible loss of customers or damaged reputation due to loss in customer assets derived by the decrease in sales price	We monitor negative public opinions and trends in real time and make immediate responses with inter-department cooperations.

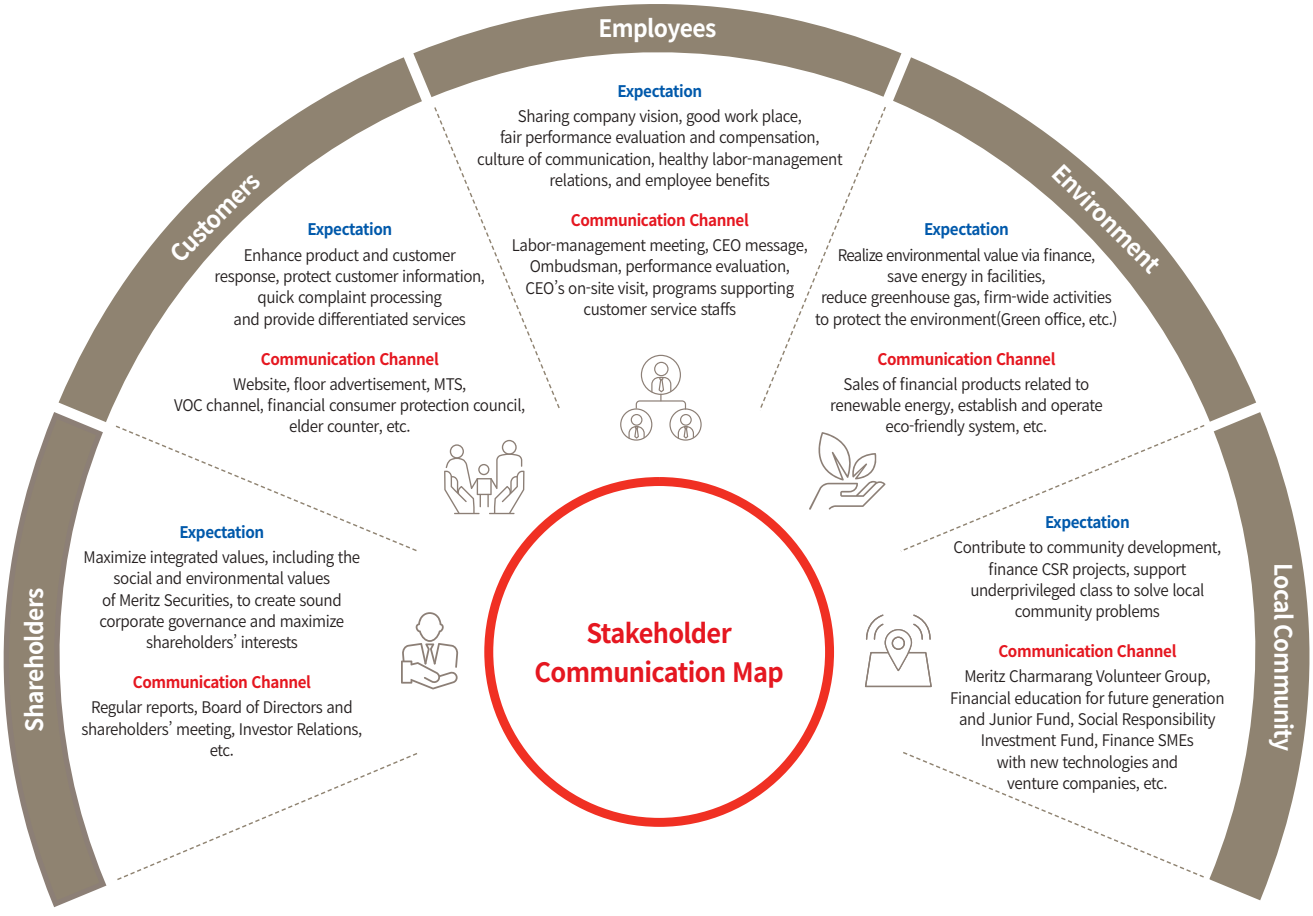
Stakeholder Participation

We continue to communicate with our stakeholders, including shareholders, customers, employees, and the environment and local community.

Meritz Securities actively communicate with various stakeholders. We define our key stakeholders as shareholders, customers, employees, and the environment and local community. We identify the needs of each stakeholder and resolve issues together.

We also strive to confirm the expectations of Meritz Securities through various channels and reflect them in our overall management.

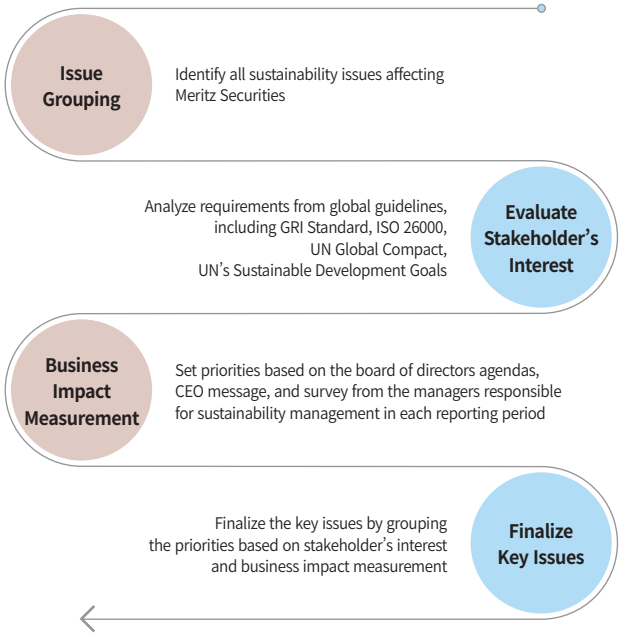
Stakeholder Communication Map



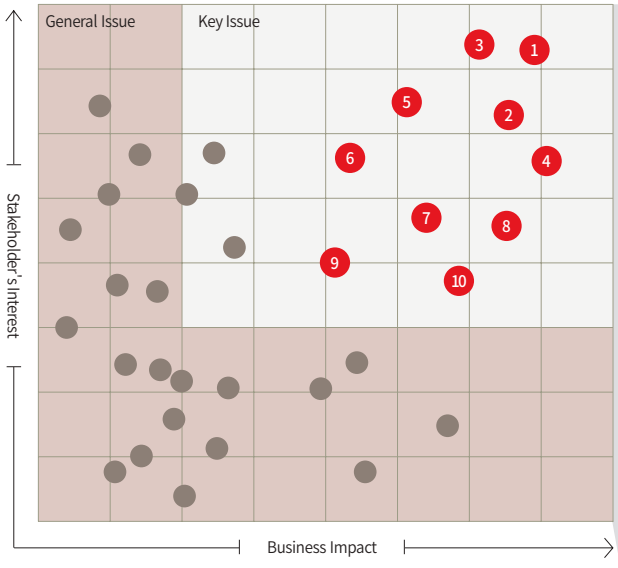
Materiality Assessment

Meritz Securities conducted materiality assessments to identify key sustainability management issues surrounding the company. The final report issues were selected by analyzing the interest of major stakeholders in Korea and their business impacts on Meritz Securities. 2017 Materiality Assessment grouped different issues that influence in creating economic, environmental and social values and analyzed global guidelines and self-regulations, including GRI Standards, ISO 26000, the UN Global Compact, the United Nations Sustainable Development Goals, to capture the stakeholders' interest. We analyzed board of director's agenda at Meritz Securities and CEO messages, and survey from the managers responsible for sustainability management. We selected key issues based on these evaluation results, reported management approach and major achievements. In addition, we disclosed our activities on general issues, if they are deemed as stakeholders' interest.

Materiality Assessment Process



Materiality Assessment Matrix



Key and General Issue List

No.	Key Issue	SDGs Reference	Reported Page
1	Ethics/Anti-Corruption	16.5	15, 16
2	Stakeholder Communication	5.4, 5.5, 8, 16.7, 17.16	19, 25, 26, 31, 39, 40, 41
3	Economic Value Generation and Allocation	10.1, 10.4	12, 30
4	Compliance	16.5	38, 39, 40
5	Risk Management	10.1, 10.4	17, 18
6	R&D	9.1, 9.4, 10.1, 13.3	28, 35, 45
7	Governance	16.7, 10.3	17, 18, 25, 26
8	Compensation and benefits	10.2, 10.3, 10.4	29, 30
9	Labor-Management Relation	8.5, 8.7, 8.8, 10.2, 10.3, 10.4	31
10	Information Security	16.10	37, 38

General Issue	
New market development	Diversification
Local purchase	Employee training and career development
Raw materials management and utilization	Job creation and maintenance
Improve energy use and efficiency	Safe working environment
Safe working environment	Employee health
Water resources management	Mutual growth with supply chains
Pollution and Emission Management	Customer privacy
Protecting biodiversity	Marketing Communications
Environment-friendly products and services	Community impact management
Products and Services for Society	Social contribution
Human Rights Protection	Political participation
Customer Safety and Health	

Management Approach

The definition, major activities and result of the core sustainability management issues surrounding Meritz Securities are as follows.

Key Issue		Definition	Risk and Opportunity	GRI Aspect	Major Activity
Ethics/ Anti-Corruption		Transparency and fairness in performing corporate activities such as preventing corruption and bribery	• Damaged customer trust and brand value due to corruption	Ethics, transparency and anti-corruption	• Take social responsibility with compliance • Exercise anti-corruption activities
Stakeholder Communication		Communication with various stakeholders on corporate issues and the responses	• Inefficient management from disconnected and damaged relations	Stakeholder's participation, marketing and labeling	• board of directors and committees, VOCs, labor councils, ombudsman for customer service staffs
Economic Value Generation and Allocation		Allocation of financial values generated by business activities	• Finding new markets in response to changing customer's needs	Economic outcome and market situation	• Develope customized products and services • Activate Meritz's four major cultures
Compliance		Compliance with international declarations and guidelines for sustainable management and compliance with Korean and international business regulations	• Reinforce regulations such as capital market regulation • Ensure customer trust with consistent compliance checks	Compliance and competition hampering actions	• Regular "Compliance Day" • Use the checklist to exmaine work process during product development
Risk Management		Business opportunities and crisis due to economic, environmental and social risks and the system for efficient response	• Maximize stakeholders' value while securing stability and profitability simultaneously	Strategy, Customer privacy	• Hold bi-weekly review meetings • Hold Risk Management Committee regularly
R&D		Contributes to sustainable revenue by exploring new knowledge and principles and applying them to develop products and services	• Response to rapid changes in business environment • Strengthen the capability to explore new markets	Training	• Registration of new technology business financial business • Expand investments in renewable energy, aircraft funds, etc.
Governance		A system to monitor and control stakeholder's interests, especially those of the shareholders.	• Decrease in the value of the company and shareholders due to deteriorated management transparency	Governance	• Hold the board and committee meetings regularly • Secure independence and professionalism of outside directors
Compensation and benefits		Establish welfare system to enable a stable and relaxed life and a fair compensation system for work performance	• Secure and maintain professionals	Training, employment, human rights, health of the employees	• Work & Life balance program • Evaluation objection system • Fair performance assessment system
Labor-Management Relation		Cooperative matters to maintain labor-management relations smoothly, Prior notice and consultation procedures and activities in case of major issues	• Improved labor-management relation leads to higher work efficiency and employee satisfactions	Labor-Management Relation	• Hold Labor-Management council regularly
Information Security		Employee awareness program to maintain information security system in order to ensure the company's competency	• Loss of the customer base due to customer information leakage	Customer privacy	• Establish and operate information protection management system • Fintech service

MATERIAL ISSUES

Meritz Securities strives to become a trusted company by ensuring the management transparency. We have established a sound corporate governance structure to enhance our competitiveness, while simultaneously implementing various stakeholder values based on principles and policies.

Shareholders

Employees

Environment

Customers

Community

Key Performance

355.2 Billion won
Net profit

95 %
Employee volunteer participation rate

4.2 Billion won
Purchase of eco-friendly products

13.7 %
ROE

Shareholders

Meritz Securities strives to become a trusted company by ensuring the management transparency. We have established a sound corporate governance structure to enhance our competitiveness, while simultaneously implementing various stakeholder values based on principles and policies.

Key Achievements in 2017

Independent outside directors constitute 67% (more than the majority) of the board of directors

67%

In 2017, outside director's average participation rate in the board of directors and other committee meetings was 96%

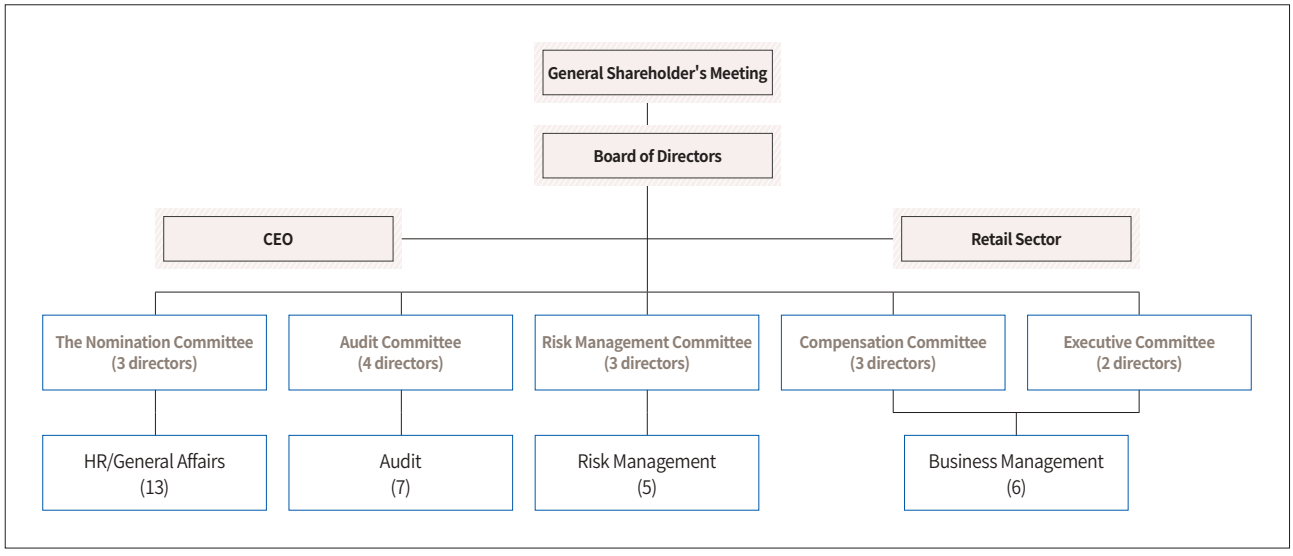
96%

Governance Principle and Policy

In order to protect the shareholders and maintain financial and operational integrity, the board of directors(BOD) verify whether appropriate risk management and internal control are in place and create risk management and internal control environment with monitoring. Our board of directors is divided into regular and extraordinary meetings. Regular meetings are held every quarter and extraordinary meetings are held on need basis.

Structure	A total of six directors(two executive directors and four outside directors) and the CEO preside the meeting. However outside directors with independence accounts for 67% of the board(more than the majority), achieving balance in the management
Professionalism	Our BOD has four directors specialized in finance and two directors with management specialty to let their expertise and experience complement the review and resolution process during the meetings
Term	Within 3 years / For outside directors - 1 year at a time for consecutive terms and 5 year maximum. Pursuant to Article 34 of the Articles of Incorporation, the term of the directors are determined by the general meeting of shareholders within a period not exceeding 3 years. However, for outside directors, the term shall be one year, and the total duration shall not exceed five years in total.
Sub-committee	In accordance with the Article 43 of the Articles of Incorporation, there are five sub-committees - The Nomination Committee, Audit Committee, Risk Management Committee, Compensation Committee, and Executive Committee.

Governance Organization Chart



Governance Summary

Sub-committee	Key role	Member (Outside director/Total member)	Chairperson (executive/outside/non-executive)
Board of Directors	Determine the basic management guideline for the company and critical issues regarding work execution etc	4/6	Executive
The Nomination Committee	Recommend executive candidates and support management succession etc	2/3	Outside
Audit Committee	Audit internal controls of the company and other accounting and business etc	4/4	Outside
Risk Management Committee	Establish and evaluate risk-related policies etc	2/3	Outside
Compensation Committee	Manage the renumeration system in relation to the risk etc	2/3	Outside
Executive Committee	Matters delegated by the board, including those concerning the branch and manager	0/2	Executive

*Detailed annual reports on the corporate governance is available on the website

Nature of Board of Directors

Independence of the Board of Directors and the Committees

The sub-ccommittees of the Board ensure the participation of outside directors. The Nomination Committee, Risk Management Committee, Compensation Committee constitute a majority of outside directors in accordance with the bylaws and regulations. Furthermore, the Audit Committee solely consists of four outside directors who are independent from the management, ensuring the autonomy and independence of the committee. The structure of the Audit Committee is to strengthen the management control, induce responsible management, secure objective audit, and increase the reliability of the audit results.

The Executive Committee is the one that resolves matters that frequently occur or require prompt decision-making such as branch setup, transfer and closing, and manager appointment or dismissal. Therefore, the committee consists of only two executive directors to enable efficient discussion and resolution.

Members of Outside Director

Name	Key Academic & Professional Experience
Jang Goo Kang(Retired)	Bachelor of Management, Seoul National University / Master of Business Administration, Seoul National University / Master of Applied Economics, Rochester University, USA / PhD of Business Administration, Rochester University, USA / Visiting Professor, Rochester University, USA /(Current) Business Professor at KAIST
Dai Woo Han	Bachelor of Economics, Seoul National University / Master of Economics, University of Washington / Director, Capital Markets Division, Korea Development Bank(Vice President / Executive Director) (Current) Outside Director, Asiana Airlines (Current) Advisor, Bae, Kim & Lee LLC
Young Seog Park	Bachelor of Management, Seoul National University / Master and PhD of Business Administration at Wharton School, University of Pennsylvania / Assistant Professor, Graduate School of International Business at International University of Japan / Assistant Professor, Rikkyo University / Assistant Professor of Business, Dongguk University (Current) Outside Director, Lotte Data Communication Company (Current) Business Professor, Sogang University
Jung Han Koo	German Language and Literature, Korea University / Master of Economics, Korea University / PhD of Economics, Cornell University (Current) Senior Researcher, Korea Institute of Finance
Hae Shin Chung	Bachelor of Economics, Seoul National University / MBA, UC Berkeley (Current) Advisor, Bae, Kim & Lee LLC (Current) Non-Executive Auditor, Korea Ratings

Tenure and Participation Rate of Outside Directors

There are three outside directors whose term expired at the date of the general shareholders' meeting in 2017. Two of the three extended their terms while the other fulfilled the five year limit as an outside director. The extended outside directors are deemed appropriate based on the evaluation results. Outside director evaluation is composed of self-evaluation(30%), board evaluation(30%), secretary evaluation(20%) and attendance rate(20%). Each evaluation item consists of integrity, fairness, management consciousness, ethics, shareholder orientation, external competence, information management, ownership, and leadership.

Professionalism of the Board and Committees

Each committee is composed of directors with the relevant experience and expertise suitable for the characteristics of each committee in order to accomplish its goals and objectives to the maximum. The Audit Committee has one or more accounting or finance experts involved. The Risk Management Committee has one or more director with experiences in corporate finance and accounting to help achieve the objective of the committee. In addition, the Remuneration Committee has one or more directors from the risk management committee participating in order to manage the remuneration system in related to risk in accordance with Governance Act and review the risks from different perspectives during decision making process. In addition, a director with experiences at financial companies are involved as well to add more professionalism in our remuneration system.

In addition, the Board of Directors is evaluated by examining its supervision on the management, expertise and diversity of directors, provision of education and other information of outside directors, number of the meetings held and their appropriateness, timeliness of information provision and information integrity. In addition, the evaluation of outside directors is based on the criteria determined by the board of directors. Professionalism, fairness, ethics, responsibility, integrity, and contribution are evaluated by the director him or herself, other directors and secretary, and with the participation rate, performance review is evaluated on three ratings. For executive directors, CEO Choi Alexander Himoon is evaluated in five ratings over profitability, risk and growth potential while Joon Su Bae is evaluated in five ratings as well over profitability, integrity, market competitiveness, and long-term.

Professionalism and Activities of Outside Directors

Name	Tenure (As of 2017-end)	Term Extension	BOD Meeting Participation (2017.1.1-12.31)	Evaluation	Number of Trainings in 2017	Cumulative Training Hours
Jang Goo Kang(Retired)	58 months	-	100%	-	1	23hours
Dai Woo Han	55 months	O	81.8%	O(Appropriate)	2	14hours
Young Seog Park	33 months	O	100%	O(Appropriate)	2	11hours
Jung Han Koo	9 months	-	100%	-	2	4hours
Hae Shin Chung	1 months	-	100%	-	-	-

Employees

Employees are the key resources that drives the growth of Meritz Securities. We create new values with our differentiated culture and our transparent and fair rewarding system enhance the satisfaction level of our employees.

Key Achievements in 2017

Salary and bonus are paid throughout the maternity leaves and vacation leaves

100%

For employees older than 40, we support their spouses to receive precise health examination Every other year

40years

Ombudsman for customer response Staff, Identify harmed employees and provide them prevention and treatment programs every quarter

QUARTERLY

Employment

Transparent and Open Employment

Meritz Securities does not discriminate the candidates on grounds of their educational backgrounds and gender, and considers individual ability and possibility for employment. Open competitions add transparency to our recruiting process and we make hiring on-need basis. Our recruited talents are placed at the right teams in consideration of their own abilities and aptitudes and the company's long-term talent development path, thereby providing opportunities to pursue personal growth and organizational development as well. In addition, our 'fixed-term employees' are professionals who have specialized knowledge and ability to work, and are top-tier employees who are different from part-time employees in norm and rewarded with the highest level of compensation. Therefore, maternity leave, retirement allowance and major welfare programs are equally available to them as well.

Number of Employees and New Hires

(Unit: Person)

	2015	2016	2017
Total Employee	1,389	1,502	1,439
Total New Hire	644	454	278

Extensive Female Employment

Due to general nature of the industry, there is a shortage in female workforce in the financial industry. However, Meritz Securities is contributing to employment diversity by hiring more females.

Among 278 new hires in 2017, 73 of them(26.3%) are female. In addition, as a result of encouraging to recruit talented females based on their abilities, 15% of newly hired females are managers. We also hire females from specialized high schools every year, and four females were recruited in 2017 as a result. We employed 10 females for RA or analyst position at the research center, strive to nurture female professionals in the industry.

Female and Disabled Ratio

(Unit: %)

	2015	2016	2017
Female	23.7	23.8	25.9
New Female Hire	22.2	23.8	26.3
Disabled Employee(person)	14	15	19

Develop Employee Competency

Meritz Securities actively invests in education and self-development of the employees to achieve long-term growth. We conduct regular group trainings every year for the new recruits and perform OJT trainings at sales and office sites in order to strengthen our actual job capabilities. In addition, if employees request educations that are high relevant to the business, such as certificate, we support their education free of charge to help enhance their capabilities.

Training Hours and Cost per Person

	2015	2016	2017
Training Hours per Person	2.0	2.6	1.6
Total Training Hours	2,821	3,865	2,290
Training Cost per Person (KRW)	48,760	61,467	58,420
Total Training Cost (KRW 1 million)	68	92	84

Advanced Evaluation and Compensation System

Meritz Securities performs personnel evaluation and career development reviews based on a fair and reasonable system without discrimination. In addition, performance-based compensation and transparent personnel management are the main driving forces in recruiting and retaining the talents. Meritz Securities' salary payment is based on the salary table by position, and does not allow salary difference based on gender who performs identical tasks.

Meritz Securities conducts annual performance review based on self-assessment, interviews, and primary and secondary evaluations. Whoever objects to the evaluation results can raise a direct question to HR within 7 business days since the evaluation result is notified, and HR convene the personnel committee within 15 business days to perform re-evaluation to enhance the fairness and transparency of evaluation.

Performance Evaluation Indicator

(Unit: %)

	2015	2016	2017
Employees with regular performance review	100	100	100
Female to Male Salary ratio	52	54	54

Work-Life Balance

Meritz Securities ensures work-life balance with different benefits and enhance the productivity by improving the work satisfaction.

Number of Employees using Parental Leave

(Unit: person)

	2015	2016	2017
Female	9	13	17
Male	0	2	2

Employees working more than 12 months after parental leave

(Unit: %)

	2015	2016	2017
Female	100	40	-
Male	-	100	-

Work-Family Balance

Meritz Securities guarantee maternity and parental leave, and encourages male employees to take parental leave as well. In addition, we reduce working hours of the pregnant employees and guarantee a paid day-off every month for medical checkups to help lower the burdens.

We pay 50% of the salaries during parental leaves. If our employees take maternity leave, we not only pay the full salary during the period, but also provide bonus so that our employees won't experience any financial struggle. In addition to annual leaves, we also offer Refresh vacation leaves from six to ten days to build the balance between work and the family

We also pay our employees on parental leaves to reduce their financial burdens, and some of them end up leaving the company voluntarily by not returning to the workplace after the parental leave. Other than that, all of the employees who returned back to the company after the leave and worked more than 12 months.

Child care supporting work environment

Meritz Securities operates a childcare center free of charge to help our employees lower their burdens on childcare. In addition, we set up an in-house female lounge and an independent space to place childcare equipment such as breast pump and baby bottle sterilizer, creating environments where work and childcare are compatible.

Flexible Work Hours

Meritz Securities has designated every Wednesday as "Family Day" since 2012, and employees are encouraged to leave on time. This will motivate the employees to spend their time on self-development or refresh after work. In addition, we provide tablet PCs to sales employees to allow them to work anywhere.

Retirement Pension

Meritz Securities operates a retirement pension system to help our employees maintain stable life after retirement. The pension is divided into DB type, based on defined benefits, and the DC type, based on defined contributions. In 2017, a total of 1,192 employees are part of the pension with AUM of KRW 37.9 billion

Post-Retiremet Plan

Meritz Securities spends 6% of employee salaries in purchasing treasury stocks or matching 3% when our employees sign the funds operated by Mertiz to enable employees to spend their savings after retirement.

Retirement Pension

	2015	2016	2017
AUM(DB)(KRW 100 m)	117	105	149
AUM(DC)(KRW 100 m)	90	145	230
Number of employees(DB)	611	726	778
Number of employees(DC)	302	366	414

Major Benefit Programs

Benefits	Details
Housing support	Security deposit for house leasing, housing loan, company housing for employees without housing
Scholarship	Scholarship provided to up to two children
Medical Expense Subsidy	Subsidize medical expense for the employee, spouse, parents, children, and parent in-law to cover hospitalization and outpatient treatment
Health Examination	Conduct regular health check-ups and health-care measures every year For employees older than 40 years old, provide precise health check up for their spouse every other year
Resort	Rent condominium memberships to employees at all times
Expenditure for congratulations and condolences	Support for congratulatory and condolent events for the employees and their family(including spouse)
Long-term employee awards	Bonus, travel voucher, bonus vacations for 10, 15, 20 year employees
Education Fee Support	Support education relevant to enhance the employee's capability
Disaster Relief Subsidy	Provide disaster relief subsidy, including fire, flood and others
Emergency Leave	Paid emergency leaves are provided for relevant reasons
Clubs	Employee clubs to build friendships and improve the relationships

Health, Safety and Labor-Management Relations

Employee's Health and Safety

Meritz Securities offers annual health check-ups to help monitor our employee's health conditions. For the employees older than 40 years old, we also provide precise check-ups every other year to their spouses. We support medical expenses up to KRW 5 million per year and strive to keep our employees stay healthy.

	2015	2016	2017
Industrial accident rate(%)	0.05	0	0
Number of victims	1	0	0
Work Loss Days	11	0	0

Human Rights Protection of Customer Service Staffs

The customer service department is the communication window where customers' voices are closely heard. Due to the nature of emotional labor, they are exposed to different kinds of stresses. As a result, Meritz Securities established a protection clause for customer service staff and organized ombudsman for them. They receive annual trainings on behavioral tips to cope with abuse, sexual harassment, and assault. We interview our customer service staffs on a quarterly basis to identify their mental damages and psychological state. For those who needs treatments, we offer them psychotherapy and separate them from dealing with the customers. They also can enjoy culture and art activities such as orchestra to reduce their stress level via different programs.

Employee Communications

Meritz Securities has an ombudsman to proactively responds to employee struggles and stresses in anonymity. In addition, we listen to the voice of our employees by having regular meetings with the executives, HR, and female employees to be aware of their struggles and make improvements accordingly.

Building Healthy Labor-Management Relationship

Meritz Securities guarantees three primary labor rights stipulated in the Constitution. Since the establishment of the labor union on October 29, 1987, we hold the labor-management council every quarter. By negotiating and making decisions on key issues related to the employees, we promote welfares of the employees and pursue sound development of the company.

(Unit: %)

	2015	2016	2017
Labor Union register Rate	25.37	21.76	21.01

Labor Union History

- Dec 29, 1987: Establishment and Registration of the labor union(Hanil Securities Labor Union)
- Jan 1st, 2017: Kwan Woo Lee(Commissioner) and Kwon Seok Oh(Deputy Commissioner) are appointed as the 16th executive board of the labor union

2017 Key Achievements by the Union

1. Discussed to how to run labor-management resort(spring, summer, autumn, winter)
2. Prepared employee training plans and inquiry sessions on company management
3. Discussed on the treatment of retail employees and business environment improvements
4. Discussed on savings promotion system and other benefits
5. Discussed on utilizing the employee welfare fund(micro loan)

Environment

Meritz Securities seeks to enhance environmental and social values by finance.
We raise environmental awareness by solving environmental problems with financial products and encourage energy savings based on our eco-friendly campaigns.

Key Achievements in 2017

Greenhouse gas emission has been reducing continuously since 2015

2015

Green Office with efforts to electronicize office environment and replace with LED lighting

GREEN

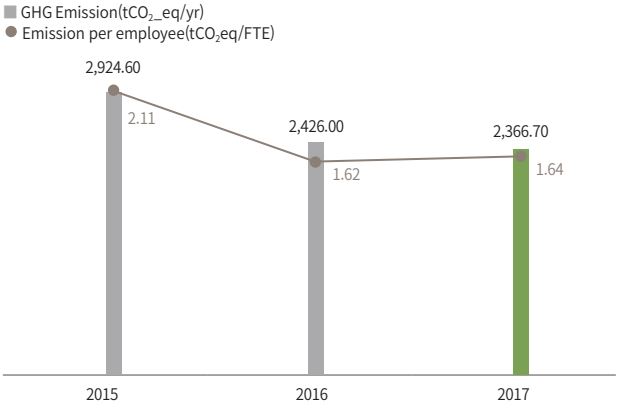
Renewable energy investment such as Gunjang Bio-mass generation and Roof-top Solar generation

RENEWABLE

Establish Eco-friendly Management System

Global climate change is not an issue specific to certain industry groups. It is an issue that must be shared by all industries, including the financial industry, and be responded with their social responsibilities. Therefore, Meritz Securities strives to fulfill environmental responsibilities by establishing an eco-friendly management system to reduce greenhouse gas emissions and energy and resource usage. In addition, since Meritz Securities is not located where bio-diversity can be harmed due to the nature of business, it has minimal impacts on the endangered species of IUCN and national conservation species.

Greenhouse Gas(GHG) Emission



GHG Emission Type

(Unit: tCO_2_eq/yr)

	2015	2016	2017
Direct Emission(Scope 1)	668.4	376.2	341.1
Indirect Emission(Scope 2)	2,256.3	2,049.8	2,025.6

Waste Emission

(Unit: L)

	2015	2016	2017
General Waste	240,000	240,000	264,000

Energy and resource usage

(Unit: GJ)

Category		2015	2016	2017
Energy	Gas	2,843	2,867	2,618
	Gasoline	7,374	3,360	3,031
	Diesel	5	5	9
	Electricity	16,290	14,339	14,011
	Steam	2,939	3,659	3,952
Water(m^3)		20,155	21,276	21,560

Building Green Office

YoY Paper usage decreased

As financial companies face more social responsibilities on the environmental issues, Meritz Securities attempts to use less paper by promoting electronic reporting, expand electronic payments, and use tablet PCs. In addition, we send customer statements via email, if they desire, and new customers increasingly agree to receive the announcements and statements via mobile and email. In addition, we strive to reduce paper usage by integrating paper requirements that customers have to fill out when opening the account.

Raw Material Usage

(Unit: ton)

	2015	2016	2017
Paper	55	59	58

Efforts to reduce energy consumption at the building

Due to the nature of the financial business, Meritz Securities is not directly involved in greenhouse gases emissions other than office buildings and business vehicles, and endeavors to continuously reduce indirect emissions of greenhouse gases by saving energies. For example, we use highly-efficient LED lightings for outdoor advertisements. We are replacing fluorescent lamp(T-5) at headquarter and the Building 2 with low-power LED lamps and have completed 70% of the replacement as of February 2018. For new or expanded branches, we use LED lamps as the basic lighting.

In addition, the office lighting is centrally controlled and turned off during the lunch hour(12-1pm), and the outdoor sign-boards at the head office and branches are turned off as well to help save energy and lower light pollutions. Moreover, we made the announcement and issued the guideline to encourage the employees not to use cooler or heater to reduce energy consumption and created a company-wide consensus.

Sales of Eco-friendly Financial Products

Meritz Securities contributes to eco-friendly industries by selling new and renewable energy and clean energy investment products, which amount to KRW 20 billion.

Type	Fund Name	Date of Initiation	Note
Private	Shinhan BNPP Private Asset Investment Trust in Green Energy [Infrastructure Business]	2017.06	Investment in power generation that generates electricity by using solar energy on water
Public	Hanhwa Quarterly dividend - Energy Infrastructure MLP Special Asset Investment Company [Infrastructure-funs of funds]	2014.01	Invest in infrastructure assets(MLP) with development of shale energy in U.S. *Master Limited Partnership(MLP) is a limited partnership meant to invest in midstream(energy infrastructure) and MPLs are listed in U.S. stock exchanges(NYSE, NASDAQ)
Public	Korea Investment U.S. MLP Special Asset Investment Trust [Oil/Gas Infrastructure-Derivative]	2014.06	Quarterly dividends from investments in MLP infrastructure, which benefited the most from the boom in shale energy in U.S.

Investment in Renewable Energy

Meritz Securities is aware of the adverse effects of climate change and invests in the renewable energies as a response to the global changes in connection with the financial industry. Meritz will continue to contribute to the local communities by constantly expanding its area and scales of the investments.

Gunjang Biomass Generation

The capacity of Gunjang Biomass Power Plant to be built in the second Gunsan National Industrial Complex is 200MW(100MW × 2 units), and costs around KRW 600 billion. The plant is the largest biomass power plant in the country and uses wood pellets and bio-SRF(vegetable solid fuel) as raw materials. Wood pellet is a cylindrical granular material that is dried and crushed in the form of small particles such as sawdust, which is generated from wood processing and has a calorific value of higher than 4,500 kcal.

(Unit: KRW 100 million)

Deal	Investment Type	Annual Avg. Investment		
		2015	2016	2017
Gunjang Biomass	Private bonds purchase	258	267	226
Poseung Biomass	Commitment on loan	0	300	0
Roof-top solar generation	Loan	0	0	38

Poseung Biomass Generation

It is a project to build a renewable energy power plant that can generate heat and electricity by using waste wood as fuel in Poseung Industrial Complex, Pyeong Taek, Gyeonggido. The total project cost is KRW 240 billion and we plan to build facilities capable of producing 174.3 tons of steam and 43.2 MW of electricity per hour with the maximum capacity. These woody biomass energy projects are expected to contribute to reduction in CO2 and greenhouse gas, improve local environment as well.

Roof-top Solar Generation

The project will invest KRW 10.35 billion in the solar power plant(5.7MWp) installed at the Lotte distribution center(3 sites) and the Maeil dairy plant rooftops(2 sites). This project aims to utilize the rooftops as solar power generating facilities. It is a good example of green logistics in Korea as it utilizes idle space of the rooftops at large logistics centers as large-scale renewable energy production facilities.

Customers

Our growths are based on the customer trusts.
We create safe environments for financial transactions and provide differentiated services to achieve stable and continuous changes for the future.

Key Achievements in 2017

Enhance customer convenience and security with Fintech such as fingerprint authentication and customized information based on big data

F IN TECH

Re-define financial customer protection regulations and the standard of product development by hosting 10 Financial Consumer Protection Council meetings

10

Full-time employees for financial products sales to prevent incomplete sales and quarterly group trainings

QUARTERLY

Enhanced Customer Convenience and Security by Fintech

Meritz Securities has introduced new technologies in midst of the fourth industrial revolution and proactively respond to rapidly changing needs of our customers. As a result, we launched new services enabled by fintech such as remote identification check, bio-authentication, quick authentication, payment services in partnership with fintech companies.

Remote Service(Apr 2016)

As remote identity check is allowed to open the account, we started to provide account opening service via mobile application and the customers no longer need to visit physical branches as of May 2016. In September 2016, we launched remote identity check service, which allows our customers to reset the account password and check identity via mobile application, which used to be only available at physical branches. In February 2017, we increased the transfer limit amount, OTP registration for other organization to extend our services. We will continue to expand remote identity check service, which doesn't require physical visits to branches, and support our customers to enjoy convenient financial transactions.

Bio-authentication(Feb 2017)

Bio-authentication service where our customers can log-in our mobile trading system(MTS) and do transactions via fingerprint recognition. This authentication service is ensured by the information distribution management center at Korea Financial Telecommunications and Clearings Institute, therefore, high security and stability are enhanced. In future, we will introduce this service to PC-based home trading system(HTS) and the website and plans to launch various authentication service using bio information.

Big Data based Information(Apr 2017)

We provide information generated based on big data by introducing news keywords, which updates information reflecting interests of the customers, such as items with high number of inquiries in the market and those that are included in new interest groups.

Quick Authentication and Transfer Service(Oct 2017)

In October 2016, we introduced a quick authentication service that enables login and transfer with only 4-digit numbers, and a simple transfer service that allows financial transactions without the authorized certificate or secure mediums. In April 2017, we partnered with "Toss", a mobile payment application service. In October 2017, we introduced the industry's first Kakao remittance service to make our customers more convenient.

Customer Information Protection System

Meritz Securities has dedicated headquarters and teams to protect customer information and perform internal controls. We operate an information protection system centered on our dedicated headquarters and teams, continuously inspect the security and analyze risks, and establish and revise information protection policies. The information security management system of Meritz Securities acquired the Information Security Management System(ISMS) certificate in 2014, and met the certificate requirements for renewal in 2017.

Customer Information Protection Measure

Information Protection Regulations and Guidelines

Meritz Securities has established "Information Protection Regulations" as the top guideline for information security and has formed 15 guidelines including "Information Protection Guidelines" for detailed implementation.

Customer Information Encryption

Meritz Securities uses document encryption solutions(DRM) to automatically encrypt and secure documents containing customer information. Key information such as customer's unique identification is encrypted and stored securely in the database. Unique identification information included in unstructured data such as logs and images is also encrypted and stored securely.

Establishment of Information Security Network

Meritz Securities is building next-generation firewall, DDoS response system, web firewall, and APT response system to detect network intrusions. In 2017, we have further strengthened security by establishing a network separation system to prevent information leakage and malicious code infections.

Security Keyboard Capture System

There is a risk that important information such as a certificate password is captured, recorded and leaked through malicious apps when using mobile financial applications. In order to response to customer information security risks, Meritz Securities implemented a feature that prohibits image and video captures when inputting critical information at mobile trading system(MTS) or mobile account opening application in December 2016.

Financial Customer Protection System

In accordance with two regulations, including Financial Customer Protection, and four standards, including Product Development for Financial Customer Protection, Meritz Securities strives to protect financial customers. We have appointed a general manager to protect financial consumers, who oversees the system planning, training, evaluation and compensation, along with assigning full-time organization and workforce in pursuit of the rights and interests of financial consumers. This endows practical and independent authorities to help financial customer protection system operate effectively.

Regulations and Standards

- Financial Consumer Protection Regulation specifies the matters related to the financial consumer protection system by stipulating matters concerning the overall financial consumer protection, based on best practices of financial consumer protection
- Civil Affairs Processing Regulation specifies the process of filing complaints and how they are handled
- Standard of Product Development to Protect Financial Products specifies the appropriate process to manage financial products before and after their launch.
- Operation Standard of Financial Consumer Protection Council specifies matters to be discussed to operate the Financial Consumer Protection Council and regulates the relevant matters
- Standard to Protect Old Investors regulates the company's procedures to protect old investors who need a higher level of protection than ordinary ones
- VOC Operation Standards specifies the procedures of receiving and processing VOC

Financial Consumer Protection Council

The Financial Consumer Protection Council is held every quarter to enable the related organizations to share and consult various financial consumer protection issues from a company-wide perspective. The council is chaired by the general manager of Financial Consumer Protection(Compliance officer). Different internal control departments(Compliance, Audit, Consumer Protection, Risk Management) and Product Development Department(Sales support, Trust, Retail product, and Derivatives) are the members to discuss the company's major consumer protection issues.

We enacted "Financial Consumer Protection Council Operation Standards" as bylaws to properly operate the council and discuss the followings. The company's financial consumer protection policy and basic plans • System improvements to protect financial consumers • Improvement on product sales process such as amendment of investment recommendation rules • Amendment of the protection standards for older investors • Revision in general documents required to be filled out by the customers • Compensation system for salespersons • Other necessary matters to protect consumers.

A total of 10 financial consumer protection meetings were held in 2017, and the major achievements are as follows.

Key achievements of the Financial Consumer Protection Council

Date	Key Agenda	Result
Feb 7	Discuss customer protection related to adding derivative products to entrusted comprehensive asset management accounts	Conditionally approved
Feb 23	Guideline to research and understand the products and our application	Approved
Mar 10	• Adding the system that automatically orders ETF electronically to Wrap operation	Conditionally approved
	• Implement "Investor Consideration System" and "Self-diagnosis" in accordance with "Investor Consideration System and Self-diagnosis for sales of Derivative Linked Securities" as instructed by Financial Supervisory Service	Approved
Mar 29	• Full revision of Financial Consumer Protection Regulations and related standards in accordance with fully revised best practice standards of Financial Customer Protection by Financial Supervisory Service • Improve criteria to define aged investors when represented by their agents	Approved
May 19	Enhancement plans of VOC processing system	Approved
May 26	Higher standards in providing information(e.g. ELS)	Approved
Jul 21	Night futures option(linked with foreign exchanges)	Conditionally approved
Oct 10	• Expand the operation scope of entrusted asset management accounts from stocks and funds to bonds • Limit bonds investments to BBB + or higher	Approved
Oct 10	• Evaluation and reward systems for salespersons • Changing the members of the Financial Consumer Protection Council	Approved
Dec 21	• Introduction of foreign currency and bank-linked services • Measures to the mandatory system to record derivatives-linked securities • Introduction of fund clean class	Approved

Activities to Prevent Incomplete Sales

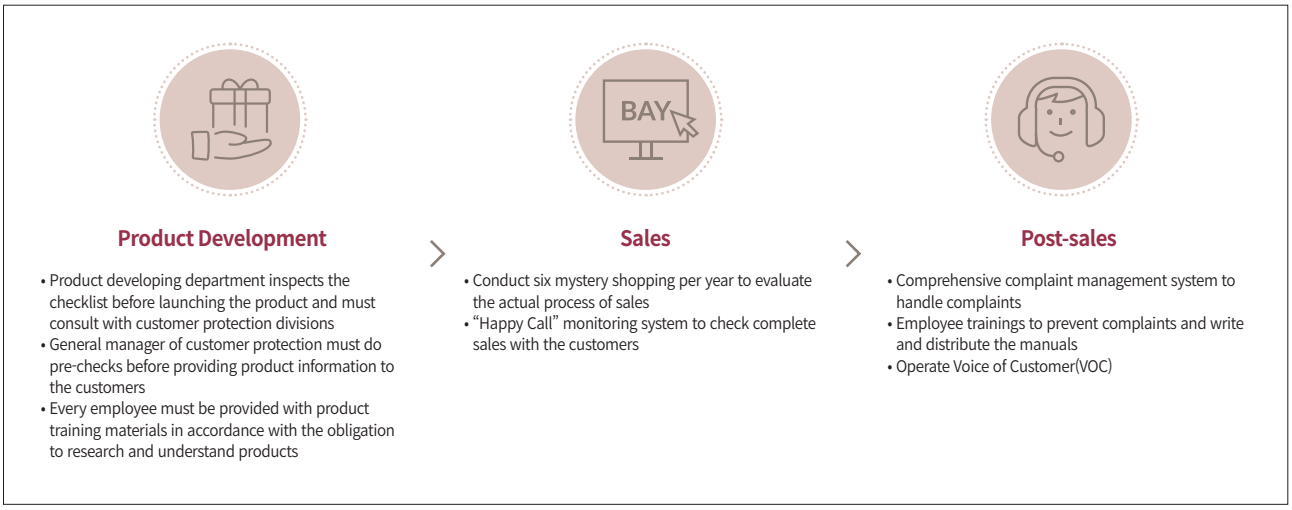
The complexity and expertise of financial product contracts create information asymmetry between the company and financial consumers. This deepening of information asymmetry adds to dissatisfaction of financial consumers and causes disputes between the company and customers, which hinders the credibility and growth of the financial industry. As a result, Meritz Securities has established a financial consumer protection system in accordance with product development, pre- and post-sale processes, and life cycle of products.

In addition, we have established annual training plans for employees and regularly conduct financial consumer protection trainings. We have designated the "full-time staffs for sales of financial products" at each branch office and conduct quarterly collective trainings for the employees to share issues and systems related to financial consumer protection.

Best Practice of Financial Consumer Protection : Consultation counter for aged investors

In response to the aging society and increases in financial demands from old investors, Meritz Securities has established the "Guidelines to Protect Older Investors" as a bylaw and separates the counter to consult aged investors. We have professional and experienced consultants at those counters to ensure that aged investors receive careful and advanced advice. In addition, if aged investors want to sign up for popular products designated for elders, our consultants further explain about the details of the products as a part of providing additional protection measures. We provide collective trainings in every quarter to the consultants at counters for aged investors to better protect aged investors. Then each staff who received the training perform follow-up trainings with rest of the employees at each center to protect aged investors.

Customer Protection Steps



Enhance Customer Satisfaction by Streamlining Complaint Process

Our comprehensive civil complaint management system handles complaints from the customers to build trust and satisfaction. For complaints that we are not able to respond, we strive to improve the system to prevent recurring complaints. In addition, we drafted and distributed complaint handling manual that helps to prevent customer complaints and our employee's response while conducting preventive trainings as well.

For each customer suggestion received by VOC, we designate the supervising department for review to reflect customer's voice into our operation. In addition, we pursue to quick the process to handle customer complaints by designating the department handling the issues and appropriately controlling complaints handling process with reasonable resolutions.

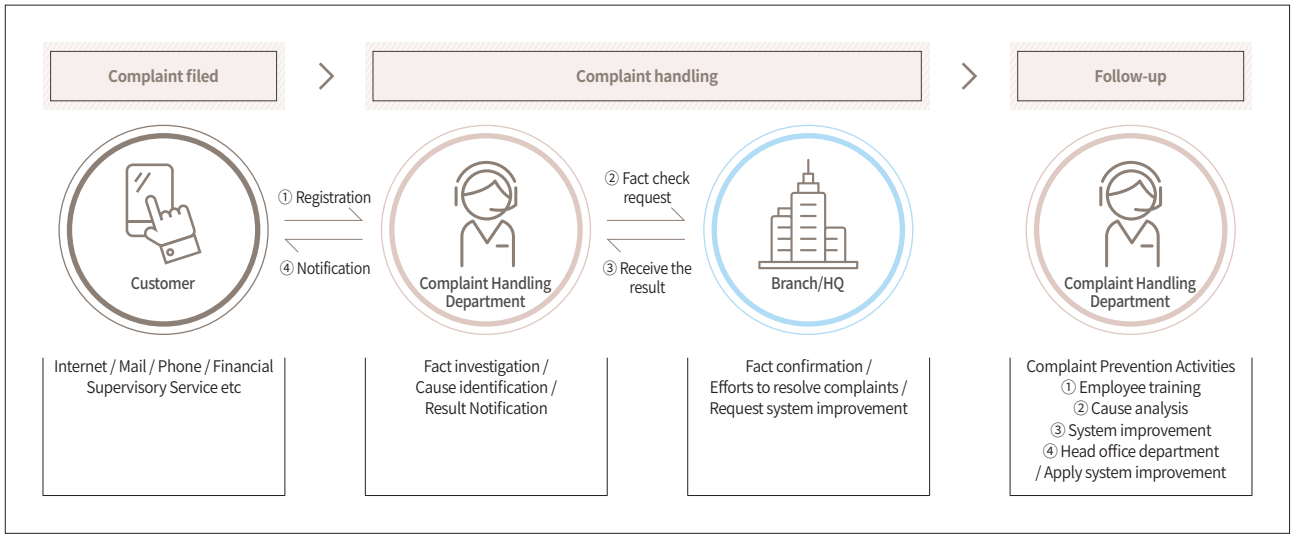
Financial Consumer Protection Outcome

Meritz Securities has been top ranked in fourth consecutive year for "Fund Sakes Evaluation" conducted by the Korea Financial Investors Protection Foundation under the Financial Services Commission. Our efforts to earn customer trusts have been recognized both internally and externally, by recommending financial products that fit the risk profile of our customers and complying with the consultation process

The fund sales evaluation is a system that protects investors from incomplete sales and build a culture to promote healthy fund sales. The final score is summed by 4 categories, including branch office monitoring, fund performance, sales concentration and other services. Especially, Meritz Securities has achieved excellent results every year in branch monitoring. Among 30 fund providers, we have been top ranked in overall for four consecutive years in 2013 - 2016. Although our overall evaluation ranked in middle ranges due to low performance in fund sales in 2017, our branch monitoring remained top rank. In addition, we have been selected as the best securities company in terms of investor protection at '2016 Korea Fund Awards' organized by KG Zeroin.

In the future, Meritz Securities will eradicate incomplete sales and continue to sell responsible financial products with periodic self-inspections, investor protection trainings and mystery shopping.

Complaint Handling Process



Community

Meritz Securities contributes to develop local communities with employee's charity activities. We strive to build a better place where each of us gets happier by offering different activities where loving hands are needed.

Key Achievements in 2017

Meritz Junior Fund, which contributes to the economic independence of children and adolescents

2017

11th anniversary of Meritz Charmsarang Volunteer Group's where our employees fulfill sharing with their family

11th Anniversary

Launched investment and loan support business for SMEs and venture companies with new technology

2017

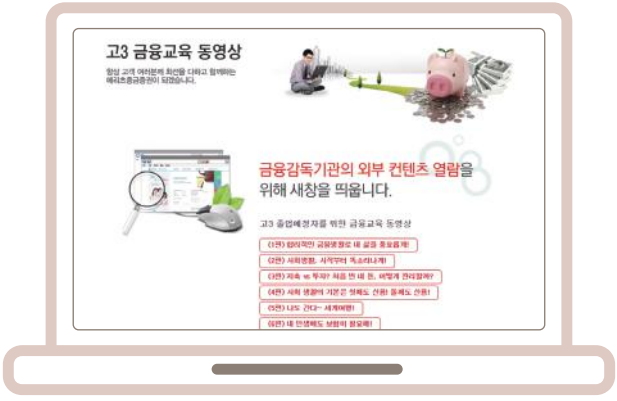
Launched three funds related to socially responsible investment and improvement of corporate governance

3 Funds

Financial Education for Next Generations

Meritz Securities provides children and youth with economic concepts and financial knowledges to teach them basic skiils needed for economic independence. On August 14th 2017, Meritz Securities hosted the 1st 'Economic Camp with Parents' at Gangnam Financial Center. Yeouido Financial Center hosted a financial lecture titled as 'For our Children's Economic Independence' led by John Lee, CEO of Meritz Asset Management.

In addition, we created and shared videos at our customer protection portal(https://home.imeritz.com/potal/ Consumer Fss10.do) to provide financial educations to seniors in high school to enable financial education at all time for next generations. These videos provides practical financial information to seniors in high school who will soon take their first step to the society



Meritz Junior Fund

On June 2017, Meritz Asset Management launched 'Meritz Junior Fund'. Back in 2005, a child fund(installment type) was already publicly introduced into the market, there are several reasons that make 'Meritz Junior Fund' differentiated from it.

Only those under 20 years old can subscribe the fund to make them as the key players and we charge penalties for repurchase in 10 years to induce long-term investment. The repurchase penalty will be re-invested into the fund, eventually being distributed to the other investors. Finally, we differentiated our fund by applying investor-friendly commission rate(0.735% per year).

'Meritz Junior Fund' aims to teach correct investment and economic concepts at early ages while preparing economic independence from the profits generated from the fund. In particular, Meritz Asset Management hosted 20+ financial lectures to give lessons to parents and children and received a great feedback by emphasizing why it is necessary to prepare and invest for our children's future. This resulted in sales of KRW 1.4 billion from 380 customers, expanding both our customer base and long-term installment investment.

Meritz Charmsarang Volunteer Group

Meritz Securities formed Charmsarang Volunteer Group in August 2007 as part of its social contribution to bring and share small loves together. Their activities are not limited to certain fields and our employees reach out to more neighbors with sharing activities based on different themes. Every employee is welcome to join and their families can participate in charities as well, adding more sincerity to our motive. 20-30 employees participate on average every month and the number can increase up to 40 for special activities, such as mural paintings, baking, and briquetting.

Meritz Charmsarang Volunteer Group donated KRW 3.58 billion with 148 volunteer activities. In recognition of our contribution activities, Meritz Charmsarang Volunteer Group was awarded the 2nd "Happiness Sharing Social Contribution Award(low income and underprivileged class)" and the 19th 'Senior Citizen's Memorial'.

Meritz Charmarang Volunteer Group - Scale

Total Spending KRW 58 million

Number of participants 396

Where we visited

Mapo Elderly Welfare Center	Special meals for holiday and birthday party
Nest of Sharing	Help free soup kitchen
Salvation Army Duri Home	Take care of babies of single mothers
Beautiful store	Donate items and proceeds from the sales
Love House	Make kimchi
Coal Briquettes for Neighbors in Korea	Deliver coal briquettes
Korean Association for Children with Leukemia and Cancer Child Fund Korea	Support medical expense for poor children
The Greem	Make beautiful town by drawing murals
Korean Red Cross Hope Sharing Center	Share breads made by the employees with underprivileged neighbors

Salvation Army Duri Home - Taking care of babies of single mothers

Eleven employees visit the Duri Home of the Salvation Army, which is a facility for single mothers, once every quarter to babysit. This is to help single mother who are engaged in both economic activities and childcare have free time. Employees overcome stereotypes against single mother by taking care of their babies and experience responsibility and affection of mother.

Beautiful store - 'Beautiful Saturday'

We have organized 'Beautiful Saturday' event every summer in partnership with a 'Beautiful Store' foundation since 2008. Our employees donate items two months prior to the event, and on the event day, our employees work as daily clerks and sell the donated items to raise awareness of 'reuse, environment, sharing and donation'. All proceeds from the sale are donated.

The Greem - Drawing Murals

This year, our employees and their families have been drawing murals at an elementary school in Mapo-gu, Seoul as weekend charities. Drawing murals is very popular among the employees because it can serve both charity and family leisure. These easy and fun activities allows the children to get naturally exposed to volunteer works.

Financing SMEs and Venture Companies with New Technology

In July, Meritz Securities registered financial business for new technology and established a new technology finance team, which is dedicated to finance the companies with potential growths and technical capabilities. 'New technology business finance' refers to financing activities such as investment and loaning to SMEs or venture companies that develop or commercialize new technologies.

With increasing interests in the 4th industrial revolution that will bring innovations across the industries such as autonomous driving and AI, finding and investing in Korean companies with promising technologies is very critical. Meritz Securities seeks to leverage its industry-leading risk management and expertise in corporate credit services. In addition to investing in early-stage companies with superior technological capabilities, we plan to establish a differentiated investment portfolio based on the growth stage of the company, such as mezzanine and investment with paid-in-capital to third parties. In addition, we will pursue mutual growths and contribute to the development of industrial ecosystem with continuous investments rather than one time.

Finance that Contributes to the Society

Meritz Securities is a socially responsible company that has been Socially Responsible Investment(SRI) related public funds since 2006. In 2017, we launched three new SRIs and governance improvement funds, recording sales of KRW 2.4 billion. As there are increasing needs to supplement ethic and moral based traditional SRI models, Meritz Securities plans to review and extensively sell SRI or activist investments on the companies with sustainable business model.

Fund Sales

Category	Public vs Private	Fund Name	Date of Initial Sales	Note
SRI	Public	Shin-han BNPP Tops Beautiful SRI Security 1 [Stock]	Apr 2006	• Invest in sustainable companies in terms of CSR and profitability
	Public	ABL Enterprise Value Enhancement Security [Stock]	Apr 2010	• Improve corporate value(stock price) by improving corporate governance structure, invest in related companies • Discover long-term growth potential of green industry(eco-friendly companies etc) and invest
	Public	Hi SRI Investment Trust [Stock]	Jun 2017	• Investment based on economic, social and environmental analysis rather than merely investing in good companies • Exercise shareholder's rights + long-term investment
Governance Structure Improvement	Private	Meritz Korea Engagement Special Investment Private Fund [Stock]	Jul 2017	• To maintain a long-term trust relationship with investment companies, to enhance the value of undervalued shareholders with friendly and constructive engagement, and to pursue high profitability in the long term • Partnership to resolve Korea discount and increase shareholder value
	Private	Lime-Sustin Democracy Special Investment Private Fund 1	Jul 2017	• A notable activist hedge funds in Korea • Invest in companies that are expected to increase corporate value through shareholder activism strategy • Invest in companies that are expected to be re-valuated due to governance restructure

APPENDIX

Fact & Figures

Financial Result

(Unit: KRW 100 million)

Category	2015	2016	2017
Total Asset	144,287	172,678	234,506
Operating Income	4,051	3,269	4,436
Net Income	2,873	2,538	3,552

Economic Value Allocation

(Unit: KRW 100 million)

Stakeholder	Form	2015	2016	2017
Shareholder and Investor	Dividends	1,043	907	1,288
Employee	Salary and benefits	3,052	2,308	2,989
Local Community	Total social contribution investment	0	3	6
Government	Corporate tax	1,192	788	1,111
Total		5,286	4,006	5,394

Employee Statistics

(Unit: person)

Total	2015	2016	2017
Male employee	1,060	1,144	1,066
Female employee	329	358	373
Total	1,389	1,502	1,439
New male employee	501	346	205
New female employee	143	108	73
Total	644	454	278
Employees without fixed term	448	479	534
Employees with fixed term	941	1,023	905
Turnover rate(%)	25	22	22
Disabled employee	14	15	19

Training Statistics

Category	2015	2016	2017
Training hours per person(hour)	2	2.6	1.6
Total training hours(hour)	2,821	3,865	2,290
Training cost per person(KRW)	48,760	61,467	58,420
Total training cost(KRW 1 M)	67.7	92.3	84

Evaluation and Compensation

Category	Unit	2015	2016	2017
Evaluated employee	person	932	1,074	1,053
Employees with regular performance review	%	100	100	100
Salary ratio(Female to Male)	%	52	54	54

Labor Union Register Rate

(Unit: %)

Category	2015	2016	2017
Labor Union Register Rate	25.37	21.76	21.01

Parental Leave Usage

Number of employees using parental leave	2015	2016	2017
Female	9	13	17
Male	0	2	2
Number of employees working 12+ months after parental leave	**2015**	**2016**	**2017**
Female	100	40	-
Male	-	100	-
Number of employees using maternity leave	**2015**	**2016**	**2017**
	17	11	17

Working Hour Reduction Status

(Unit: person)

Category	2015	2016	2017
Working Hour Reduction System	0	1	0

Fact & Figures

Retirement Pension

Category	2015	2016	2017
Retirement pension AUM(DB)(KRW 100 M)	117	105	149
Retirement pension AUM(DC)(KRW 100 M)	90	145	230
Number of subscribers(DB)(person)	611	726	778
Number of subscribers(DC)(person)	302	366	414

Disaster Statistics

Category	2015	2016	2017
Industrial accident rate(%)	0.05	0	0
Number of victims(person)	1	0	0
Number of work loss days(day)	11	0	0

Anti-Corruption and Human Rights Violation

(Unit: ea)

Category	2015	2016	2017
Number of reported whistle blow	0	0	0
Number of report to protect whistle blower	0	0	0
Number of reported discrimination at work place	0	0	0
Number of reported child labor	0	0	0
Number of reported forced labor	0	0	0
Number of reported infringement of rights of the natives	0	0	0

※ Meritz Securities principally prohibits child and forced labor and to infringe rights of the natives

Greenhouse gas emission

(Unit: tCO_2_eq/yr)

Category	2015	2016	2017
Direct emission(Scope 1)	668.4	376.2	341.1
Indirect emission(Scope 2)	2,256.3	2,049.8	2,025.6
Total emission	2,924.7	2,426.0	2,366.7
Emission unit(Total emission/Number of Employees)	2.11	1.62	1.64

※ Due to the nature of our business, there is no emission of ozone-depleting substances, NOx, SOx and other major air pollutants.

Waste Emission

(Unit: L)

Category	2015	2016	2017
Normal waste	240,000	240,000	264,000

※ Due to the nature of our business, there is no emission of significantly detrimental pollutants.

Energy Usage

(Unit: GJ)

Category	2015	2016	2017
Gas	2,843	2,867	2,618
Gasoline	7,734	3,360	3,031
Diesel	5	5	9
Electricity	16,290	14,339	14,011
Steam	2,939	3,659	3,952

Water Usage

(Unit: m^2)

Category	2015	2016	2017
Water	20,155	21,276	21,560

Raw Material Usage

(Unit: ton)

Category	2015	2016	2017
Paper	58	59	55

Sanctions

Category	2015	2016	2017
Penalty(KRW 10,000)	10,300	46,100	5,000
Non-financial sanction(ea)	1	1	-

※ No fine or sanction due to violation of environmental regulations.

VOC Registration and Resolution

(Unit: ea)

Category	2015	2016	2017
VOC Registered	72	34	38
VOC Resolution(to be) completed	54	28	26
VOC cannot be resolved	83	60	23

Financial Statements

Consolidated Statements of Financial Position

46th Period: As of Dec 31st 2017
45th Period: As of Dec 31st 2016

Merit Securities Co., Ltd. and it subsidiaries

(Unit: KRW)

Category	46th	45h
Assets		
1. Cash and due from banks	1,403,474,940,913	816,956,144,471
2. Financial assets at fair value through profit or loss	9,919,881,109,596	8,051,294,746,683
3. Available-for-sale financial assets	1,251,665,821,436	1,574,562,096,656
4. Investments in associates and joint ventures	209,734,765,973	231,751,610,167
5. Loans	8,523,643,031,416	5,477,539,159,847
6. CMA	4,994,458,082	28,009,547,901
7. Lease assets	1,107,606,416,060	260,006,033,800
8. Property and equipment	98,193,071,321	99,645,668,969
9. Investment property	12,620,165,508	21,163,350,787
10. Intangible Assets	35,015,128,493	35,713,934,562
11. Tax assets	82,969,767,171	65,029,381,319
12. Other assets	800,766,535,864	606,141,557,760
Total Assets	23,450,565,211,833	17,267,813,232,922
Liabilities		
1. Deposits	3,231,933,356,072	3,102,818,819,466
2. Financial liabilities at fair value through profit or loss	2,300,300,573,975	2,626,203,945,184
3. Borrowings	13,676,507,197,265	8,974,565,293,561
4. Provisions	2,070,024,293	10,186,258,290
5. Defined benefit liabilities	-	2,628,148,432
6. Tax liabilities	55,107,460,134	14,966,778,614
7. Other liabilities	872,043,221,456	658,133,762,174
Total Liabilities	20,137,961,833,195	15,389,503,005,721
Equity		
1. Issued capital	717,488,890,000	496,638,534,000
2. Capital surplus and adjustments	1,405,316,987,422	553,151,474,386
3. Accumulated other comprehensive income	80,223,319,071	79,007,653,555
4. Retained earnings	1,009,829,682,145	749,512,565,260
Equity attributable to equity holder of the parent	3,212,858,878,638	1,878,310,227,201
Non-controlling shareholders' equity	99,744,500,000	-
Total equity	3,312,603,378,638	1,878,310,227,201
Total liabilities and equity	23,450,565,211,833	17,267,813,232,922

Consolidated Statements of Comprehensive Income

46th Period: Jan 1st 2017 - Dec 31st 2017
45th Period: Jan 1st 2016 - Dec 31st 2016

Merit Securities Co., Ltd. and it subsidiaries

(Unit: KRW)

Accounts	46th		45th	
Operating revenue		5,297,465,661,029		4,946,601,665,350
1. Commission income	412,855,858,698		343,273,840,347	
2. Gain on valuation and disposal of financial instruments	814,007,933,996		498,547,762,074	
3. Gain on derivative valuation and transactions	2,676,974,758,084		2,560,164,796,449	
4. Interest income	662,883,623,586		478,379,756,117	
5. Gain on valuation and disposal of loans	4,856,227,902		8,294,777,193	
6. Gain on foreign exchange transactions	628,670,372,609		1,009,782,002,749	
7. Lease income	64,337,306,725		27,107,273,195	
8. Others	32,879,579,429		21,051,457,226	
Operating expenses		(4,853,883,179,680)		(4,619,745,689,976)
1. Commission expenses	(41,732,258,492)		(29,693,021,114)	
2. Loss on valuation and disposal of financial instruments	(748,702,914,594)		(502,413,130,343)	
3. Loss on derivative valuation and transactions	(2,676,153,077,846)		(2,497,752,033,907)	
4. Interest expenses	(299,411,197,138)		(242,891,204,292)	
5. Loss on valuation and disposal of loans	(35,831,947,872)		(11,352,282,903)	
6. Loss on foreign exchange transactions	(623,186,865,447)		(1,009,575,610,576)	
7. General and administrative expenses	(404,788,766,195)		(319,643,722,103)	
8. Lease expense	(20,789,441,975)		(1,052,272,944)	
9. Others	(3,286,710,121)		(5,372,411,794)	
Operating income		443,582,481,349		326,855,975,374
1. Other income		28,074,414,558		8,630,513,645
2. Other expenses		(5,286,694,161)		(2,883,630,233)
Income before income taxes		466,370,201,746		332,602,858,786
Income tax expense		(111,133,005,384)		(78,756,155,420)
Net income		355,237,196,362		253,846,703,366
Other comprehensive income		1,215,665,516		9,469,446,487
Items that will not be reclassified subsequently to profit or loss				
1. Remeasurement gain (loss) on defined benefit plan	391,365,274		(36,999,252)	
Items that may be reclassified subsequently to profit or loss				
1. Net gain on available-for-sale financial assets	1,443,575,820		8,970,776,537	
2. Capital change in equity method	(545,824,413)		545,824,413	
3. Exchange differences on translation of foreign operations	(73,451,165)		(10,155,211)	
Total comprehensive income		356,452,861,878		263,316,149,853
Net income attributable to:		355,237,196,362		253,846,703,366
1. Controlling interests	351,017,522,485		253,846,703,366	
2. Non-controlling interests	4,219,673,877		-	
Other Comprehensive income attributable to :		1,215,665,516		9,469,446,487
1. Controlling interests	1,215,665,516		9,469,446,487	
2. Non-controlling interests	-		-	
Comprehensive income attributable to:		356,452,861,878		263,316,149,853
1. Controlling interests	352,233,188,001		263,316,149,853	
2. Non-controlling interests	4,219,673,877		-	
Earnings per share attributable to controlling interests				
1. Basic earnings per share		634		560
2. Diluted earnings per share		600		560

Financial Statements

Consolidated Statements of Changes in Equity

46th Period: Jan 1st 2017 - Dec 31st 2017
45th Period: Jan 1st 2016 - Dec 31st 2016

Merit Securities Co., Ltd. and it subsidiaries

(Unit: KRW)

Accounts	Issued capital	Capital surplus	Accumulated other comprehensive income	Retained earnings	Non-controlling shareholders' equity	Total
As at January 1, 2016	496,638,534,000	552,416,176,882	69,538,207,068	599,971,328,334	-	1,718,564,246,284
Dividends	-	-	-	(104,305,466,440)	-	(104,305,466,440)
Total comprehensive income						
Net income	-	-	-	253,846,703,366	-	253,846,703,366
Other comprehensive income:						
Remeasurements of the net defined benefit liabilities	-	-	(36,999,252)	-	-	(36,999,252)
Gain (loss) on valuation of available-for-sale financial assets	-	-	8,970,776,537	-	-	8,970,776,537
Capital change in equity method	-	-	545,824,413	-	-	545,824,413
Gain (loss) on foreign currency transactions	-	-	(10,155,211)	-	-	(10,155,211)
Allocated expense , of stock options	-	735,297,504	-	-	-	735,297,504
As at December 31, 2016	496,638,534,000	553,151,474,386	79,007,653,555	749,512,565,260	-	1,878,310,227,201
As at January 1, 2017	496,638,534,000	553,151,474,386	79,007,653,555	749,512,565,260	-	1,878,310,227,201
Dividends	-	-	-	(90,700,405,600)	-	(90,700,405,600)
Total comprehensive income						
Net income	-	-	-	351,017,522,485	4,219,673,877	355,237,196,362
Other comprehensive income:						
Remeasurements of the net defined benefit liabilities	-	-	391,365,274	-	-	391,365,274
Gain (loss) on valuation of available-for-sale financial assets	-	-	1,443,575,820	-	-	1,443,575,820
Capital change in equity method	-	-	(545,824,413)	-	-	(545,824,413)
Gain (loss) on foreign currency transactions	-	-	(73,451,165)	-	-	(73,451,165)
Allocated expense, of stock options	-	735,297,504	-	-	-	735,297,504
Adjustment to capital surpluses by business combinations	-	17,710,180,665	-	-	-	17,710,180,665
Comprehensive exchange of stock	109,002,538,000	198,969,174,196	-	-	99,744,500,000	407,716,212,196
Dividends paid of hybrid bond	-	-	-	-	(4,219,673,877)	(4,219,673,877)
Issue of convertible callable preferred stock	111,847,818,000	634,756,743,458	-	-	-	746,604,561,458
Acquisition of treasury stocks	-	(5,882,787)	-	-	-	(5,882,787)
As at December 31, 2017	717,488,890,000	1,405,316,987,422	80,223,319,071	1,009,829,682,145	99,744,500,000	3,312,603,378,638

Consolidated Statements of Cash Flows

46th Period: Jan 1st 2017 - Dec 31st 2017
45th Period: Jan 1st 2016 - Dec 31st 2016

Merit Securities Co., Ltd. and it subsidiaries

(Unit: KRW)

Accounts	46th		45th	
I. Net cash flows used in operating activities		(3,650,706,495,405)		(398,885,356,272)
1. Net income before income taxes	466,370,201,746		332,602,858,786	
2. Adjustment of non-cash items:				
Loss (gain) on valuation of financial instruments held-for-trading	(6,834,565,632)		21,221,231,112	
Loss (gain) on derivative valuation, net	18,309,252,786		(18,171,280,282)	
Loss (gain) on valuation of financial assets designated at fair value through profit or loss, net	(22,879,596,549)		12,776,897,835	
Gain on evaluation of other financial instruments, net	(1,026,188)		(6,016,100)	
Provision of allowance for doubtful accounts	38,045,889,966		11,071,678,886	
Provision of other allowance for doubtful accounts	1,035,758,468		197,549,425	
Loss (gain) on foreign currency translation, net	5,275,142,141		(2,310,496,310)	
Depreciation of property and equipment	7,295,108,377		5,891,508,659	
Amortization of intangible assets	5,705,156,212		7,109,289,770	
Depreciation expenses on operating lease assets	12,222,265,638		242,586,368	
Impairment loss on available-for-sale financial assets	8,399,086,471		1,406,190,478	
Gain on disposal of available-for-sale financial assets	(7,113,881,823)		(6,768,722,221)	
Loss related to lease, net	-		(22,742,471)	
Contribution to provision (reversal)	(8,206,944,289)		3,693,243,648	
Provision (reversal) of credit risk adjustments	182,223,955		(71,309,370)	
Day 1 profit or loss adjustments (reversal)	(5,542,842,826)		120,785,708	
Post-employment benefit	4,485,969,180		4,382,567,068	
Loss (gain) on valuation of incentives	15,756,359,459		(6,457,233,208)	
Compensation expenses associated with stock option	3,411,064,185		735,297,504	
Other operating revenues	(192,922,067)		(695,020,089)	
Loss (gain) on disposal of property and equipment, net	(1,011,480,567)		235,248,916	
Loss (gain) on disposal of investment property	(1,589,070,104)		85,597,112	
Gain on disposal of intangible assets, net	(540,567,187)		(244,305,000)	
Gain on disposal of investments in associates, subsidiaries and joint venture, net	(4,815,742,843)		(875,415,621)	
Gain in equity method	(14,394,853,318)		(2,453,019,928)	
Impairment loss on investments in associates and joint venture (reversal)	-		(34,661,313)	
Interest income	(697,850,831,398)		(502,991,670,461)	
Interest expense	299,411,197,138		242,891,204,292	
Dividend income	(13,504,391,915)		(13,474,702,514)	
3. Changes in operating assets and liabilities:				
Cash and due from banks	(201,670,656,592)		(59,170,368,574)	
Held-for-trading financial assets with Financial assets at fair value through profit or loss	(1,862,613,731,589)		(641,966,237,854)	
Loans	(1,616,055,884,740)		(1,028,417,146,223)	
CMA	23,100,000,000		26,900,000,000	
Lease assets	(97,336,648,662)		212,694,088,109	
Other assets	(184,926,304,288)		(237,711,408,122)	
Due to customers	6,716,011,103		(368,826,810,834)	
Held-for-trading financial liabilities with Financial liabilities at fair value through profit or loss	(337,222,989,390)		1,434,093,102,005	

Financial Statements

Accounts	46th		45th	
Provisions	(371,322,186)		(773,621,940)	
Defined benefit liabilities	(6,597,872,693)		(3,309,775,346)	
Other liabilities	202,720,791,238		96,925,869,834	
4. Total interest received	684,453,203,609		461,509,697,759	
5. Total interest paid	(280,975,087,880)		(232,003,146,604)	
6. Total dividends received	8,444,052,180		12,929,782,807	
7. Income tax paid	(89,796,014,531)		(161,846,521,968)	
II. Net cash flows provided by (used in) investing activities		736,069,013,831		(996,174,313,550)
1. Cash inflow	3,281,256,643,483		2,244,613,732,534	
Disposal of financial assets available-for-sale	2,707,274,225,767		1,820,102,518,316	
Disposal of invetment associates and joint venture	104,939,400,725		410,649,725,080	
Receipt of dividends from assoiciates	15,709,359,244		2,515,297,741	
Disposal of property and equipment	4,079,157,238		292,213,818	
Disposal of investment property	9,286,941,106		8,246,381,982	
Decrease in intangible assets	2,538,645,002		2,175,007,000	
Decrease in guarantee deposits	880,000,000		632,588,597	
Disposal of investments in subsidiaries	436,548,914,401		-	
2. Cash outflow	(2,545,187,629,652)		(3,240,788,046,084)	
Acquisition of financial assets available-for-sale	(2,477,969,384,538)		(2,615,309,352,356)	
Acquisition of investment associates and joint venture	(53,600,000,000)		(615,771,560,508)	
Acquisition of property and equipment	(4,756,865,820)		(3,835,108,630)	
Acquisition of intangible assets	(2,777,379,517)		(3,872,753,140)	
Increase in guarantee deposits	(6,083,999,777)		(1,691,326,444)	
Acquisition of investments in subsidiaries	-		(307,945,006)	
III. Net cash provided by financing activities		3,284,835,524,478		1,505,245,161,611
1. Cash inflow	4,403,166,018,276		1,609,550,628,051	
Increase in borrowings, net	1,648,005,108,917		1,609,550,628,051	
Increase in short-term bonds, net	403,000,000,000		-	
Issue of bonds	1,605,556,347,901		-	
Issue of convertible callable preferred stock	746,604,561,458		-	
2. Cash outflow	(1,118,330,493,798)		(104,305,466,440)	
Redemption of bonds	(1,022,726,460,000)		-	
Dividends paid	(90,700,405,600)		(104,305,466,440)	
Dividends paid of hybrid bond	(4,219,673,877)		-	
Transaction costs on issue of shares	(582,071,534)		-	
Transaction costs on issue of subsidiaries shares	(96,000,000)		-	
Acquisition of treasury stocks	(5,882,787)		-	
IV. Net increase in cash and cash equivalents		370,198,042,904		110,185,491,789
V. Effect of exchange rate changes on cash and cash equivalents		(1,036,724,844)		776,175,626
VI. Cash and cash equivalents at the beginning of the year		657,187,590,818		546,225,923,403
VII. Cash and cash equivalents at the end of the year		1,026,348,908,878		657,187,590,818

Verification Report

Dear. Management and Stakeholders of Meritz Securities

Korea Sustainability Investing Forum(hereafter referred to as the "Verifier") was asked to provide a third-party verification on the sustainability report of Meritz Securities 2017(hereafter referred to as the "Report"), and hence, provides the verification opinion as follows.

Responsibility and Independence

The verifier does not have any interest in Meritz Securities, which may impact the independence and impartiality of the verification. Meritz Securities is solely responsible for the information and opinions expressed in the report, and the verifier is solely responsible for the verification.

Verification Standards

The verifier performed the verification based on the following standards.

- Type 1 verification type and moderate level based on AA1000AS(2008)
- Application of three major verification principles: inclusiveness, importance, and responsiveness of AA1000APS(2008)'s
- Compliance with GRI Standard Guidelines

Limitations

The verifier performed limited on-site inspections at Meritz Securities Seoul head office after conducting primary document reviews and verifications. For the achievements listed in the report, we reviewed external disclosure and disclosure data. In order to secure the credibility of environment data such as energy and greenhouse gas and other social data, we used coherence, sampling and interviewed responsible managers. The financial information included in the report was based on financial statements audited by the external auditor. We note that the results may vary if additional validation is performed in the future. This verification statement is issued for the management and stakeholders of Meritz Securities. However, we are not liable or jointly liable for compensation, if an individual or organization decides to make decisions based on this verification statement.

Verification Methods

The verifier confirmed the followings and concluded the verification.

- Compliance with the requirements of the GRI Standard Guidelines
- Compliance with GRI Standard Guidelines reporting principles
- Major issues in the materiality assessment process and appropriateness of technical contents
- Generation, collection, and management of the quantitative and qualitative data contained in the report and system checks
- On-site inspection at the headquarter of Meritz Securities, interviews with the manager in charge of sustainability management and data managers in certain fields confirm the basis of sustainability management performance and assertions described in the report
- Confirm the appropriateness of the contents and errors in expressions described in the report

Verification Results

The verifier reviewed and commented on the contents of the Meritz Securities Report and confirmed that the company strives to faithfully report its sustainability management activities and achievements by reflecting the opinions of the verifier. Therefore, we have not found any significant error or inaccurate statements in this report. We have also not found that it violates the requirements of the GRI Standard Guidelines with respect to indicator reporting.

· Inclusivity

The company identifies shareholders, customers, employees, communities, and the environment as stakeholders and communicates key concerns, expectations and opinions via communications channels.

· Materiality

The company induced 10 core issues and 23 general issues with materiality assessments(Define issue pools → Evaluate stakeholder's interest → Measure business impacts → Derive final core issues). In this process, we utilized media analysis, global standards, and questionnaires for the managers in each segment of sustainability management. The verifier has confirmed that they key issues were selected by materiality assessments and has not found any significant issue that are missing. However, we have found that it is necessary to broaden stakeholder's engagement in materiality assessments and select important and substantive issues of the company, considering the balance.

· Responsiveness

The verifier believes that Meritz Securities identifies major interests and expectations, which can potentially impact results of the stakeholders and take actions accordingly. We noted that such contents are described in the report, although the level of details are not too sufficient given that this is the company's first reporting.

Recommendations

Sustainability managements don't gain much attentions from the security business in Korea and there are only a few securities companies that issue sustainability reports. In this circumstances, we highly appreciates that Meritz Securities issued the sustainability report and wish that the employees will be fully aware of sustainability management and the company will lead the sustainability management in the industry with better executions. Finally, we also recommend that the company will continue to disclose their sustainability management results to the stakeholders in reports.

April 9, 2018

Kim Young-ho, Chairman of Korea Sustainability Investing Forum

GRI index

Report Item		Disclosure	Page reference	Verified
GRI 102: General Standard Disclosure				
Organization Profile				
102-1	Name of the organization	o	8, 9	o
102-2	Activities, brands, products, and services	o	10, 11	o
102-3	Location of headquarters	o	8	o
102-4	Location of operations	NA		o
102-5	Ownership and legal form	o	8	o
102-6	Markets served	o	10, 11	o
102-7	Scale of the organization	o	8, 9, 64, 65	o
102-8	Information on employees and other workers	o	8, 48	o
102-9	Supply chain	x		o
102-10	Significant changes to the organization and its supply chain	o	6, 10	o
102-11	Precautionary principle or approach	x		o
102-12	External initiatives	x		o
102-13	Membership of associations	x		o
Strategy				
102-14	Statement from senior decision-maker	o	4, 5	o
102-15	Key impacts, risks, and opportunities	o	21	o
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	o	13, 14, 15	o
102-17	Mechanisms for advice and concerns about ethics	o	16	o
Governance				
102-18	Governance structure	o	25	o
102-19	Delegating authority	x		o
102-20	Executive-level responsibility for economic, environmental, and social topics	x		o
102-21	Consulting stakeholders on economic, environmental, and social topics	x		o
102-22	Composition of the highest governance body and its committees	o	25	o
102-23	Chair of the highest governance body	o	25	o
102-24	Nominating and selecting the highest governance body	o	26	o
102-25	Conflicts of interest	x		o
102-26	Role of highest governance body in setting purpose, values, and strategy	o	25	o
102-27	Collective knowledge of highest governance body	x		o
102-28	Evaluating the highest governance body's performance	x		o
102-29	Identifying and managing economic, environmental, and social impacts	o	17, 18	o
102-30	Effectiveness of risk management processes	o	17, 18	o
102-31	Review of economic, environmental, and social topics	o	17	o
102-32	Highest governance body's role in sustainability reporting	o	25	o
102-33	Communicating critical concerns	o	50	o
102-34	Nature and total number of critical concerns	x		o
102-35	Remuneration policies	o	26	o
102-36	Process for determining remuneration	x		o

GRI index

Report Item		Disclosure	Page reference	Verified
102-37	Stakeholders' involvement in remuneration	o	29	o
102-38	Annual total compensation ratio	x		o
102-39	Percentage increase in annual total compensation ratio	x		o
Stakeholder Engagement				
102-40	List of stakeholder groups	o	19	o
102-41	Collective bargaining agreements	o	31	o
102-42	Identifying and selecting stakeholders	x		o
102-43	Approach to stakeholder engagement	o	19, 25, 26, 31, 39, 40, 41	o
102-44	Key topics and concerns raised	o	19	o
Reporting Practice				
102-45	Entities included in the consolidated financial statements	o	1, 8	o
102-46	Defining report content and topic Boundaries	o	1	o
102-47	List of material topics	o	20	o
102-48	Restatements of information	NA	Initial report	o
102-49	Changes in reporting	NA	Initial report	o
102-50	Reporting period	o	1	o
102-51	Date of most recent report	NA	Initial report	o
102-52	Reporting cycle	o	1	o
102-53	Contact point for questions regarding the report	o	1	o
102-54	Claims of reporting in accordance with the GRI Standards	o	1	o
102-55	GRI content index	o	59, 60, 61, 62, 63	o
102-56	External assurance	o	57, 58	o
GRI 200 Economy Topics				
Economic results				
103-1	Explanation of the material topic and its Boundary	o	20	o
103-2	The management approach and its components	o	21	o
103-3	Evaluation of the management approach	o	17, 18, 25	o
201-1	Direct economic value generated and distributed	o	12, 52, 53, 54, 55, 56	o
201-2	Financial implications and other risks and opportunities due to climate change	x		o
201-3	Defined benefit plan obligations and other retirement plans	o	30	o
201-4	Financial assistance received from government	x		o
Market status				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	NA		o
202-2	Proportion of senior management hired from the local community	x		o
Indirect economic effects				
203-1	Infrastructure investments and services supported	o	34, 35, 45	o
203-2	Significant indirect economic impacts	x		o
Purchase steps				
204-1	Proportion of spending on local suppliers	NA		o
Anti-corruption				
205-1	Operations assessed for risks related to corruption	x		o
205-2	Communication and training about anti-corruption policies and procedures	o	16	o
205-3	Confirmed incidents of corruption and actions taken	x		

Report Item		Disclosure	Page reference	Verified
Competition hampering actions				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	o	51	o
GRI 300 Environmental Topics				
Raw Material				
301-1	Materials used by weight or volume	o	33	o
301-2	Recycled input materials used	x		o
301-3	Reclaimed products and their packaging materials	NA		o
Energy				
302-1	Energy consumption within the organization	o	33	o
302-2	Energy consumption outside of the organization	x		o
302-3	Energy intensity	x		o
302-4	Reduction of energy consumption	o	33	o
302-5	Reductions in energy requirements of products and services	NA		o
Water				
303-1	Water withdrawal by source	o	33	o
303-2	Water sources significantly affected by withdrawal of water	NA		o
303-3	Water recycled and reused	NA		o
Bio-diversity				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	o	33	o
304-2	Significant impacts of activities, products, and services on biodiversity	o	33	o
304-3	Habitats protected or restored	o	33	o
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	o	33	o
Emission				
305-1	Direct (Scope 1) GHG emissions	o	33, 50	o
305-2	Energy indirect (Scope 2) GHG emissions	o	33, 50	o
305-3	Other indirect (Scope 3) GHG emissions	x		o
305-4	GHG emissions intensity	o	33, 50	o
305-5	Reduction of GHG emissions	o	33	o
305-6	Emissions of ozone-depleting substances (ODS)	o	50	o
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	o	50	o
Waste Water and Other Wastes				
306-1	Water discharge by quality and destination	x		o
306-2	Waste by type and disposal method	o	33	o
306-3	Significant spills	o	50	o
306-4	Transport of hazardous waste	o	50	o
306-5	Water bodies affected by water discharges and/or runoff	o	50	o
Compliance with Environmental Laws				
307-1	Non-compliance with environmental laws and regulations	o	51	o
Environmental Assessment of Supply Chain				
308-1	New suppliers that were screened using environmental criteria	x		o
308-2	Negative environmental impacts in the supply chain and actions taken	x		o

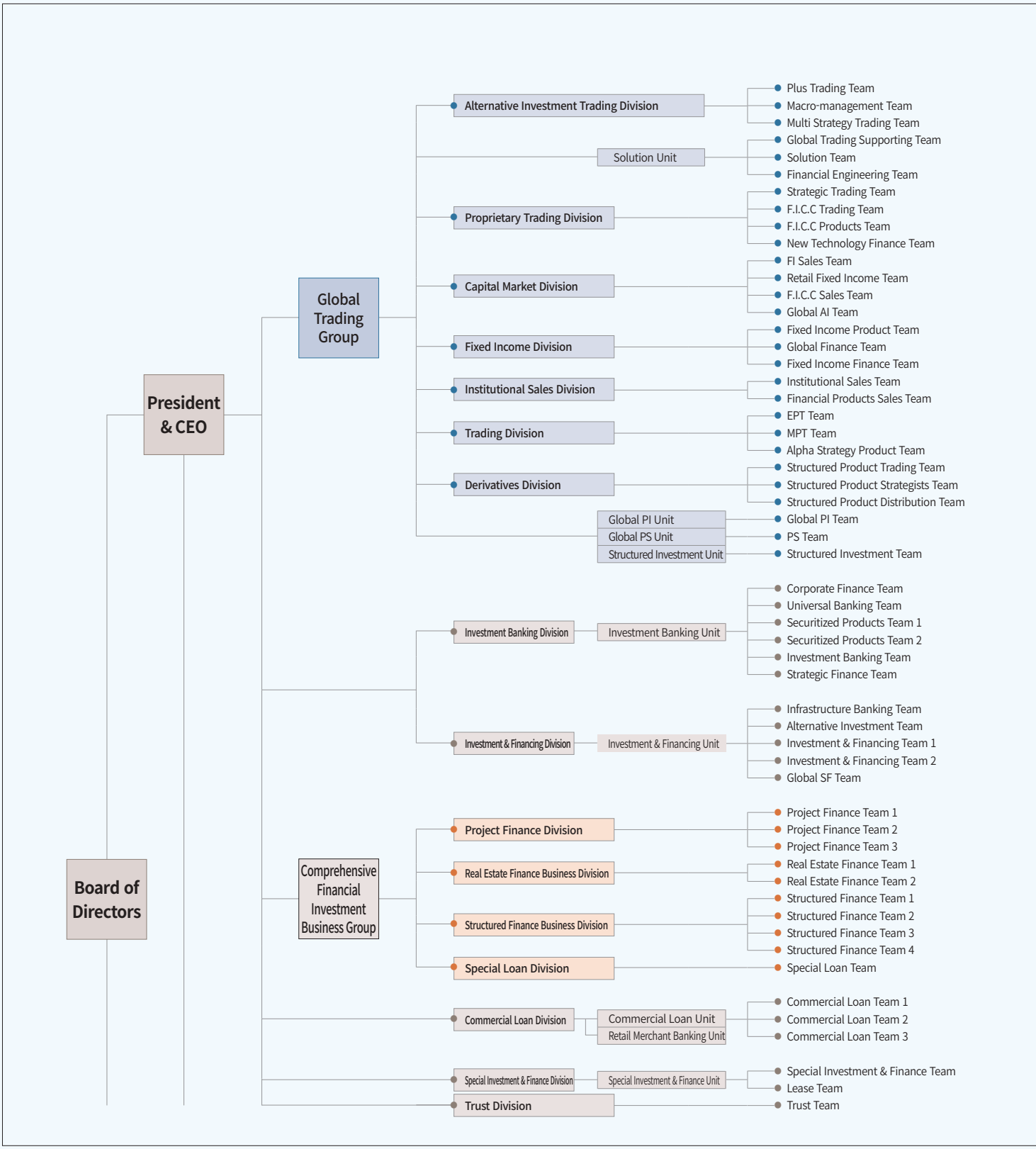
GRI index

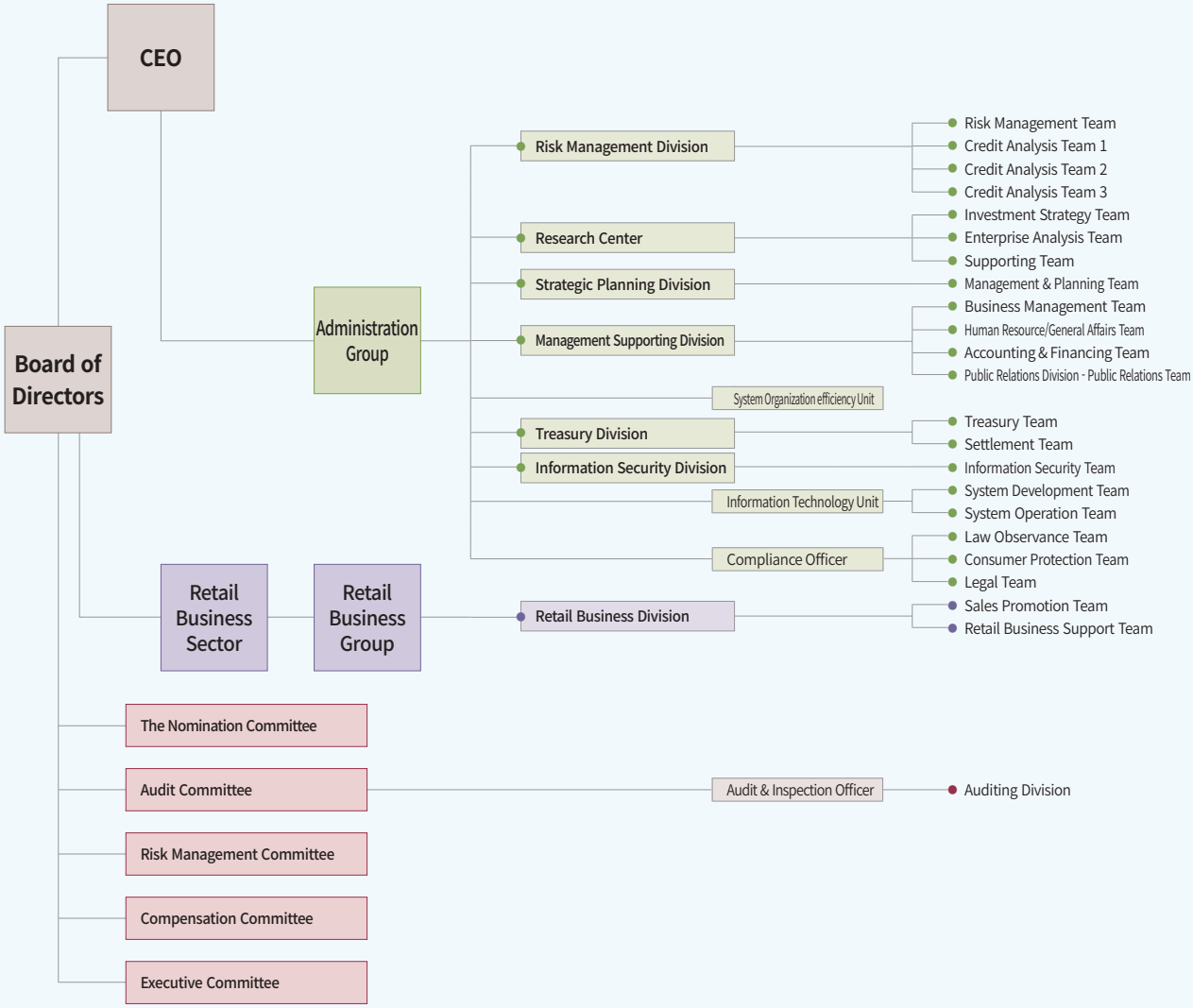
Report Item		Disclosure	Page reference	Verified
GRI 400 Social Topic				
Employ				
401-1	New employee hires and employee turnover	o	28, 48	o
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	o	28, 29, 30, 49, 50	o
401-3	Parental leave	o	29	o
Labor-Management Relation				
402-1	Minimum notice periods regarding operational changes	x		o
Occupational Safety & Health				
403-1	Workers representation in formal joint management–worker health and safety committees	x		o
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	o	31, 50	o
403-3	Workers with high incidence or high risk of diseases related to their occupation	x		o
403-4	Health and safety topics covered in formal agreements with trade unions	x		o
Training				
404-1	Average hours of training per year per employee	o	28, 48	o
404-2	Programs for upgrading employee skills and transition assistance programs	o	28	o
404-3	Percentage of employees receiving regular performance and career development reviews	o	29	o
Diversity and Equal Opportunity				
405-1	Diversity of governance bodies and employees	o	28, 48	o
405-2	Ratio of basic salary and remuneration of women to men	o	29, 49	o
No Discrimination				
406-1	Incidents of discrimination and corrective actions taken	o	50	o
Freedom of association and collective bargaining				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	x		o
Child Labor				
408-1	Operations and suppliers at significant risk for incidents of child labor	o	50	o
Forced Labor				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	o	50	o
Security Practice				
410-1	Security personnel trained in human rights policies or procedures	x		o
Rights of the Natives				
411-1	Incidents of violations involving rights of indigenous peoples	o	50	o
Assessments on Human Rights				
412-1	Operations that have been subject to human rights reviews or impact assessments	x		o
412-2	Employee training on human rights policies or procedures	o	31	o
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	x		o
Local Community				
413-1	Operations with local community engagement, impact assessments, and development programs	x		o
413-2	Operations with significant actual and potential negative impacts on local communities	x		o

Report Item		Disclosure	Page reference	Verified
Social Evaluation on Supply Chain				
414-1	New suppliers that were screened using social criteria	x		o
414-2	Negative social impacts in the supply chain and actions taken	x		o
Public Policy				
415-1	Political contribution	x		o
Customer Safety and Health				
416-1	Assessment of the health and safety impacts of product and service categories	NA		o
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	NA		o
Marketing and Labeling				
417-1	Requirements for product and service information and labeling	o	40	o
417-2	Incidents of non-compliance concerning product and service information and labeling	x		o
417-3	Incidents of non-compliance concerning marketing communications	x		o
Customer Privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	x		o
Compliance with Socio-economic Regulations				
419-1	Non-compliance with laws and regulations in the social and economic area	o	51	o

Organization Chart

(As of 2017.12.31)





■ Head Office: 1 Sector, 4 Groups, 22 Divisions, 1 Center, 1 Officer, 11 Units, 2 Chambers, 77 Teams

■ Branches: 1 Regional HQ, 6 Centers, 1 Sales department, 5 Teams

- Retail HQ(6 centers, 1 sales department, 5 teams): Gangnam Finance Center, Gwanghwamun Finance Center, Daegu Finance Center, Dogok Finance Center, Busan Finance Center, Yeouido Finance Center, Sales Department, Corporate RM, Finance Operation 1,2,3,5 team
- Retail Comprehensive Finance(5 centers, 1 sales department): Gangnam Finance Center, Gwanghwamun Finance Center, Daegu Finance Center, Dogok Finance Center, Busan Finance Center, Yeouido Finance Center, Sales Department

Awards

Date	Awards	Host(Awarder)
2018.2.8	Capital Market Leader Award, Maeil Business Security Grand Prize	Maeil Business Newspaper
2016.2.23	2016 Korea Fund Awards - Best security company awards in investment protection	KG Zeroin
2017.3.3	High tax payment tower(KRW 100 bn)	National Tax Service
2016.7.28	Korea Mobile Trading System Award Grand Prize	
2015.2.25	Real Estate Finance Leader Award, The 12th Korea IB Grand Prize	Money Today
2015.4.7	Best Retail Business Award, EDAILY Finance Grand Prize	EDAILY
2015.8.7	1st place, Best Model Portfolio Awards	MK Economy
2013.1.24	Best Straight Bond deal , The Bell Leauge Table Award	Money Today The Bell
2013.2.13	1st Capital Markets Grand Prize	Newspim
2002년	Excellent Weekly Company Award	Korea Exchange
2001년	Excellent Company in Productivity Improvement	Korea Productivity Center
2000년	Customer Satisfaction Grand Prize	KMAC

*Meritz Charmarang Volunteer Group: The 2nd Korea Happiness Sharing Social Contribution Award _ Prize from the head of Financial Supervisory Service(March 2014, hosted by EDAILY)
The 19th Senior Citizens' Day Commemoration Certificate(October 2015, Mapo-gu Office)

Participants

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