



**MORE
THAN JUST
GROWING**

About this report

This is Meritz Securities' second sustainability report. We wish to share the future directions of our company with all stakeholders by published sustainability report every other year that disclose our economic, social, and environmental activities and achievements.

Reporting Principle

This report was drawn up in accordance with the Core Option of the GRI (Global Reporting Initiative) Standards. Moreover, we intended to report major issues which were considered to be critical to stakeholders through the materiality test.

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 performances from January 1, 2018 through December 31, 2019 and utilized data from the past three years (January 2017 - December 2019) to show historical trends. Reporting period also extended to April 2020 data on certain topics in order to provide timely information.

Assurance

We commissioned the KMA (Korea Management Registrar) to conduct a third-party assurance on contents with the aim of publishing an objective and fair report that can be trusted by stakeholders. The assurance statement is available on page 80.

More Information and Inquiries

More detailed information and PDF version of this report are available at our website (<https://home.imeritz.com/main/ir/>) or phone (Tel. +82-2-6454-4708).



MORE THAN JUST GROWING

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

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INTRO- DUCTION



Meritz Securities is a subsidiary of Meritz Financial Group.

By creating synergy with affiliates in insurance, capital, and asset management sectors, we demonstrate market-leading competitiveness.

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CEO Message

Dear our stakeholders,

We appreciate for your unwavering encouragement and supports to Meritz Securities.

We are also happy to share our vision and management policy with you through the 2019 Sustainability Report.

In 2019, Meritz Securities achieved record-high operating performance following 2017 and 2018. Consolidated operating income and net income recorded KRW 679.9 billion and KRW 554.6 billion, an increase of 28% from the previous year, respectively. Especially, net income has exceeded KRW 100 billion for eight consecutive quarters.

We were also selected as the best PD (Primary Dealer) by the Ministry of Economy and Finance and the first grade entrusted securities firm in stock trading by the National Pension Service, raising our position in the industry and contributing to the growth of the domestic treasury bond market and stable fund operation.

Moreover, we won the excellent award in the internal control improvement sector at the 2018 Compliance Award hosted by the KRX in recognition of our utmost efforts for financial consumer protection and financial accident prevention.

In 2019, despite tough business environment including fierce competition, we made a concerted effort not only to enhance our leadership in the real estate financing business but also to diversify our investment portfolio into alternative investments and overseas markets.

In 2020, the company intends to focus on securing quality assets to ensure financial soundness as well as preemptively responding to the volatility in the financial market. Moreover, rational control of owned assets will be promoted to ensure sustainable growth by pursuing higher profitability.

On top of that, we will be committed to tightening risk management in order to improve and protect stakeholder value. Another strategy includes supplying venture capital in each growth stage by developing innovative enterprises, thereby contributing to revitalizing the domestic economy.

Our progress will also be made in complying with business ethics and creating shared value for better society. By enhancing social responsibility and climate change response capability, we will lay a foundation for pursuing sustainable finance.

Please give us your interest and support and I wish you a good health and lasting prosperity.

Choi, Alexander Himoon

Meritz Securities Co., Ltd.
Vice Chairman & CEO



2018-2019 HIGHLIGHTS

meritz 메리츠증권

Enhanced differentiated competency in the global corporate financing business

Meritz Securities has developed new growth models such as financing for aircraft, vessel, and M&A as well as real estate at home and abroad to enhance differentiated competency in the corporate financing business. In 2018, we not only became the first Korean securities firm to supply financing for acquiring an overseas major coal mine (Kestrel coal mine in Australia), but also successfully retrieved the investments in the Zalando HQ construction project in Germany before the completion. In 2019, the company also became the only Korean financial firm to arrange M&A financing of Axel Springer AG, the largest media group in Europe, by a global private fund KKR (Kohlberg Kravis Roberts).

Won the Gold Prize in the IB sector at the 2020 Maekyung Securities Award

In 2019, Meritz Securities stably created profits by developing new growth engines based on the IB business boasting relative competitiveness, which resulted in winning the Gold Prize in the IB sector at the "2020 Maekyung Securities Award in February 2020. Meritz Securities has been presenting a new growth model in the industry by concentrating on differentiated IB sectors such as aircraft, vessel, infrastructure, and overseas M&A as well as real estate financing in Korea since developing new profit sources through alternative investment. We are also proactive in managing risks in order to stably generate profits even under unstable business environment.

Changed the CI and corporate name with the vision of taking another leap

The investment banking license which had continued for a decade since the merger with Meritz Investment Bank in April 2010 was terminated on April 5, 2020. Therefore, we launched a new CI connoting the image as a young and smart financial company and the Group's vision of taking another leap on January 1, 2020 and changed the corporate name to Meritz Securities on April 6, 2020. The new CI shows our passion, energy, pride, and love through the "Orange Red" color and our existing corporate name that symbolizes the mission of delivering merits to customers. It also includes our ambition of evolving into a financial group that provides more benefits to customers and contributes to local communities.

Strengthened financial consumer protection by building a complete selling process

Meritz Securities has focused on building a customer-centric selling process and enhancing employee trainings on the process. For example, the collective training on financial product selling process is offered at least four times a year and the mystery shopping program is conducted by external agencies after the training. The results are shared among employees to internalize the consulting process for investor protection. This effort resulted in ranking third among 28 companies in the mystery shopping sector (first in the branch office sector) of the fund seller evaluation hosted by Korea Financial Investors Protection Foundation in 2019. We were also selected as the best fund seller at the 11th Asia Fund Awards hosted by Asia Economic Daily and FnGuide.

Won the "2018 Compliance Award" hosted by the KRX

Meritz Securities won the "Excellent Prize" in the internal control improvement sector at the "2018 Compliance Award" hosted by the KRX. This result was attributable to our efforts for sharing critical management issues and situations at the company level based on its unique corporate culture where free communication and rapid decision-making are ensured. At Meritz Securities, an alert in the form of SMS or pop-up message is delivered to all employees whenever any illegal case is detected. We also operate the Accident Prevention Council regularly in order to avoid financial accidents.



Maintained the shareholder-friendly policy through high dividend propensity

With the management philosophy of pursuing the return of corporate profits to shareholders and communities, Meritz Securities has maintained over 30% dividend propensity for the past three years. Total dividend payment has also rapidly increased in accordance with our profit growth. KRW 139.3 billion and KRW 135.7 billion were paid as cash dividend in 2018 and 2019, respectively. The price-dividend ratio was also 4.6% and 5.0%, more than twice the average price-dividend ratio of listed companies on the KRX during the same period.

Successfully retrieved investments of the New Technology Investment Association

The "Meritz-NS Global Bio Investment Association #1," a 7-year fund raised in May 2018, succeeded in retrieving 57% of investments and paid it back to investors by attaining 165.4% rate of return in just a year and seven months through the investment in NextCure Inc., Constellation Pharmaceuticals Inc., HLB Co., Ltd., and so on. It was invested in six non-listed bio ventures in the U.S. in early stage, five of which have listed on the Nasdaq. It was attributable to our commitment as a responsible GP (General Partner) by investing 10 to 30% of equity based on the operating principle of "responsible investment" and "rapid investment payback." Despite raising the fund from institutional investors and few individual investors, the AUM has surpassed KRW 100 billion at the end of 2019. We will continue to expand the fund by launching competitive products.

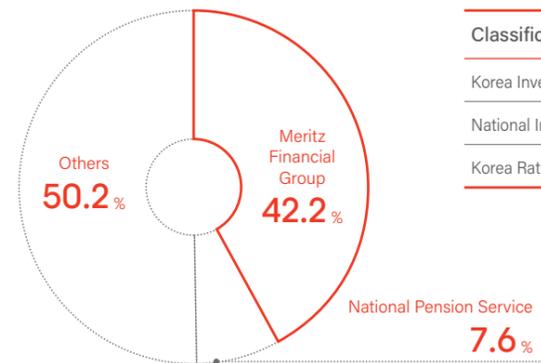
Company Introduction

General Information

Meritz Securities, a core subsidiary of Meritz Financial Group, has achieved record high operating profit and net profit for recent three consecutive years despite the rapidly changing global financial market. This remarkable accomplishment is mainly attributable to strengthening risk response competency and swiftly seizing new business opportunities. As the business license as a comprehensive financial business expired in April 2020, we renamed the company as Meritz Securities. The company will emerge as a leading securities company beyond specializing in a certain sector by reshaping itself as a fresh and smart financial player pursuing changes and innovation and preparing another leap.

Company name	Meritz Securities Co., Ltd.
Headquarters	Three IFC, 10 Gukjegeumyung-ro 10-gil, Yeongdeungpo-gu, Seoul, Korea
Establishment/listing	Feb 24, 1973/ Jan 15, 1992
CEO	Choi, Alexander Himoon
Number of employees	1,431 (as of Dec 31, 2019)
Equity	KRW 4,019.3 billion
Market capitalization	KRW 2,176.1 billion (common shares, as of the closing price at the end of Dec. 2019)

Shareholders

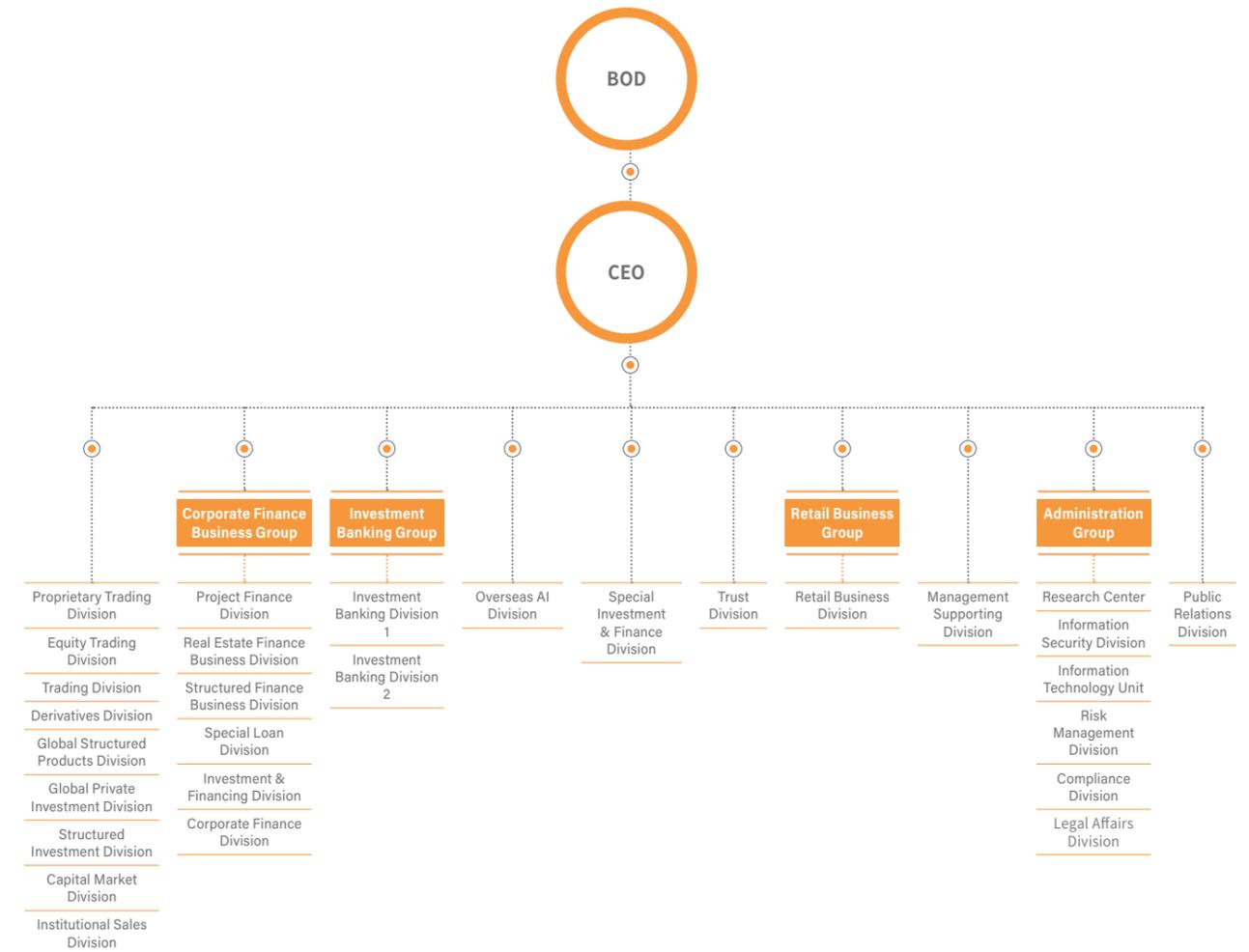


Credit Ratings

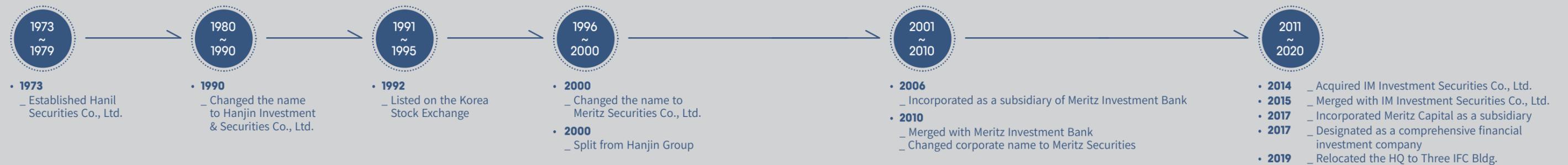
Classification	Corporate credit	Corporate paper
Korea Investors Service (KIS)	AA-	A1
National Information & Credit Evaluation (NICE)	AA-	A1
Korea Ratings (KR)	AA-	A1

Organization Chart

Head Office: 4 groups, 27 divisions, 3 centers, 1 officer, 12 units, 3 chambers, 102 teams
/ Sales Team: 1 division, 7 centers (as of April 13, 2020)



Corporate History



Business Area

Meritz Securities is engaged in investment trading, brokerage, investment consulting, discretionary investment service, and asset trust in accordance with the "Financial Investment Services and Capital Markets Act." Until April 5, 2020 when the business license, which had been achieved through the merger with Meritz Investment Bank in April 5, 2010, was expired, our business coverage was extended to issuance, discount, trading, brokerage, acquisition, and guarantee of short-term bonds with less than one-year maturity, investment in and financing for facilities or working capital, foreign capital attraction, overseas investment, underwriting of international financing, borrowing of foreign capital, and guarantee.

Meritz Securities had promoted business expansion by merging with IM Investment & Securities in 2015 and acquiring Meritz Capital in 2017, which helped us be designated as a comprehensive financial investment company, which qualifies only large-scale securities firms with at least KRW 3 trillion in equity, in November 2017. Accordingly, we are now handling corporate credit grant business as well which is permitted to only a few securities firms.

Management Strategy and Performances in 2018 and 2019 by Business Sector

Corporate Financing Business

Meritz Securities demonstrates competitive edge in the corporate financing business by capitalizing on a wide range of networks at home and abroad. We provide diverse customers including large company, financial firm, startup, SME, and private equity funds with professional services tailored to their corporate scale and situation, ranging from fundraising to financial consulting and corporate governance improvement. Furthermore, our stage extends to overseas markets including the U.S. and Europe to diversify profit sources. Our corporate financing business covers granting credits (e.g. loan, discount on notes), arranging, underwriting, offering, brokering, and consulting bonds, shares, M&A, project financing, and loan as well as developing securitized and structured asset products.

Management Strategy	Key Performances
<ul style="list-style-type: none"> Enhance profitability through expanding global networks beyond the U.S. and Europe Diversify profit sources and build a stable profit creation base by expanding business area to infrastructure, energy, and SOC Improve customer satisfaction by providing comprehensive financial services through differentiated financial product development 	<ul style="list-style-type: none"> Loans to the Dongdaemun Dongbu Fruit and Vegetable Market Improvement Project Project financing for the Osan Smart Tower (Knowledge Industry Center) Investment in beneficiary certificates of an office building in Berlin, Germany Acquisition financing for the Eco Management Korea Holdings Acquisition financing for Urbaser, a waste management company in Spain Project financing for a knowledge industry center in Naju Innovation City

Retail Business

We became the first Korean securities firm to establish mega size financial centers in major cities in 2014. The centers have been not only providing customers with optimized asset

management services but also engaging in loan and collateralized loan brokerage and underwriting works through financial experts. In 2018, we established an overseas stocks and derivatives trading system, satisfying customers' diversified needs.

Management Strategy	Key Performances
<ul style="list-style-type: none"> Develop new profit sources by building the overseas stocks and derivatives trading system and expanding asset management sales base Systematically manage customer assets with a variety of financial product lineups Increase the customer returns through preemptive responses to market changes and risk management 	<ul style="list-style-type: none"> Opened the overseas stocks (U.S., China, and Hong Kong) trading service on February 26, 2018 Opened the overseas derivatives trading system on March 4, 2019 Opened a premium WM center in Gangnam on July 1, 2019

Trading Business

By capitalizing on accumulated investment know-how and advanced trading techniques coupled with financial engineering, Meritz Securities manages financial investment products such as stocks, bonds, and derivatives, while generating stable and steady profits with thorough risk management. Furthermore, we are proactive in developing diverse structured financial products based on basic assets such as composite indices, stocks, and foreign currencies at home and abroad in order to satisfy the needs of both individual and institutional investors in the era of low interest rate.

Management Strategy	Key Performances
<ul style="list-style-type: none"> Enhance market response and expand overseas market coverage through diverse investment strategies including directional trading and bond spread position Develop new profit sources by developing DLS (Derivatives Linked Securities) and structured products Expand venture capital supply to innovative enterprises and 4th Industrial Revolution businesses 	<ul style="list-style-type: none"> Selected as the PD (Primary Dealer) in treasury bond in 2018 and 2019 Achieved KRW 4 trillion in issuing derivatives linked securities including ELS Surpassed KRW 100 billion in AUM (Asset Under Management) of the New Technology Financial Investment Cooperative

Wholesale Business

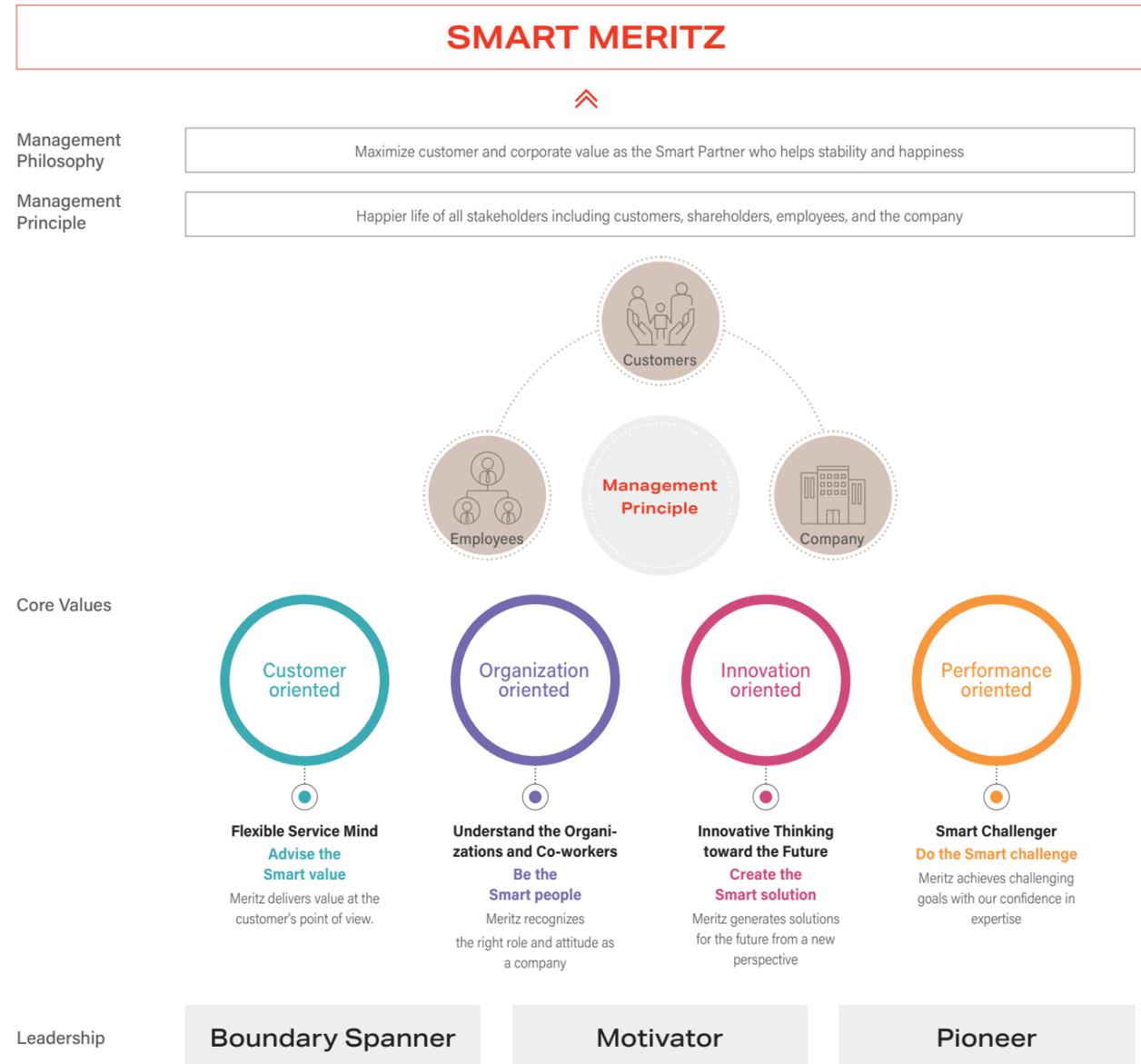
Based on high-quality research that is internationally recognized, wide business network at home and abroad, and stable trading competency, we provide brokerage service of stocks, bonds, funds, derivatives, and alternative investment products to institutional investors and corporate clients. We also offer comprehensive solutions to help them make investment decisions and manage assets efficiently.

Management Strategy	Key Performances
<ul style="list-style-type: none"> Enhance bond and structured product brokerage competency and diversify profit sources by expanding asset-related consulting and arrangement Strengthen the competency in alternative investment products such as aircraft, overseas real estate, and infrastructure Supply diverse structured products such as auto loan and credit loan by diversifying quality assets and basic assets 	<ul style="list-style-type: none"> Selected as the first grade entrusted securities firm by the National Pension Service in 2019 and 1H 2020 Acquired the ABS for Gunjang New Port project and offered financial consultation on a large scale leasing business (New Stay) Surpassed KRW 100 billion in net operating profit in 2019

Vision and Strategy

Management Philosophy

Our management principle is "Happiness Management" that pursues happier life of all stakeholders including customers, shareholders, employees, and the company. It buttresses our management philosophy of "Maximize Customer and Corporate Value" and our progress into a sustainable company.



Corporate Culture

Our corporate culture is rooted in four key words: Professionalism, Practicality, Horizontal Organization, and Free Communication. Based on the consensus from all employees, the corporate culture serves as a guideline for employees' daily work practices and resources in solving challenges. All employees at Meritz Securities strive to comply with the corporate culture in daily thinking and behaviors. It also plays a pivotal role for our sustainability management activities.

Professionalism

A culture where all employees are motivated to become the best experts in the industry and strive to strengthen individual, team, and organizational competency

Efforts for becoming professionals result in attaining the highest rate of return in the industry. To this end, Meritz Securities proactively supports employees to become top professionals through self-development and strives to secure talents.

Horizontal Organization

A culture where employees can perform their own practical tasks and present their opinions regardless of the position if those are of help to the organization

We have built a horizontal organizational culture where everyone can point out problems and join open-ended discussion if necessary, regardless of the position. This culture serves as the foundation of our excellent risk management competency.



Practicality

A culture that thoroughly excludes unnecessary procedures and forms in order to achieve the maximum performance with limited resources and manpower

Meritz Securities set "Creating a working environment that prioritizes the practicality" as one of its strategic goals in 2017. It implies our commitment to investing our professionalism in creating sustainable value of customers and the company by eliminating formalism and bureaucracy. This culture helps us achieve industry-leading growth and risk management.

Free Communication

A culture that allows free communications between departments and positions without barriers to ensure high-quality decision-making and innovation.

It is general that corpocracy takes roots and organizational vitality decreases if a company grows. Free communication is weakened, and top-down organizational culture is established, which will be an obstacle to acting in unity. Meritz Securities takes care not to be fallen into the corpocracy under the CEO's strong commitment to free communication. This corporate culture helps us stay one step ahead of peers based on flexibility and swiftness despite tough business environment at home and abroad.

SUSTAIN- ABILITY MANAGE- MENT



Meritz Securities strives to become a trusted and sustainable company by ensuring management transparency. Transparency resulted from healthy corporate governance that enables mutual check and criticism. To this end, we are proactive in securing healthy corporate governance, communicating with stakeholders, and conducting integrated risk management, thereby laying a foundation for sustainable growth.

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Governance System

Meritz Securities is endeavoring to secure transparent and healthy corporate governance in order to pursue long-term growth and protect the rights of stakeholders including shareholders and financial consumers. To this end, the company organizes the Board of Directors (BOD) who are professional and experienced. The BOD supports reasonable decision-making of the Management and conducts appropriate monitoring activities such as risk management and internal control.

Governance Policy

- **BOD composition - 5 members**
(2 executive directors, 3 non-executive directors)

Independent non-executive directors account for over the majority of the BOD, which enables checks on the management's decision-making.

- **Professionalism of the BOD - 2 directors specialized in finance, 2 directors in business administration, and 1 director in economics**

The BOD members with diverse experiences and professionalism serve as a complementary role in the deliberation and decision-making process.

- **Term of directors - Within 3 years. Non-executive directors can serve 6 years in case of consecutive terms.**

In accordance with the Article 34 of the Articles of Incorporation, the term of directors is determined at the general meeting of shareholders within a period not exceeding 3 years. Meanwhile, non-executive directors can serve consecutive terms by the year within maximum 6 years (9 years including the term at subsidiaries).

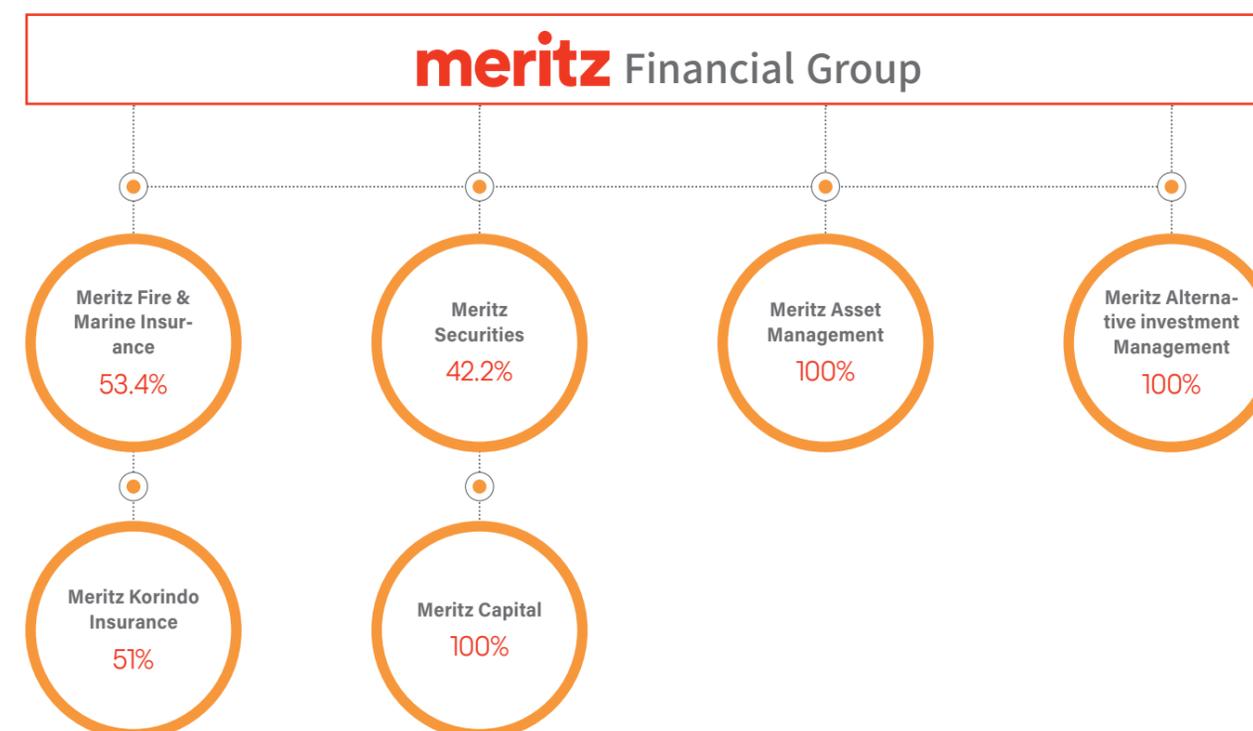
- **Subcommittees**

We operate 5 subcommittees - Executive Candidate Recommendation Committee, Audit Committee, Risk Management Committee, Remuneration Committee, and Executive Committee - under the BOD. Subcommittees are consisting of directors with professionalism and experiences required to the role of each sector.

Especially, the Audit Committee is comprised of only non-executive directors to ensure the check function on the management. In addition, non-executive directors hold a majority of other subcommittees excluding the Executive Committee, which enables us to gain their professional knowledge and advices.

Group Governance

(As of December 31, 2019)



Corporate Governance Status

Internal organization	Major role	Composition (Non-executive directors/total)	Chairperson (Name/position & role)	Related regulations
Board of Directors	Decision of corporate basic management policies and important matters in terms of business, etc.	3 persons / 5 persons	Choi, Alexander Hi-moon / Executive	Articles 31 to 45 of the Articles of Association, Articles 5 to 21 of Corporate Governance Regulation, BOD Regulation
Executive Candidate Recommendation Committee	Recommendation of executive candidates and support for management succession of the CEO, etc.	2 persons / 3 persons	Chung Hae-shin / Non-executive	Article 43 of the Articles of Association, Article 23 of Corporate Governance Regulation, Executive Candidate Recommendation Committee Regulation
Audit Committee	Audit on the propriety of internal control system, accounting, and business practices, etc.	3 persons / 3 persons	Chung Hae-shin / Non-executive	Article 43 and 46 to 48 of the Articles of Association, Article 24 of Corporate Governance Regulation, Audit Committee Regulation
Risk Management Committee	Establishment and evaluation of risk-related policies, etc.	2 persons / 3 persons	Kim Hyun-wook / Non-executive	Article 43 of the Articles of Association, Article 25 of Corporate Governance Regulation, Risk Management Committee Regulation
Remuneration Committee	Remuneration system control in linked with potential risks, etc.	2 persons / 3 persons	Koo Jung-han / Non-executive	Article 43 of the Articles of Association, Article 26 of Corporate Governance Regulation, Remuneration Committee Regulation
Executive Committee	Matters mandated by the BOD including branch and officer related works	None / 2 persons	Choi, Alexander Hi-moon / Executive	Article 43 of the Articles of Association, Article 27 of Corporate Governance Regulation, Executive Committee Regulation

Transparency in the BOD Composition and Operation

Independency of the BOD and Subcommittees

The BOD of Meritz Securities, as the supreme decision-making body, plays a role in checking the management and support their right decision-makings. To this end, we ensure that non-executive directors with independency and professionalism hold a majority of the BOD. In particular, we pay attention to appoint highly profession and independent non-executive directors to help them check the management and support important decision-makings.

Moreover, subcommittees ensure the participation of non-executive directors.

The Executive Candidate Recommendation Committee, Risk Management Committee, and Executive Committee consist of a majority of their members. The Audit Committee consists of three non-executive directors to secure the autonomy and independency. This structure enhances the check function on the management, thereby encouraging responsible management, securing the objectivity of audit activities, and improve the reliability of audit results.

Professionalism of Subcommittees

Subcommittees are composed of directors of rick experience and professionalism fit for the characteristics of each committee to achieve their purposes and goals.

For example, the Audit Committee has at least an expert in accounting or finance and the Risk Management Committee also has at least a director who has served in financial firms or in the finance or accounting department. As for the Remuneration Committee, at least a member of the Risk Management Committee participates for the purpose of managing the remuneration system in connection with risk control.

The Executive Committee deliberates and concludes agendas which require frequent and rapid decision-makings such as establishment, relocation, and closure of branches and appointment and dismissal of officers. In consideration of this feature, the committee consists of only two executive directors for higher efficiency. Meanwhile, resolution results are promptly transferred to other directors to re-discuss them at the BOD meeting if there were any dissent.

The BOD is evaluated on whether members are properly performing their roles based on professionalism or not. The evaluation items of non-executive directors include professionalism, fairness, ethics, responsibility, integrity, and contribution which were determined by the BOD. It is categorized into three ratings after the implementation of self-check, evaluation by others, and their participation rate in general.

As for executive directors, the CEO Choi Alexander Himoon is evaluated in five ratings over relative evaluation in the industry, mid- and long-term growth results, and risk management, while Bae Joon-su is evaluated in five ratings over profitability, soundness, and growth potential.

Profile of Non-executive Directors

Name	Date of appointment	Date of expiration	Tenure	Committee	Position	Career
Park Young-seog	Mar. 20, 2015	Date of general shareholders' meeting in 2019	48 months	A.C. (Mar. 2015~Mar. 2019) R.C. (Mar. 2015~Mar. 2019) E.C.R.C. (Mar. 2015~Mar. 2019)	Chairperson of R.C. (Mar. 2015 ~ Mar. 2019) Chairperson of E.C.R.C. (Dec. 2016 ~ Mar. 2019) Non-executive Director (Mar. 2018 ~ Mar. 2019)	Director of Korea Capital Market Institute Professor in Business Administration of Sogang University Associate Professor in Business of Dong-guk University Associate Professor of Rikkyo University Assistant Professor of International University of Japan
Koo Jung-han	Mar. 24, 2017	Date of general shareholders' meeting in 2021	33 months	A.C. (Mar. 2017~present) R.M.C. (Mar. 2017~present) R.C. (Mar. 2017~present) Executive (Sep. 2017~Dec. 2017)	Chairperson of R.M.C. (May 2017~Mar. 2019) Chairperson of R.C. (Mar. 2019~Mar. 2020)	Senior Researcher of Korea Institute of Finance Non-executive Director of Hyundai Card
Chung Hae-shin	Dec. 19, 2017	Date of general shareholders' meeting in 2020	25 months	A.C. (Dec. 2017~Mar. 2020) R.M.C. (Mar. 2018~Mar. 2019) E.C.R.C. (Mar. 2018~Mar. 2020) R.C. (Mar. 2019~Mar. 2020)	Chairperson of A.C. (Mar. 2018~Mar. 2020) Chairperson of E.C.R.C. (Mar. 2019~Mar. 2020)	Advisor of Bae, Kim & Lee LLC Non-Executive Auditor of Korea Ratings Non-Executive Auditor of Hansol Secure
Kim Hyun-wook	Mar. 15, 2019	Date of general shareholders' meeting in 2021	10 months	A.C. (Mar. 2019~present) E.C.R.C. (Mar. 2019~present) R.M.C. (Mar. 2019~Mar. 2020) R.C. (Mar. 2020~present)	Chairperson of R.M.C. (Mar. 2019~Mar. 2020)	Professor of KDI School of Public Policy and Management Head of KDI Economic Forecast Office
Kim Seok-jin	Mar. 13, 2020	Date of general shareholders' meeting in 2022	1 month	A.C. (Mar. 2020~ ~present) E.C.R.C. (Mar. 2020~ ~present) R.M.C. (Mar. 2020~ ~present)	Chairperson of A.C. (Mar. 2020~present)	Advisor of Bae, Kim & Lee LLC Executive Director of Ethics Management Support Office of Korea Investment Holdings Audit Committee member of Korea Investment & Securities

Note 1) Including the general shareholders' meeting in March 2020. "Present" is as of the time of publishing this report.
Note 2) A.C. (Audit Committee), E.C.R.C. (Executive Candidate Recommendation Committee), R.M.C. (Risk Management Committee), R.C. (Remuneration Committee), E.C. (Executive Committee)

Tenure, Participation Rate, and Training Hours of Non-executive Directors

Name	Tenure (as of end of 2019)	Reappointment	Participation rate*	Evaluation	Trainings in 2019	Accumulated training hours
Park Young-seog (retired)	48 months	○ (twice)	97%	○ (appropriate)	Once	17 hours
Koo Jung-han	33 months	○ (once)	100%	○ (appropriate)	Twice	15 hours
Chung Hae-shin	25 months	X	100%	○ (appropriate)	Twice	8 hours
Kim Hyun-wook	10 months	X	100%	○ (appropriate)	Twice	4 hours

* As of December 2019

Stakeholder Participation

Meritz Securities defines shareholders, customers, employees, environment, and local communities as its stakeholder groups, and is proactive in identifying their needs and resolving major issues together. We also strive to listen to the voices of the public through diverse communication channels and reflect them in our management strategies and activities.

Communication with Stakeholders

The company focuses on IR (Investor Relations) activities for swift communication with stakeholders. Our operating performances are provided to stakeholders including shareholders on a quarterly basis and the discussion meeting with institutional investors and analysts is held regularly, which help us better communicate with them. Corporate information that stakeholders want is rapidly and transparently delivered through frequent investor meetings, conference calls, phone, and IR materials on the website. These efforts resulted in winning the best prize in the securities sector at the "16th Money Today IR Award" in 2018.



Won the Money Today IR Award

Ethics Management

Ethics Management System

Meritz Securities operates its own Code of Ethics to further implement ethical management. Our Code of Ethics aims to contribute to the healthy development of the capital market and national economy by being committed to fulfilling the responsibility and obligation as financial officers and protecting investors.

Code of Ethics

The Code of Ethics consists of 15 Articles that stipulate how our employees reinforce the sense of ethics. It contains basic principles that financial officers should observe such as compliance with laws (Article 3), trust and good faith (Article 4), respect for market order (Article 5), report on violations (Article 12), and prohibition of pursuing individual benefit (Article 14). It also stipulates our responsibilities for stakeholders and civil society such as customer first (Article 2), maximization of shareholder value (Article 9), and social responsibility (Article 10). Like this, the Code of Ethics serves as a fundamental guideline for employees to behavior ethically and foster the sense of ethics.

Code of Ethics

Article 1 (Purpose)

This Code aims to help Meritz Securities (herein "The company") better execute ethics management and employees cultivate the sense of ethics. The ultimate goal is to contribute to the healthy growth of capital market and national economy by being committed to fulfilling the responsibility and obligation as financial officers and protecting investors.

Article 2 (Customer Priority)

The company and employees should always think on the side of customers and strive to provide better financial services to customers.

Article 3 (Compliance with Laws)

The company and employees should understand and comply with relevant laws and regulations in performing tasks.

Article 4 (Faithfulness)

The company and employees should place the top priority on honesty and trust and perform the duties based on the principle of good faith.

Article 5 (Respect for Market Order)

The Company and employees should respect and strive to maintain fair and free market order.

Article 6 (Information Protection)

The company and employees should protect and manage information of both the company and customers which was acquired in the process of business operations.

Article 7 (Self-Innovation)

The company and employees should constantly strive for self-innovation based on their creative thinking to make them adaptable to changes in management environment.

Article 8 (Mutual Respect)

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

Article 9 (Maximization of Shareholder Value)

The company and employees should do their best to maximize the value of shareholders and other stakeholders through rational decision-making and transparent management activities.

Article 10 (Social Responsibility)

The company and employees should recognize that they are members of the civil society and fulfill their social responsibilities and roles.

Article 11 (Management's Responsibility)

The management should endeavor to establish a proper ethical culture by conducting ethical education for its employees.

Article 12 (Report on Violations)

If an employee finds or is aware of a violation of laws or Code of Ethics with regard to business operations, he or she should immediately report it to the Vice President and the Compliance Officer in accordance with related regulations including the internal control standard.

Article 13 (Maintenance of Dignity)

Employees should not engage in anything that can undermine the dignity or social trust of the company.

Article 14 (Prohibition of Pursuing Individual Benefit)

Employees should not unfairly use properties of the company nor pursue personal interest by abusing their position.

Article 15 (Obligation after Employment Termination)

Employees should take appropriate follow-up measures, such as returning work-related data, when they retire, and should not act to harm interests of the company and customers even after retirement.

Internal Control System

Meritz Securities holds the “Compliance Day” every quarter to review the compliance with laws and regulations by each team. Moreover, the company conducts trainings on key issues such as compliance training to prevent financial incidents, anti-money laundering training, and civil affairs manuals.

The department dedicated to internal control monitors actual implementations 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 implements the Customer Due Diligence (CDD) system for the purpose of preventing crimes and ensure transparent financial transactions. We also apply the Enhanced Due Diligence (EDD) system that checks additional information to “High Risk” cases in order to assess the risk level of money laundering by customer or transaction type. Other activities include preemptively preventing potential risk of money laundering by operating the money laundering risk assessment system and mandatorily reporting suspicious financial transactions through the Suspicious Transaction Report (STR).

The company established an internal control system for anti-money laundering and completed the advancement of the system in 2018. Especially, we have improved the quality of anti-money laundering system by enhancing employees’ awareness of related works and conducting frequent inspections and trainings.

Whistle-blowing System

To ensure more transparent and ethical management, Meritz Securities operates the whistle-blowing system. All stakeholders including employees, customers, and suppliers can report any criminal act, secret leakage, and illegal instruction through the “Corruption Reporting Center” anonymously or with their real name. The reported matters are investigated and handled fairly and carefully under the supervision of the Compliance Officer. The identity of whistle-blowers and reported contents are treated confidentially.



What should be reported?

The followings are objects of the whistle-blowing system

- Criminal acts such as embezzlement, breach of duty, bribery
- Request or reception of bribery, entertainment, etc. in related to work
- Disclosure of company confidential or customer information
- Unlawful or unreasonable work processing or instruction
- Personal use of company properties
- HR misconducts such as request for special employment, duplicate employment, etc.
- Sexual harassment, money loan among employees or with customers, over-spending, gambling, etc.
- Violations of related laws, corporate regulations, etc.
- Other unlawful or unethical acts

Anti-corruption Training Result

Classification	2017	2018	2019
Participants in online education (persons)	1,437	1,439	1,452
Participants in collective education (persons)	126	696	729
Online training hours	2,886	2,993	3,021
Group training hours	40	650	750

Integrated Risk Management

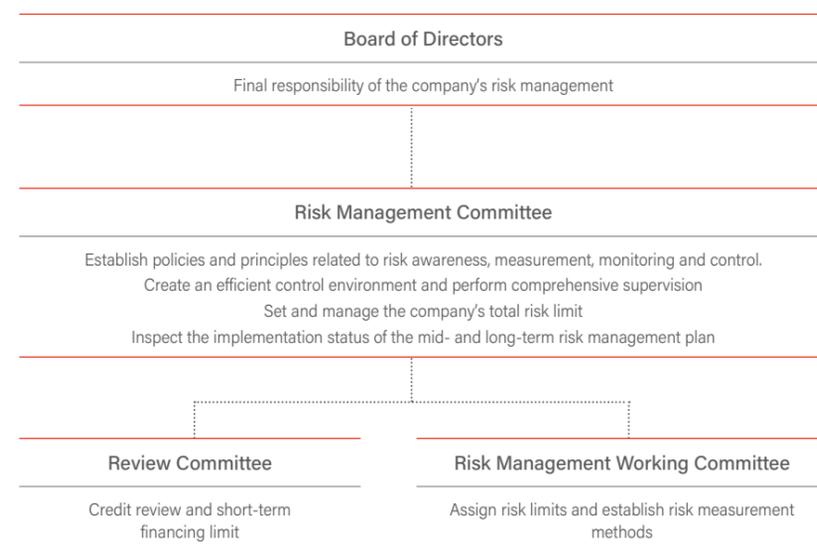
Meritz Securities recognizes risk management as one of the core elements in corporate management and operate risk management strategies to balance the risks and profits.

Integrated Risk Management System

Meritz Securities operates relevant committees and organizations for systematic risk management. A total of 36 professionals including accountants, those from contractors and developers, and credit rating agencies are working at the Risk Management Division. The division examines investment-related deals received from each business division and then submits them to the "Execution Committee" which is held twice a week. The Chief Risk Office (CRO) makes final decisions after deliberating them with specialists from each field once again on whether the contracts are defective or not. This process helps us eliminate unreasonable contracts which have ungraspable risks and select transactions which can be tolerant, contributing to securing stability and profitability.

The supreme decision-making body in risk management is the Risk Management Committee. The committee establishes policies and principles necessary for recognizing, measuring, monitoring, and controlling of possible risks. The committee also entrusts some rights of the "Risk Management Staff committee" and "Examination Committee" and regularly receives activities of subcommittees at least once a quarter.

Risk Management Organization



Performances in Integrated Risk Management

In 2018, the Risk Management Committee was held five times, in which all members participated. A total of 11 agendas (7 resolution and 4 reporting items) were submitted and all the resolution items were approved in accordance with appropriate process.

In 2019, the Risk Management Committee was held six times, in which all members participated. A total of 7 agendas (4 resolution and 3 reporting items) were submitted and all the resolution items were approved in accordance with appropriate process.

Risk-specific Responses

Meritz Securities defines and classifies various types of financial and non-financial risks in order to ensure assets quality and managerial stability.

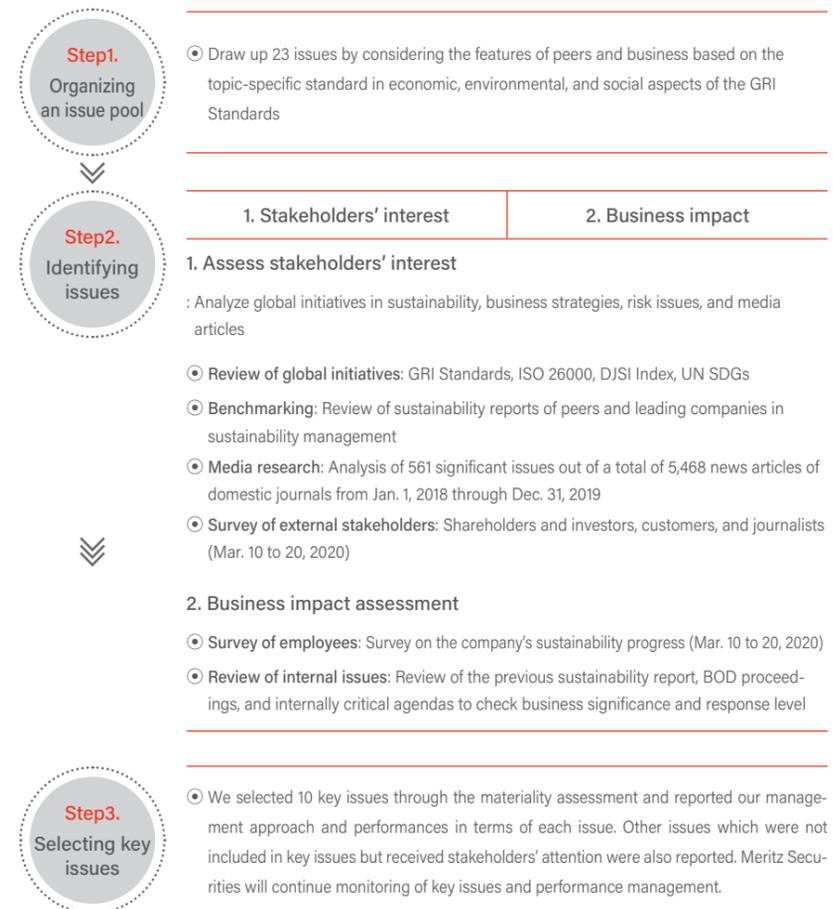
Risk type	Responses
Market Risk	We conduct VaR (Value at Risk) and stress tests on all transactions, involving market risks. With this, we determine how much cash assets we should possess and establish emergency funding plans.
Credit Risk	We monitor credit status every quarter to focus on preemptive 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	We use liquidity gap analysis as a key index and interest rate sensitivity gap analysis, duration gap analysis, interest rate scenario analysis, and liquidity scenario analysis as supplementary indicators. In preparation for the maturity mismatches in financing and operations, we set and manage one-month and three-month cumulative liquidity ratio limits.
Operation Risk	The RCSA (Risk and Control Self-Assessment) is conducted every quarter to measure and manage inherent operational risks and the results are used for identifying and executing improvement tasks. We also enhance managerial stability by disseminating the culture of managing key risk indicators.
Compliance Risk	We review the rules and amendments of laws and regulations that have been completed or in progress, and proactively reflect them in our business. Related departments cooperate in analyzing the effects of certain activities on the company and prepare risk management policies.
Sales and Reputation Risk	We monitor negative public opinions and trends in real time and make immediate responses through inter-department cooperation.

Materiality Assessment

Meritz Securities performed the materiality assessment in order to identify subjects that internal and external stakeholders pay attention and critical impacts on our sustainable growth. Key issues identified through the materiality assessment were reported through this report in a balanced manner for communication with stakeholders.

Materiality Assessment Process

In order to understand stakeholders' interests, we conducted benchmarking of peers, media research, and survey of external stakeholders based on the ISO 26000, an international standard for social responsibility, GRI Standards, an international guideline for reporting sustainability, DJSI Index, and UN SDGs. Business impact assessment was based on employee survey on material issues for our sustainability and the level of issue control after analyzing the BOD agendas and major internal discussion items in 2018 and 2019. A total of 23 issues were identified through this process and key issues for reporting were selected via the materiality assessment in consideration of stakeholders' interest and business impact.



Materiality Assessment Matrix



Key Issues

No.	Key issue	Global reporting framework		Page
		GRI Standards	UN SDGs	
1	Stably achieve economic performances and diversify business models	Economic performance	Goal 9	33
2	Fair HR system	Employment	Goal 10	35
3	Social contribution in consideration of the features of financial business	Social contribution	Goal 1, 10, 11	55, 56, 57, 59
4	Improve customer satisfaction	Marketing and labeling	Goal 12	44, 45, 46, 47
5	Expand equal opportunities and diversity	Diversity and equal opportunity	Goal 5	35
6	Social economy	Employment	Goal 8, 10	58
7	Compliance	Anti-corruption practice	Goal 16	22
8	Employee welfare (work-life balance)	Employment	Goal 8	36, 37
9	Digital transformation	Product portfolio	Goal 9	41, 42
10	Ethics and integrity	Anti-corruption	Goal 16	21, 23

Management Approach

We present our management approach to and major performances with regard to 10 key issues identified through the materiality assessment to ensure a balanced reporting.

Key issue	Definition	Why is the issue important?	What is our response?	Performances in 2018 and 2019
Stably achieve economic performances and diversify business models	Creation of stable economic value and development of new markets	Recently, the financial business is facing growing uncertainties and tough environment at home and abroad and it's not easy to stably create long-term profits. In reality, the global economy which is being deteriorated has critical impacts on both the domestic real economy and financial industry. In response, it's time for us to prepare strategies and substantial solutions aimed at controlling uncertainties and generating stable performances.	- Promote business diversification through alternative investments in real estate, vessel, aircraft, and overseas M&A financing	- Increase of 36.3% and 27.7% year-on-year in consolidated operating revenue and operating profit in 2019, respectively - Record-high net profit of KRW 554.6 billion, 27.8% year-on-year, in 2019
Fair HR system	Fair compensation system in terms of business results	Fair HR management is core competitiveness of an organization. Especially, in the financial business, organizational performances are heavily dependent on what kind of talents the company can secure. Therefore, it is more important to create an environment where employees can show their ability and potential through fair HR management and compensation.	- Prevent gender-based wage discrimination by setting a position-specific salary table - Operate the performance evaluation objection system	- All employees received reviews on performances in 2018 and 2019 and career development.
Social contribution in consideration of the features of financial business	Strategic social contribution activities related with business strategy / efforts for revitalization of local economy	As companies are based on local communities, part of their performances is attributable to the help of local communities. The growing interest in corporate social responsibility requires financial companies to further be proactive in conducting social contribution activities which reflect the characteristics of financial firm.	- Run the "Meritz Securities University" for general investors - Donated KRW 469 million raised through 179 volunteering activities of Meritz Chamsarang Volunteer Group	- Time spent on social contribution (2018: 1,332 hours by 333 persons, 2019: 1,524 hours by 381 persons)
Improve customer satisfaction	CRM and satisfaction management / enhancement of customer engagement in product development process	The domestic financial business is facing fiercer competition and increasing customer needs for distinctive financial products and services. Therefore, it is required to swiftly understand the needs and market trend and reflect them in developing products and services.	- Train employees working at branches about financial product sales process every year	- Ranked 3 rd in total and 1st in branch mystery shopping sector at the fund company evaluation hosted by Korea Financial Investors Protection Foundation - Won the best seller prize at the 11th Asia Fund Awards
Expand equal opportunities and diversity	Prohibition of discrimination in gender, age, minority, race, etc. and diversity expansion	In 2018, the Korea Federation of Banks established the "Recruitment Process Standard for Banks." In 2020, six financial associations and Ministry of Employment & Labor also enhanced recruitment process standard to ensure fair employment process without discrimination. This social trend asks financial firms for expanding opportunity equality and diversity to recruit competent employees.	- Establish a fair and transparent recruitment process centered on competency	- Ratio of female employees (26.6% in 2018 and 27.7% in 2019) - Ratio of female managers among new recruits: 16.8%

Key issue	Definition	Why is the issue important?	What is our response?	Performances in 2018 and 2019
Social economy	Alleviation of polarization, increase of public interest, and realization of social economic value through job creation and stability	Demand for sustainable finance aimed at creating social and environmental values beyond economic value is growing across the globe. The Korean government is also striving to increase the financial accessibility of the financially alienated class through the "Inclusive Finance." In response, financial firms are required to further invest in venture, startups, and SMEs and to care the financially alienated class for the realization of social economy.	- Operate the "New Technology Financing Team" dedicated to investments in ventures, startups, and SMEs	- Investments in ventures, startups, and SMEs with new technologies (KRW 114.4 billion for 49 cases in 2018, KRW 121.5 billion for 59 cases in 2019) - Launch of a public offering fund for materials, parts, and equipment
Compliance	Compliance with regulations at home and abroad with regard to business and international guidelines for sustainability management	Business ethics and compliance are essential for corporate survival and growth in the era of global competition. Especially, as for financial investment firms, ethical behaviors, compliance with laws and regulations, and establishment of internal compliance check system are first and foremost. It is also mandatory for financiers to understand and practice them.	- Host the Compliance Day event every quarter - Check the compliance checklist by each business stage when developing products - Install the corruption report center	- Number of whistle-blowing cases: 1 in 2018 and 2 in 2019
Employee welfare (work-life balance)	Welfare system to help employees enjoy stable and comfortable life	Generally, financial business is a representative sector which needs work-life balance due to intense workload and frequent overtime. A variety of employee welfare systems and policies will have positive effects on raising their work efficiency, job satisfaction, and corporate performances.	- Operate flex-time work, selective working hours, flexible working systems - OC-off system, in-company day care center, women's lounge, retirement pension - Supports for medical expenses (employees, spouse, lineal ascendant and descendant), housing expense, and tuition	- Obtained "Excellent" grade in all sectors at the daycare center evaluation by the Ministry of Health and Welfare (Meritz Daycare Center) - Retirement pension membership: 1,170 persons as of 2019 (KRW 54.6 billion)
Digital transformation	Development of tailored products and services based on digital technologies (blockchain, big data, AI, etc.)	In the era of the 4th Industrial Revolution, the competitiveness of a financial firm will be dependent on how well it utilizes digital technologies such as blockchain, big data, and AI. Therefore, it will be critical to adopt and utilize the latest digital technologies at the company level.	- Introduce the visible ARS service and offer identification card verification service for online overseas stock, futures, and option trading as well as simulated stock trading	- Expand financial accessibility of the alienated class such as the handicapped and elderly - Prevent financial accidents by advancing customer information protection system - Improve customer convenience by offering the latest digital technology-driven services
Ethics and integrity	Transparent and fair business practice by preventing corruption and bribery	The importance of ethics management is being emphasized globally. In response, a lot of companies are enhancing anti-corruption and anti-bribery functions to ensure sustainable growth. Especially, ethics and integrity are the duty and responsibility of every financial investment firm.	- Enact the Code of Ethics - Operate ethics guidelines in business - Assess the level of money laundering by adopting the CDD (Customer Due Diligence) and EDD (Enhanced Due Diligence) - Operate the STR (Suspicious Transaction Report) system to detect potential risk of money laundering	- Anti-corruption training in 2018 (3,643 hours for 1,439 persons) - Anti-corruption training in 2019 (3,771 hours for 1,452 persons) * Including online and group trainings

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.

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Economic
Performance

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Employees

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Customers

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Environment

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Local
Communities

ECONOMIC PERFORMANCE

Meritz Securities achieved double-digit growth in operating income, net income, and shareholders' equity in 2019, continuing remarkable growth. The 3-year average dividend propensity has maintained over 30%, the highest level in the investment banking sector, to share our economic performances with shareholders.



Major Performances in 2018 and 2019

KRW **4.02** trillion

Achieved KRW 4,019 billion in shareholders' equity in 2019

KRW **555** billion

Record high net income by realizing KRW 554.6 billion

27.7%

Operating income growth

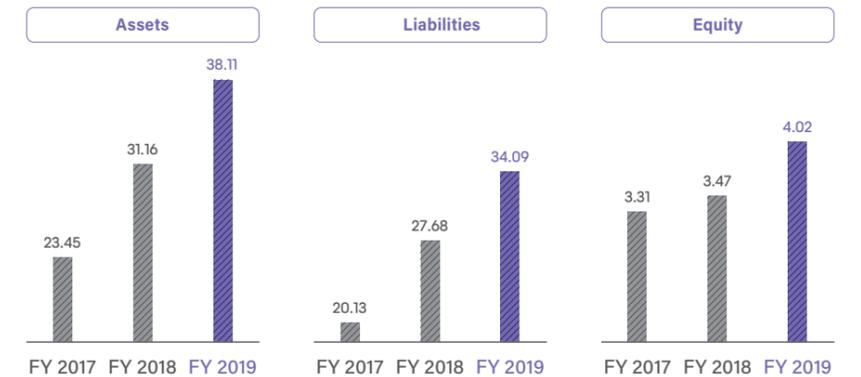
Creating and Distribution of Economic Value

Meritz Securities' consolidated operating revenue and operating income in 2019 increased 36.3% and 27.7% from the previous year, respectively. Net income also soared 27.8% year-on-year to KRW 554.6 billion, the highest ever. ROE including performances of Meritz Capital, our subsidiary, on a consolidated basis also rose by 1.8%p from the previous year to 14.8%. This figure almost doubled the average ROE (8.3%, source: 2019 operating results (estimate) by the Financial Supervisory Service) of 56 securities firm in Korea.

This remarkable operating performance was attributable not only to steadfast growth in the IB, trading, and retail businesses but also to development of new profit sources through alternative investments in real estate, vessel, aircraft, and M&A financing at home and abroad. Particularly, we were highly recognized for our unique risk management capability in the way that the company created higher profits despite increasing uncertainties in the domestic and overseas financial market.

Consolidated Financial Information

(Unit: KRW in trillions)



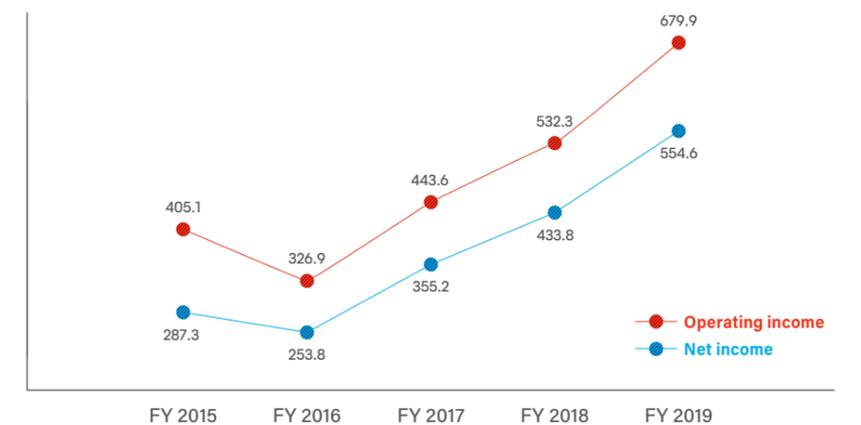
Distribution of Economic Value by Stakeholder

(Unit: KRW 100 million)

Classification	2017	2018	2019
Employees (wage and welfare)	2,989	3,656	3,471
Shareholders (dividends)	1,288	1,394	1,357
Government (corporate tax)	1,111	1,554	2,124
Donation to local communities	5.90	2.12	1.95

Profitability Growth for Recent Five Years

(Unit: KRW in billions)

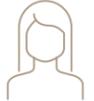


EMPLOYEES

Employees are the core resources for corporate growth. To help employees make happy and satisfactory work life, Meritz Securities is committed to establishing a corporate culture where they can create values and transparent and fair compensation is ensured in accordance with their competency and performance.



Major Performances in 2018 and 2019

 **33%** 

Recruitment rate of female talents increased to 33% in 2019 from 26% in 2017

 **A** grade

"Meritz Daycare Center" obtained "Excellent" grade in all sectors at the evaluation by the Ministry of Health and Welfare ("A" grade, the highest level in daycare center evaluation scope)

 **Grievance Handling Committee**

Establish a new organization for customer contact employees and operate the Grievance Handling Committee

HR Management

Fair Employment

Fair employment is the starting point and core of HR management at Meritz Securities. We pay attention to individual competency and potential instead of academic background or gender when hiring new talents. To ensure transparency in recruitment process, we operate the open competitive employment in principle and occasional employment if necessary.

New employees are placed in the right positions in consideration of their ability and aptitude and the company's long-term talents cultivation plan, which contributes to balanced growth of individual and organization.

With the value of "fair employment," Meritz Securities makes a concerted effort to recruit talents with professionalism in order to prepare future growth of the financial investment business and keep pace with rapidly changing global financial market.

Especially, in a bid for profit diversification through overseas expansion, the company has recruited 312 and 342 experts in 2018 and 2019, respectively, for the middle and back offices including the risk management sector as well as sales workforce, pursuing the balance between growth and administration.

Going forward, Meritz Securities will continue to secure more talents and develop professionalism of employees with the aim of swiftly responding to rapidly changing financial investment business environment.

Expand the Employment of Female Talents

Meritz Securities has expanded the employment of female employees for diversity. The number of new female recruits increased from 73 (a quarter of 278 in total) in 2017 to 113 (a third of 340 in total) in 2019.

Moreover, as a result of efforts for recruiting competent female talents, rate of female employees who were manager level or higher reached 16.8% of new female recruits. We have also hired 12 female vocational high school graduates in 2018 and 2019 through open recruitment.

Employee Diversity

Classification	2017	2018	2019
Employment of the handicapped (persons)	19	18	15
Employment of female talents (%)	25.9	26.6	27.7

Employment Status

Classification	(Unit: persons)		
	2017	2018	2019
Total number of employees (male/female)	1,067 / 373	1,065 / 386	1,035 / 396
Number of new employees (male/female)	205 / 73	208 / 104	227 / 113

Education Hours and Expenditure

Classification	2017	2018	2019
Education hours per employee (hours)	1.6	3.8	2.9
Education expense per employee (KRW)	58,420	53,250	72,931
Total education hours (hours)	2,290	5,514	4,129
Total education expenses (KRW in millions)	84	77	104

Education for Enhancing Employee Competency

Meritz Securities actively invests in education and self-development of its employees to achieve long-term growth. In order to help employees cultivate professionalism in fund, investment, and asset management for offering better financial services to customers, we support their training costs and examination fees when they intend to obtain financial business licenses. Other programs include strengthening communication skill, holding lectures on humanities, and so on.

Work-Life Balance for Higher Productivity

Meritz Securities ensures work-life balance of employees and increase their satisfaction on working environment by operating a variety of welfare systems, thereby pursuing higher productivity.

As part of the commitment, the PC-OFF system was initiated on July 1, 2019 throughout the company and we have also conducted corporate culture improvement activities.

Invigoration of Flexible Work Systems

Meritz Securities encourages the use of flexible work systems. Our employees can use the "Flex-Time Work System," monthly "Selective Working Hour System," and trimonthly "Flexible Working Hour System" according to their needs.

The PC-OFF System helps employees have time for self-development or recharging after leaving the office. Moreover, tablet PCs are provided to sales staff for smart and flexible working environment without spatial constraints.



Use of Childcare Leave

(Unit: persons)			
Classification	2017	2018	2019
No. of paternity leave users (male)	2	1	-
No. of maternity leave users (female)	17	18	11
Rate of over 12-month service after return to work (male)	-	-	-
Rate of over 12-month service after return to work (female)	-	61	-
No. of childbirth leave users	17	16	16

Use of Working Hour Reduction System

(Unit: persons)			
Classification	2017	2018	2019
No. of working hour reduction system users (persons)	-	2	4

Retirement Pension Program

(Unit: KRW in billions, persons)			
Classification	2017	2018	2019
AUM (DB)	14.9	18.0	20.1
AUM (DC)	23.0	27.8	34.5
No. of subscribers (DB)	778	763	742
No. of subscribers (DC)	414	431	428

Daycare Center

Meritz Securities prepared a workplace daycare center around the head office to help employees be immersed in their works without burden on childcare. New pupils are selected through open draw. Vacancies during the semester are substituted with the next pupils on the waiting list by each class. The daycare center of Meritz Securities received "excellent" grade in all areas including mandatory indices at the daycare center evaluation driven by the Ministry of Health and Welfare and gained "A" grade, the highest level among daycare centers of institutions.

Women's Lounge

Meritz Securities operates the women's lounge equipped with large tables, soft sofas, and cushions on the 25th floor of the head office. Our female employees have time for relaxing and recharging at the lounge. Diverse furnishings such as seats reserved for pregnant women, dressing table, and mirror help female employees use the lounge comfortably.

Retirement Pension Program

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 2019, a total of 1,170 employees are part of the pension with AUM of KRW 54.6 billion.

Support for Post-Retirement Plans

Meritz Securities spends 3% of employee salaries in the bounty for saving in preparation for their post-retirement life. A matching grant program is applied when they use the money for purchasing treasury shares or subscribing to the funds of Meritz Financial Group. In addition, employees are able to save a certain amount of their incentives in the DC-type retirement pension program, which provides them with investment opportunities and tax saving effect.



Review of Performance Evaluation and Career Development

Classification	2017	2018	2019
No. of targets for regular evaluation (persons)	1,053	1,065	1,071
No. of employees who received regular evaluation (persons)	1,053	1,065	1,071
Ratio of employees who completed regular evaluation (%)	100	100	100

Transparent and Fair Evaluation & Compensation System

Thinking that performance-based fair compensation and transparent HR management are the driving force for recruiting and maintaining talents, Meritz Securities implements personnel evaluation and career development through fair and reasonable systems.

Salaries are paid based on the salary table by position and we strive to make no salary difference between genders who engage in the same works.

Employee evaluation is conducted once a year based on their performances and capabilities. It includes self-evaluation, interviews, and the 1st and 2nd evaluation. Evaluatees who have objections to the evaluation results can take issues with the HR Department within seven business days from the date of notification. In that case, HR Department should conduct re-deliberation by convening the personnel committee within 15 business days from the date of reception. This process ensures fairness and transparency in personnel evaluation.

Employee Health Care and Labor-Management Relationship

Promote Employee Health and Human Rights

Employees at Meritz Securities have regular medical checkups every year. For employees older than 40 years old, we provide precise check-ups every other year to their spouses. We also support medical expenses up to KRW 5 million per year to keep our employees stay healthy.



Human Rights Protection of Customer Service Staff

The customer service staff plays an important role as a channel where customers' voices are closely heard. Due to the nature of emotional labor, they are exposed to different kinds of stresses. Meritz Securities established clauses aimed at protecting them and operates the Grievance Handling Committee for them. They receive annual trainings on behavioral tips to cope with abuse, sexual harassment, and assault. We also interview them on a quarterly basis to identify their mental damages and psychological state. For those who need treatments, we offer them psychotherapy or exclude them from the business for a while. Culture and art programs such as watching orchestra are also given to reduce their stress level.

In 2018, we revised the guideline for protecting customer service staff for better preventive actions against customer abuse. It allows the staff to send alerts through SMS or voice in case of unreasonable behaviors or requests of customers. Moreover, the company suspends their works temporarily if necessary and provides them with longer rest time and supports for treatment, consultation, claim for damages.

Listen to Grievances

Meritz Securities operates the In-company Grievance Handling Committee to preemptively respond to employees' grievances and stress in anonymity. In addition, we listen to the voice of our employees by holding regular meetings attended by executives, HR & General Affairs Team, and female employees. Their voices are reflected in in-company improvement strategies.

Establish a Labor-Management Relationship of Co-prosperity

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

Union Membership Rate

Classification	2017	2018	2019
Union membership rate* (%)	83.8	81.1	80.5

* Based on the number of general employees who are the membership target



History of the Labor Union at Meritz Securities

- Dec. 29, 1987: Established the labor union (Hanil Securities Labor Union)
- Mar. 2000: Changed the name to Meritz Securities Labor Union due to corporate name change
- Apr. 1, 2010: Changed the name to Meritz Investment Bank Labor Union due to the M&A with Meritz Investment Bank
- Dec. 2019: Lee Kwan-woo and Oh Kwon-seok serve as the leader and vice leader of labor union.
- April 2020: Changed the name to Meritz Securities Labor Union due to corporate name change



Major Achievements of the Council in 2018 and 2019

1. Consultation on operating rest facilities all year round
2. Setup of employee training plans and Q&A on corporate management status
3. Discussion on the improvement of working conditions and environment for retail business staff
4. Consultation on the utilization of the intra-company labor welfare fund (small credit loan)

CUSTOMERS

Our growth is based on customer trust. Meritz Securities is committed to creating safe and convenient financial transaction environment where customers can entrust their assets and providing differentiated services, thereby pursuing a greater future together with customers.

Major Performances in 2018 and 2019

Digital Transformation

Introduced the visible ARS service and online trading of overseas stocks, futures, options, and simulated investment

24 guidelines

Enhanced customer information protection and internal control by operating 24 guidelines including "Information Protection Guideline"

1st

Ranked 3rd in fund seller evaluation and 1st in branch mystery shopping sector hosted by Korea Financial Investors Protection Foundation

More Diverse and Safer Customer Service

In a bid to preemptively reflect increasingly diversified customer needs, Meritz Securities is accelerating the development of services based on the latest digital technologies, while reinforcing security services to protect customers from financial crimes.

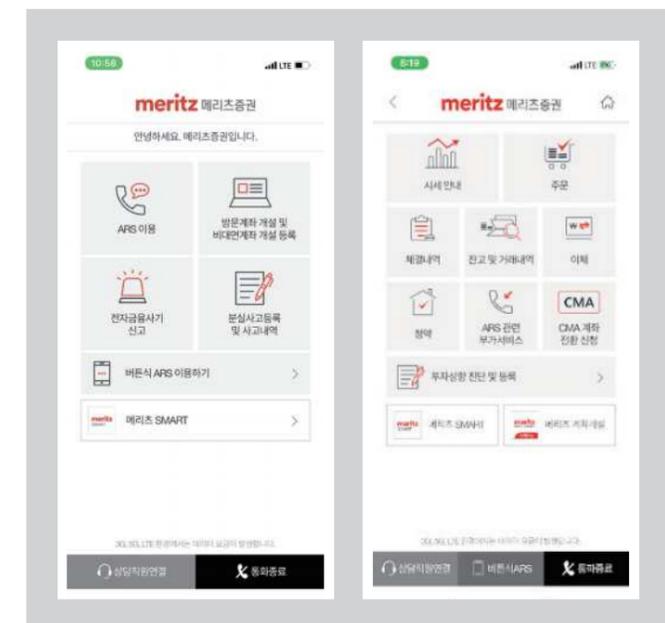
Introduce the Visible ARS Service (Jan. 2020)

Meritz Securities has been expanding financial consumer protection services. As part of that, we introduced the visible ARS service for the hearing impaired who have difficulties in using general ARS service. The visible ARS service users can see the same information as existing voice guidance on their smartphones. Especially, the visible ARS screen is automatically displayed when ARS service is connected, allowing easy access to diverse functions including order, account transfer, and check without connection with counselors.

Identification Card Truth Check Service (plan to open in 1H 2020)

With the aim of protecting customers from financial accidents caused by identification card forgery, Meritz Securities plans to initiate the identification card truth check service in the first half of 2020. This service recognizes and screens the truth of both text and image information of the identification card in collaboration with the Ministry of Public Administration and Security and National Policy Agency, boasting stronger security and trust. Upon the initiation of this service, our customers can experience further streamlined work process including opening an account at branch.

Visible ARS



Overseas Stock Trading Service (Feb. 2018)

Meritz Securities has added the overseas stock online trading service to its HTS (Home Trading System) and MTS (Mobile Trading system) to provide customers with more diverse investment products. This service has covered stocks of the U.S., China, and Hong Kong in February 2018 and stocks and ETF (Exchange Traded Funds) in May 2019. On top of that, offline trading of stocks of Singapore, Australia, and Canada is available at our branches or overseas stock desks. We will continue to expand the coverage of tradable overseas stocks to meet the needs of customers and provide them with more diverse investment opportunities.

Overseas Futures & Options and Simulated Investment Services (Mar. 2019)

In line with sharply increasing demands for overseas investment, Meritz Securities has launched the overseas futures & options and simulated investment services in HTS and MTS. In March 2019, the overseas futures & options service was initiated to ensure the round-the-clock trading of futures and options listed on major exchange markets such as CME, EUREX, HKEX, SGX, and OSE. Simulated investment service of overseas stocks and derivatives was showcased in April 2019 in order to help customers make easy access to overseas investment through simulation opportunities.



Advance Customer Information Protection System

Meritz Securities operates departments and teams dedicated to customer information protection and internal control. They play a role not only in checking security status and analyze risk factors through the information protection system, but also in establishing and revising information protection policies. Meritz Securities obtained the ISMS (Information security Management System) certification in 2014 to improve business stability based on systematic information protection and risk management. The certification has maintained through renewal and posterior examinations.

Information Protection Regulations and Guidelines

Meritz Securities has established the "Information Protection Regulation" and "Information Technology Work Regulation" as the top policies for information security and formed 24 guidelines including the "Information Protection Guidelines" for detailed implementation.

Automated Customer Information Encryption System

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.

Regular Operation of the Information Protection Committee and Information Protection Staff Council

Meritz Securities operates the Information Protection Committee and Information Protection Staff Council that deliberate and make decisions on important matters in terms of information protection. The former chaired by the CISO (Chief Information Security Officer) is held at least once in a half year, while the latter chaired by the information protection manager is convened at least once a quarter.

Next-generation Information Protection Network

Meritz Securities has established the next-generation firewall, DDoS response system, web firewall, and APT response system to detect and block network intrusions. The integrated control through the Financial Security Institute is also executed for real-time detection of and response to symptoms in networks. We have built an alternative control system against network separation and infrastructure security check system in 2018 and advanced the NAC (Network Access Control) system and harmful website filtering system in 2019, thereby further protecting our networks from information leakage and malicious codes.

Check of Weak Points through Mock Hacking

In order to secure safety and reliability of information handling system in electronic financial transaction, the company conducts analysis and inspection of weak points including mock hacking at least once a year, rapidly responding to the latest threat and attack techniques. Moreover, we operate a system aimed at preemptively identifying and handling potential risks.

Efforts for Preventing Incomplete Sales

Establishment of Customer-centric Sales Process

Meritz Securities branch staff is trained about financial product sales process on a regular basis every year. The mystery shopping program (on-site inspection) is performed by external agencies after trainings and then, the results are shared among employees to raise their awareness of investor protection. This process helps employees not only comply with financial product sales process and related regulations but also accustom themselves to presenting objective data or recommendation reasons to customers, contributing to increasing the quality of customer consultation.

Our efforts for preventing incomplete sales resulted in ranking 3rd in comprehensive level and 1st in branch mystery shopping sector at the fund seller evaluation (a total of 28 companies) hosted by the Korea Financial Investors Protection Foundation in 2019. In addition, we were selected as the best fund seller at the 11th Asia Fund Award co-hosted by Asia Economic Daily and FnGuide on February 13, 2020.

Meritz Securities does not force selling of funds recommended by the headquarters or new product campaigns and reflect the result of selling specific products in merit rating. Instead, in case of launching new products through the deliberation and selection process, our branch staff presents products optimized for customers' investment propensity in accordance with proper sales procedure. Even though there have been critical issues with regard to incomplete sales and specific product sales in the industry, we have been free from them on the strength of efforts for customer-centric sales process.

Employee Training on Financial Consumer Protection

Based on annual training plans for employees, Meritz Securities regularly conducts financial consumer protection trainings (collective training, circuit training for branches, etc.) in order to ensure complete sales process.

In particular, we designate staff dedicated to financial products sales by each branch and provide them with collective trainings on financial consumer protection issues, systems, and regulations every quarter. They share training contents with their colleagues. Like this, the company endeavors to establish the culture of financial consumer protection throughout the company.

Mystery Shopping Program for Promoting Complete Sales

To promote complete sales of financial products, we regularly operate the mystery shopping program at least six times a year. Additional trainings are offered to any branch failed in passing the program to raise their awareness.

Customer Protection Process



Customer protection in the stage of product development

- Inspect checklist of development departments before product launch and make prior consultation with consumer protection departments mandatory
- Make pre-inspection by the general consumer protection officer before offering product explanation materials mandatory
- Make offering of product training materials to employees in accordance with the obligation to research and understand products mandatory



Customer protection in the stage of product sales

- Evaluate real product sales procedure by conducting the in-house mystery shopping program six times a year
- Operate the Happy Call monitoring system for customers to check complete sales



Customer protection in the stage of follow-up service

- Handle complaints by building an integrated complaint management system
- Conduct employee trainings for complaint prevention and publish and distributed related manuals
- Operate the VOC (Voice of Customer) program

Improvement of Financial Accessibility for the Disadvantaged

Meritz Securities strives to help information alienated groups such as the disabled and elderly use our financial services under any conditions and environments without obstacles. Our website certified for web accessibility and the Senior Direct Call service are typical examples. In 2020, we launched the visible ARS service to provide them with easier financial accessibility.

Consultation Counter for the Elderly and Handicapped

In response to increasing demands for financial services for aged investors and improvement of financial accessibility for the disabled, Meritz Securities has established the "Guidelines to Protect Aged Investors" and "Business Manual for the Disabled." Our branches operate consultation counters dedicated to the elderly and handicapped customers where they can receive advices from professional and experienced consultants without inconveniences. In addition, if aged investors want to sign up for popular products designated for the elderly, our consultants further explain about the details of the products as a part of providing additional protection measures. Our consultants participate in collective trainings every quarter and share the contents with all branch employees to encourage them to pay attention to the protection of the aged and disabled investors.

Enhance Customer Satisfaction through Reasonable Complaint Handling Process

At Meritz Securities, customer complaints are handled through the integrated complaint management system. If there are insufficiencies in complaint handling, the company improves the system to prevent recurring similar complaints, implements trainings about those cases, and publishes and distributes complaint handling manuals.

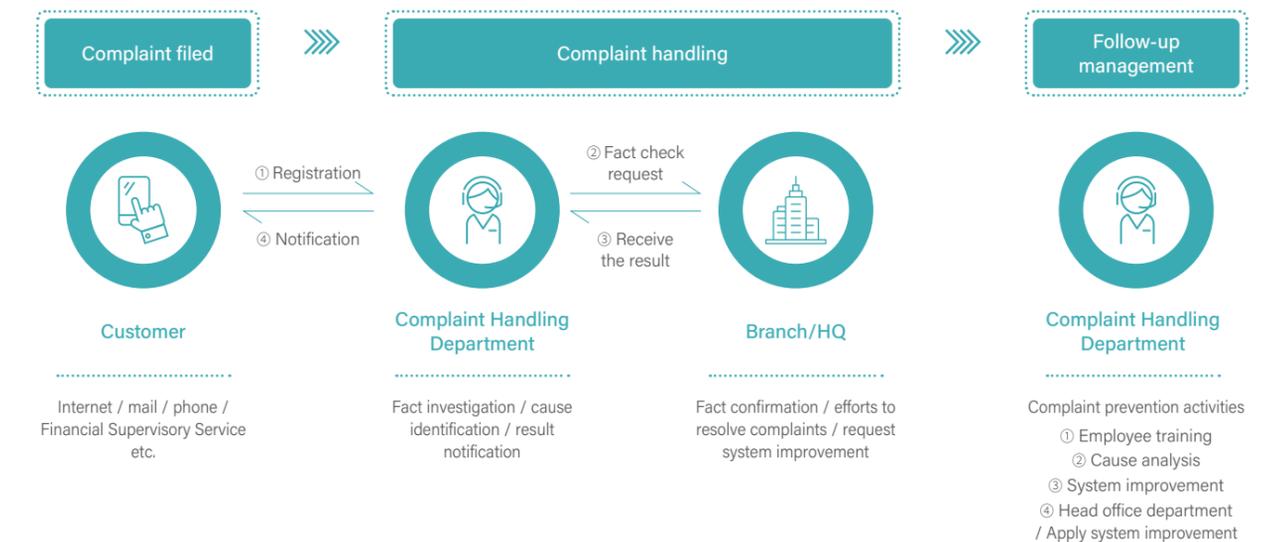
Customer suggestions made through the VOC system are proactively reviewed by designated departments and reflected in our real businesses. In addition, the VOC handling results are shared among all employees, unless there is a special reason, to refer to system improvement.

VOC Handling Status

(Unit: cases)

Classification	2017	2018	2019
VOCs received	72	113	90
VOCs applied and to be applied	34	71	54
Inapplicable VOCs	38	42	36

Complaint Handling Process



ENVIRONMENT

Meritz Securities seeks to enhance environmental and social values through financial businesses. We strive to address environmental issues by expanding interest and investment in renewable energy projects and encourage energy saving through in-house campaigns about environmental behaviors.



Major Performances in 2018 and 2019

 **Energy Saving**

Dramatically reduced the consumption of city gas, electricity, steam, and water by relocating the head office to the IFC Seoul in May 2019

 **40%** ↓

Reduced around 40% in paper consumption per employee compared with the amount before relocation

KRW 420  billion

Invested in renewable energy projects in response to climate change, including solar power plants, biomass plant of SME Energy, and financing for M&A of a waste incineration company by EQ Partners

Environmental Management System

Global climate change is not an issue specific to certain industry groups. It is a common issue that should be addressed by all industries, including the financial business, with social responsibility.

Meritz Securities has also established its environmental management system and strives to reduce greenhouse gas emissions and consumption of energy and resources. Particularly, the company relocated the head office to the IFC Seoul in Yoido, Korea's representative eco-friendly office building, in May 2019 as part of participating in eco-friendly activities.

Creating Green Office

Continuous Reduction of Paper Consumption

Our paper consumption per employee reduced around 40% compared with the amount before relocation, which is attributable to our efforts for employees' proactive participation in the "reusable paper" campaign and structural changes from the introduction of new technologies.

Those include introducing the cloud printing system that automatically deletes unprinted data after a period of time, settling the electronic approval system, and supply of tablet PDs, which contribute to creating a paperless smart working environment. As for works that deal with customers, we strive to encourage employees to change their process toward reducing paper consumption gradually.

Paper Consumption

Classification	(Unit: ton)		
	2017	2018	2019
Paper consumption	55	33	33



Energy Saving by Relocating the Head Office

Due to the nature of the financial business, most of energy consumption is related to the operation of office buildings. Therefore, the amount of energy consumption can vary with the place where we work.

In May 2019, Meritz Securities relocated its head office to the IFC Seoul which received the "Gold" rating of the LEED (Leadership in Energy & Environmental Design) certification. It is the most reputable certification on eco-friendly buildings in the world. The IFC Seoul demonstrates excellent energy efficiency by using collected rainwater, introducing double-glazed windows with excellent insulating quality, and operating the ice thermal heating and cooling system using cheap midnight electricity.

In reality, our consumption of city gas, electricity, steam, and water has dramatically reduced after the relocation, which is attributable to our efforts for energy saving as well as the high energy efficiency of the building. We decreased the size of our office space by around 20% by rearranging furnishings and saved energy by sharing lounge space equipped with refrigerator, water purifier, and coffee machine as well as meeting rooms. Moreover, we installed program switches that automatically turn off whole lights after certain hours, reducing standby power and prevent waste of electricity.



Energy Consumption

Classification		2017	2018	2019
Direct	City gas (GJ)	2,618	2,511	1,579
	Gasoline (GJ)	3,031	2,536	1,909
	Diesel (GJ)	9	10	11
Indirect	Electricity (GJ)	14,011	13,255	10,877
	Steam (GJ)	3,952	3,702	1,851
Total		23,621	22,014	16,227

GHG Emissions

Greenhouse gas	2017	2018	2019
Direct emissions (Scope1) tCO ₂ _eq	341.1	305.6	213.0
Indirect emissions (Scope2) tCO ₂ _eq	2,025.6	1,716.7	1,157.8

Development of Eco-friendly Financial Products and Services

Meritz Securities contributes to growing the eco-friendly businesses by selling renewable energy and clean energy investment products worth over KRW 20 billion.

Type	Fund name	Date of initiation	Features
Private	Shinhan BNPP, Private Asset Investment Trust in Green Energy [Infrastructure Business]	2017.06	Investment in offshore solar power generation projects
Public	Hanhwa, Quarterly dividend-type Energy Infra MLP Special Asset Investment Company	2014.01	Investment in infrastructure assets (MLP) in terms of shale energy in U.S. * Generally, MLPs (Master Limited Partnership) invest in midstream (energy infrastructure) projects and they are listed on the NYSE and NASDAQ
Public	Korea Investment, U.S. MLP Special Asset Investment Trust	2014.06	Investment in MLPs and quarterly dividend based on revenues from infrastructure asset operation
Public	HDC, Good Corporate Governance Equity Investment Trust (stock)	2019.03	Investment in companies dedicated to ESG initiative

Investment in Eco-friendly Projects

Meritz Securities' environmental leadership and response to climate change go beyond just passive activities such as energy saving. We are proactive in investing in new and renewable energy projects by capitalizing our strengths as a financial company. We will continue to expand investment opportunities and scale, thereby contributing to the growth of local communities.

Participation in Solar Power Generation Projects through Partnerships

In April 2019, Meritz Securities signed a contract for jointly developing a small scale ESS-connected solar power generation project with Korea Western Power, The-K Non-life Insurance, and Soul Energy. Korea Western Power contributes to swiftly operating the solar power facilities by purchasing the REC (Renewable Energy Certificate), while The-K Non-life Insurance supplies CMI (Comprehensive Machinery Insurance) and Business Interruption Insurance for this project. Soul Energy, specialized in new and renewable energy, is the leader of this project. Meritz Securities supplied facility and working capital to a total of 9 solar power projects including the Daedeok Plant #3 & 4 in July 2019. We will contribute to reducing carbon dioxide and GHG emissions through active participation in solar power generation projects.

Investment in Gunjang Biomass Power Plant

Meritz Securities invested in the Korea's largest biomass power plant that generates some 100MW of electricity located in the second Gunsan National Industrial Complex. Upon the completion, the biomass power plant is expected to reduce harmful pollutants including fine dust despite high productivity as it uses high-efficiency and entirely eco-friendly fuels such as wood pellet.



Participation in the M&A of Waste Handling Companies by EQ Partners

Meritz Securities became an investor in the M&A of E-Medi One, a medical waste handler in Jeollanam-do, and City Environment, a waste handler in Yeongcheon, Gyeonggi-do, by EQ Partners, a PEF asset management firm. Currently, the rate of facility operation exceeds 96% in medical waste (15 companies) and 96% in industrial waste across the nation. Increasing social interest in environment also brings about social requirements on eco-friendly treatment of industrial waste. As demand for industrial waste treatment is expected to continuously grow, the company intends to supply capital to this sector.

Details of Environmental Investments

Project	Date	Investment (KRW in billions)	Remark
Solar power including Daedeok #3 & 4	Jul. 2019	12.4	Construction and operation of solar power plants by Korea Western Power and private consortium
M&A of waste handling companies by EQ Partners	Oct. 2019	49.5	Financing for the M&A of medical waste and industrial waste handling firms
Baekseok solar power	Oct. 2019	8.0	Construction and operation of solar power plants by Korea Western Power and private consortium
Waste landfill construction in Yeongnam	Nov. 2019	30.0	Construction and operation of waste landfill sites in Geomdan Industrial Complex, Gyeongju-si, Gyeongsangbuk-do
Solar power in Gahwa and Maejeon	Dec. 2019	14.7	Construction and operation of solar power plants by Korea Western Power and private consortium
Biomass power by SMG Energy	Dec. 2019	312.0	Construction and operation of a biomass power plant in Gunjang National Industrial Complex, Gunsan, Jeollabuk-do
Solar power including Daesin # 1 & 2	Jan. 2020	11.7	Construction and operation of solar power plants by Korea Western Power and private consortium



LOCAL COMMUNITIES

Meritz Securities contributes to the development of local communities through employees' voluntary social contribution activities. All our employees are committed to sharing love with neighbors to build a better place where each of us gets happier.



Major Performances in 2018 and 2019



Operation of Meritz Securities University once or twice a year since 2014



Time spent on social contribution
2018: 1,332 hours, 2019: 1,524 hours



Investment in ventures, startups, and SMEs
2018: KRW 114.4 billion, 2019: KRW 121.5 billion

Social Contribution Reflecting the Characteristics of Financial Business

Meritz Securities University

Meritz Securities strives for educations of general investors with less knowledge and experience than professional investors. For example, Gangnam Finance Center has been running the Meritz Securities University for general investors once or twice a year since 2014. The Meritz Securities University celebrated its 9th session in 2019. This program has helped participants be equipped with even expertise as well as basic theory in terms of securities investment by focusing on practical trading techniques beyond theory education. By doing so, we expect the participants who complete the course to gain profits in real stock market and lead the culture of healthy investment. To this end, excellent branch staff give lectures on their investment knowhow such as selecting promising stocks, organizing and operating stock portfolio, and efficiently managing risks.

Meritz Cham Sarang Volunteer Group

Meritz Securities organized the Cham Sarang Volunteer Group in August 2007 as part of its social contribution to bring and share small love together. Major activities are conducted with diverse themes such as caring babies of single mothers, operating the beautiful shop, and making bread of love. Both our employees and their family members can participate in volunteer services. An average of over 30 persons – employees and their family members – join the monthly social contribution activities.

Meritz Cham Sarang Volunteer Group has implemented volunteer works 179 times until now and donated around KRW 469 million to the underprivileged. In recognition of our social contribution activities, the volunteer group won the "2nd Korea's Happiness Sharing Social Contribution Awards (low income & alienated class sector)" in 2014 and the "19th Senior Citizen's Memorial" in 2015.



Briquette Sharing of Love

In every winter, our employees and their family members participate in delivering coal briquettes to the disadvantaged. The event, held twice in every winter, is the most popular volunteer service. In October and December 2019, more than 40 employees delivered 200 briquettes to each household (a total of 11 households) in Jeongneung and Sanggye-dong, Seoul.

Free Meal Service at the "Nest of Sharing"

Meritz Securities supports a soup kitchen named "Nest of Sharing" to prevent the underprivileged from missing meals. Nest of Sharing, located in Enpyeong-gu, Seoul, is a non-profit volunteer group operating a soup kitchen and study room. They provide free meal service in lunch time all the year round to senior citizens who live alone, homeless people, poorly fed children, and the disabled in local areas. The company makes regular donations every month and employees visit the place twice a year for volunteer works such as cooking, food distribution, dishwashing, and cleaning.



Major Volunteer Service Place

- Mapo Senior Citizen Welfare Center: Special gifts at holidays and birthday party
- Nest of Sharing: Support for soup kitchen
- Salvation Army Duri Home: Caring babies of single mothers
- Beautiful store: Donation of products and sales revenue
- Love House: Making Kimchi
- Coal Briquettes for Neighbors in Korea: Delivery of coal briquettes
- The Greem: Making beautiful town by drawing murals
- Purme Foundation: Support for social farm aimed for job creation of the developmentally challenged



Delivery of Gifts to Senior Citizens Who Live Alone at Traditional Holidays

Our employees visit Mapo Senior Citizen Welfare Center at every Lunar New Year's Day and Chuseok in order to deliver special gifts to senior citizens who live alone. They also play a role as companions of the senior citizens even for a while and check their health conditions. This event helps our employees have heart-warming experiences as well.

Details of Social Contribution

Year	Donation (KRW in millions)	Participants (persons)	Volunteering works (hours)
CY 2019	63	381	1,524
CY 2018	56	333	1,332
CY 2017	64	338	1,352
CY 2016	61	330	1,320
CY 2015	54	226	904



Investment in Ventures, Start-ups, and SMEs with New Technologies

Autonomous driving, AI, and big data are core technologies leading the era of the 4th Industrial Revolution. In the future, the success or failure of a financial company may depend on the ability that can find out and preemptively invest in hidden champions with promising technologies in terms of the 4th Industrial Revolution.

To this end, Meritz Securities organized the New Technology Financing Team in order to enhance the investment in ventures, startups, and SMEs who are developing or commercializing such new technologies.

We have invested KRW 114.4 billion in 49 technologies in 2018 and KRW 121.5 billion in 59 technologies in 2019. Only in January and February 2020, a total of KRW 8.7 billion was invested in 6 technologies.

Going forward, we will strive to find out promising hidden champions by capitalizing on industry-leading risk management system. If targets are developed, the company will apply differentiated investment portfolio in line with their growth stage ranging from initial investment to listing, mezzanine financing, and capital increase by third party allotment. By doing so, Meritz Securities will contribute to healthy development of related industrial ecosystem beyond pursuing profits.

Investment in Promising Ventures, Startups, and SMEs

Classification	2018	2019	2020 (Jan.~Feb.)
Number of items	49	59	6
Amount (KRW in billions)	114.4	121.5	8.7

Socially Contributable Financing

Socially Responsible Investment

A lot of recent studies have proved that socially responsible companies create excellent financial performances as well. Meritz Securities has sold SRI (Socially Responsible Investment)-driven public funds since 2006.

In early stage, the fund had primarily been invested in good-hearted companies with higher ethics and integrity in accordance with the conventional SRI models. In 2017, we launched a new fund aimed at investing in companies excellent in shareholder return policy and corporate governance. The company will continue to develop and supply funds to be invested in companies with sustainable business models.

Support for Enhancing the Competitiveness of Key Businesses

The Korea-Japan conflict in 2019 showed that Korea's flagship industries had heavily depend upon Japanese materials, parts, and equipment. In response, the government declared for cultivating materials, parts, and equipment sectors to further strengthen the competitiveness of flagship industries. Most related companies also positively responded.

Moreover, there are growing demands for investment in those sectors in the financial business. In response to this trend, Meritz Securities sold a public fund for materials, parts, and equipment sectors named "Sobujang (initials of three sectors in Korean)" which was launched by collaboration of a lot of asset management firms under the leadership of Korea Financial Investment Association and Korea Growth Investment Corporation in early 2020. Despite the restriction on resale for four years after being raised, this fund succeeded in attracting long-term capital from investors on the strength of their expectations on steadfast growth of Korea's flagship industries and stronger national competitiveness.

APPENDIX



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Awards &
Participants in This Report

Sustainability Performance Data

Creation and Distribution of Economic Value

(Unit: KRW 100 million)

1) Value Creation

Classification	2017	2018	2019
Total assets	234,506	311,618	381,099
Operating income	4,436	5,323	6,799
Net income	3,552	4,338	5,546
ROE (%)	13.7	12.8	14.8
Dividend propensity (%)	36.7	32.5	24.7

2) Value Distribution

Classification	2017	2018	2019
Employees	2,989	3,656	3,471
Local communities	5.90	2.12	1.95
Government/local governments	1,111	1,554	2,124
Shareholders/investors	1,288	1,394	1,357

Retirement Pension Program

(Unit: KRW 100 million, persons)

Classification	2017	2018	2019
DB-type AUM	149	180	201
DC-type AUM	230	278	345
Number of subscribers (DB)	778	763	742
Number of subscribers (DC)	414	431	428

Training on Anti-corruption

(Unit: persons, hours)

Classification	2017	2018	2019
Number of participants (online)	1,437	1,439	1,452
Number of participants (offline group)	126	696	729
Time spend on training (online)	2,886	2,993	3,021
Time spend on training (offline group)	40	650	750

Illegality or Corruption

(Unit: cases)

Classification	2017	2018	2019
Number of whistle blows reported	-	1	2
Number of whistle blower protection cases reported	-	-	-

Law Materials Consumption

(Unit: ton)

Classification	2017	2018	2019
Law materials consumption	55	33	33

Energy Consumption

(Unit: GJ)

Classification	2017	2018	2019
City gas	2,618	2,511	1,579
Gasoline	3,031	2,536	1,909
Diesel	9	10	11
Electricity	14,011	13,255	10,877
Steam	3,952	3,702	1,851
Total	23,621	22,014	16,227

Water Consumption

(Unit: m³)

Classification	2017	2018	2019
Water consumption	21,560	21,053	14,588

GHG Emissions

(Unit: tCO₂-eq)

Classification	2017	2018	2019
Direct emissions (Scope 1)	341.1	306.6	213.0
Indirect emissions (Scope 2)	2025.6	1716.7	1157.8

※ At Meritz Securities, there was no emission of ozone layer-depleting substances, NOx, SOx, and critical air pollutants due to the nature of its business.

Waste Emissions

(Unit: L)

Classification	2017	2018	2019
General waste	264,000	27,000	24,180

※ At Meritz Securities, there was no emission of harmful substances due to the nature of its business.

Employment Status

(Unit: persons)

Classification	2017	2018	2019
Total number of employees (male)	1,067	1,065	1,035
Total number of employees (female)	373	386	396
Number of new employees (male)	205	208	227
Number of new employees (female)	73	104	113
Turnover rate (%)	22.0	22.0	25.0
Employees without fixed term	534	574	533
Employees with fixed term	905	877	898
Employee diversity (disabled)	19	18	15
Employee diversity (female, %)	25.9	26.7	27.8
Union membership rate (%)	83.8	81.1	80.5

※ Union membership rate is based on the number of employees eligible for the union.

Use of Childbirth and Childcare Leave

(Unit: persons)

Classification	2017	2018	2019
Number of male employees who used childcare leave	2	1	-
Number of female employees who used childcare leave	17	19	11
Male employees who have been working for over 12 months after returning to work (%)	-	-	-
Female employees who have been working for over 12 months after returning to work (%)	-	61	-
Number of employees who used childbirth leave	17	16	16

Industrial Accident

Classification	2017	2018	2019
Industrial accident rate (%)	-	-	-
Number of victims - including fatality (persons)	-	-	-
Number of work loss days (days)	-	-	-

※ There was no penalty or sanction in terms of violations of environmental regulations.

Training and Education

Classification	2017	2018	2019
Time spent on training per employees (hours)	2	4	3
Training expense per employees (KRW)	58,420	53,250	72,931
Total time spent on training (hours)	2,290	5,514	4,129
Total training expense (KRW in millions)	84	77	104

Evaluation and Compensation

(Unit: persons, %)

Classification	2017	2018	2019
Number of employees to receive regular performance evaluation	1,053	1,065	1,071
Number of employees who received regular performance evaluation	1,053	1,065	1,071
Ratio of employees who completed regular performance evaluation	100	100	100
Salary ratio (Female to Male)	54	51	53

VOC Reception and Treatment

(Unit: cases)

Classification	2017	2018	2019
VOC received	72	113	90
VOC treated or to be treated	34	71	54
VOC that cannot be treated	38	42	36

Sactions

Classification	2017	2018	2019
Penalty (KRW in millions)	55	396	9
Number of non-monetary sactions (case)	-	1	-

Flexible Working System

(Unit: persons)

Classification	2017	2018	2019
Number of employees who used flex-time work system	-	2	4

Human Rights Violation

(Unit: cases)

Classification	2017	2018	2019
Number of reports on discriminations	-	-	-
Child labor	-	-	-
Forced laboe	-	-	-
Violation of indigenous people's human rights	-	-	-

※ Meritz Securities prohibits child labor, forced labor violation of indigenous people's human rights in principle.

GRI Index

Topic	Disclosure	Page	Verified
GRI 102: General Disclosure			
Organization Profile			
102-1	Name of the organization	○	8,9 ○
102-2	Activities, brands, products, and services	○	10, 11 ○
102-3	Location of headquarters	○	8 ○
102-4	Location of operations	N/A	○
102-5	Ownership and legal form	○	8 ○
102-6	Markets served	○	10, 11 ○
102-7	Scale of the organization	○	8,9,76,77 ○
102-8	Information on employees and other workers	○	8,64 ○
102-9	Supply chain	X	○
102-10	Significant changes to the organization and its supply chain	○	6,8,10,11 ○
102-11	Precautionary principle or approach	X	○
102-12	External initiatives	X	○
102-13	Membership of associations	X	○
Strategy			
102-14	Statement from senior decision-maker	○	4,5 ○
102-15	Key impacts, risks, and opportunities	○	28,29 ○
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	○	12,13 ○
102-17	Mechanisms for advice and concerns about ethics	○	21,22,23 ○
Governance			
102-18	Governance structure	○	16,17 ○
102-19	Delegating authority	X	○
102-20	Executive-level responsibility for economic, environmental, and social topics	X	○
102-21	Consulting stakeholders on economic, environmental, and social topics	X	○
102-22	Composition of the highest governance body and its committees	○	16,17 ○
102-23	Chair of the highest governance body	○	16,17 ○
102-24	Nominating and selecting the highest governance body	○	18 ○
102-25	Conflicts of interest	X	○
102-26	Role of highest governance body in setting purpose, values, and strategy	○	18 ○
102-27	Collective knowledge of highest governance body	X	○
102-28	Evaluating the highest governance body's performance	○	18 ○
102-29	Identifying and managing economic, environmental, and social impacts	○	18 ○
102-30	Effectiveness of risk management processes	○	24,25 ○
102-31	Review of economic, environmental, and social topics	○	24 ○
102-32	Highest governance body's role in sustainability reporting	○	16 ○
102-33	Communicating critical concerns	○	25 ○

Topic	Disclosure	Page	Verified
102-34	Nature and total number of critical concerns	X	○
102-35	Remuneration policies	○	18 ○
102-36	Process for determining remuneration	X	○
102-37	Stakeholders' involvement in remuneration	○	38 ○
102-38	Annual total compensation ratio	X	○
102-39	Percentage increase in annual total compensation ratio	X	○
Stakeholder Engagement			
102-40	List of stakeholder groups	○	20 ○
102-41	Collective bargaining agreements	○	39 ○
102-42	Identifying and selecting stakeholders	○	20 ○
102-43	Approach to stakeholder engagement	○	18,19,20,24,26,39,44,47 ○
102-44	Key topics and concerns raised	○	26 ○
Reporting Practice			
102-45	Entities included in the consolidated financial statements	○	8 ○
102-46	Defining report content and topic Boundaries	○	28,29 ○
102-47	List of material topics	○	27,28,29 ○
102-48	Restatements of information	○	1,28,29 ○
102-49	Changes in reporting	○	28,29 ○
102-50	Reporting period	○	1 ○
102-51	Date of most recent report	○	1 ○
102-52	Reporting cycle	○	1 ○
102-53	Contact point for questions regarding the report	○	1 ○
102-54	Claims of reporting in accordance with the GRI Standards	○	1 ○
102-55	GRI content index	○	66,67,68,69,70 ○
102-56	External assurance	○	78,79 ○
Management Approach			
103-1	Explanation of the material topic and its Boundary	○	26,27 ○
103-2	The management approach and its components	○	28,29 ○
103-3	Evaluation of the management approach	○	28,29 ○
GRI 200 Economy Topics			
Economic Performance			
201-1	Direct economic value generated and distributed	○	32,33 ○
201-2	Financial implications and other risks and opportunities due to climate change	X	○
201-3	Defined benefit plan obligations and other retirement plans	○	37,62 ○
201-4	Financial assistance received from government	X	○
Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	N/A	○
202-2	Proportion of senior management hired from the local community	X	○

Topic	Disclosure	Page	Verified
Indirect Economic Impacts			
203-1 Infrastructure investments and services supported	○	52,53	○
203-2 Significant indirect economic impacts	X		○
Procurement Practices			
204-1 Proportion of spending on local suppliers	N/A		○
Anti-corruption			
205-1 Operations assessed for risks related to corruption	N/A		○
205-2 Communication and training about anti-corruption policies and procedures	○	22,23	○
205-3 Confirmed incidents of corruption and actions taken	X		○
Anti-competitive Behavior			
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	○	65	○
GRI 300 Environmental Topics			
Materials			
301-1 Materials used by weight or volume	○	63	○
301-2 Recycled input materials used	X		○
301-3 Reclaimed products and their packaging materials	N/A		○
Energy			
302-1 Energy consumption within the organization	○	63	○
302-2 Energy consumption outside of the organization	X		○
302-3 Energy intensity	X		○
302-4 Reduction of energy consumption	○	63	○
302-5 Reductions in energy requirements of products and services	N/A		○
Water			
303-1 Water withdrawal by source	○	63	○
303-2 Water sources significantly affected by withdrawal of water	N/A		○
303-3 Water recycled and reused	N/A		○
303-4 Water discharge	N/A		○
303-5 Water consumption	N/A		○
Biodiversity			
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A		○
304-2 Significant impacts of activities, products, and services on biodiversity	N/A		○
304-3 Habitats protected or restored	N/A		○
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A		○
Emissions			
305-1 Direct (Scope 1) GHG emissions	○	50,63	○
305-2 Energy indirect (Scope 2) GHG emissions	○	50,63	○
305-3 Other indirect (Scope 3) GHG emissions	X		○

Topic	Disclosure	Page	Verified
305-4 GHG emissions intensity	X		○
305-5 Reduction of GHG emissions	○	50	○
305-6 Emissions of ozone-depleting substances (ODS)	○	63	○
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	○	63	○
Effluents and Waste			
306-1 Water discharge by quality and destination	X		○
306-2 Waste by type and disposal method	○	63	○
306-3 Significant spills	○	63	○
306-4 Transport of hazardous waste	○	63	○
306-5 Water bodies affected by water discharges and/or runoff	○	63	○
Environmental Compliance			
307-1 Non-compliance with environmental laws and regulations	○	64	○
Supplier Environmental Assessment			
308-1 New suppliers that were screened using environmental criteria	X		○
308-2 Negative environmental impacts in the supply chain and actions taken	X		○
GRI 400 Social Topic			
Employment			
401-1 New employee hires and employee turnover	○	35,64	○
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	○	36,37,38,64	○
401-3 Parental leave	○	37,64	○
Labor/Management Relations			
402-1 Minimum notice periods regarding operational changes	X		○
Occupational Health and Safety			
403-1 Workers representation in formal joint management-worker health and safety committees	X		○
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	○	38,64	○
403-3 Workers with high incidence or high risk of diseases related to their occupation	X		○
403-4 Health and safety topics covered in formal agreements with trade unions	X		○
403-5 Worker training on occupational health and safety	○	38,64	○
403-6 Promotio of worker health	○	38	○
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	○	38,64	○
403-8 Workers covered by an occupational health and safety management system	○	38,39	○
403-9 Work-related injuries	X		○
403-10 Work-related ill health	○	38	○
Training and Education			
404-1 Average hours of training per year per employee	○	64	○
404-2 Programs for upgrading employee skills and transition assistance programs	○	36	○
404-3 Percentage of employees receiving regular performance and career development reviews	○	38,65	○

Financial Statements

Topic	Disclosure	Page	Verified
Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	35,64	○
405-2	Ratio of basic salary and remuneration of women to men	38,65	○
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	65	○
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		○
Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	65	○
Forced or Compulsory Labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	65	○
Security Practices			
410-1	Security personnel trained in human rights policies or procedures		○
Rights of Indigenous People			
411-1	Incidents of violations involving rights of indigenous peoples	65	○
Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments		○
412-2	Employee training on human rights policies or procedures	38	○
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		○
Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs		○
413-2	Operations with significant actual and potential negative impacts on local communities		○
Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria		○
414-2	Negative social impacts in the supply chain and actions taken		○
Public Policy			
415-1	Political contributions		○
Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	N/A	○
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	N/A	○
Marketing and Labeling			
417-1	Requirements for product and service information and labeling	45,46	○
417-2	Incidents of non-compliance concerning product and service information and labeling		○
417-3	Incidents of non-compliance concerning marketing communications		○
Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		○
Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	65	○

Consolidated Statements of Financial Position

48th: As of December 31, 2019
47th: As of December 31, 2018

Classification	48th	47th
[Assets]		
1. Cash and due from banks	2,102,864,141,173	1,944,296,436,541
2. Financial assets measured at FVTPL	18,565,092,602,206	12,700,429,817,512
3. Financial assets measured at FVOCI	421,091,309,685	810,410,340,130
4. Investments in associates and joint ventures	1,529,332,154,570	595,164,466,870
5. Loans	12,771,177,829,513	12,653,434,325,387
6. CMA	1,998,003,654	4,995,323,669
7. Lease assets	1,309,898,615,733	1,211,786,123,164
8. Property and equipment	46,831,735,852	93,967,367,681
9. Investment property	9,504,251,567	12,046,100,209
10. Intangible Assets	36,495,895,181	35,796,484,468
11. Defined benefit assets	127,097,420	1,143,160,806
12. Tax assets	143,753,532,493	97,708,830,620
13. Other assets	1,171,770,220,781	1,000,632,279,886
Total assets	38,109,937,389,828	31,161,811,056,943
[Liabilities]		
1. Deposits	2,326,563,911,301	2,424,276,423,979
2. Financial liabilities measured at FVTPL	7,338,967,234,442	5,841,958,993,868
3. Borrowings	22,732,741,219,741	18,252,819,343,103
4. Provisions	27,390,219,236	15,938,750,910
5. Tax liabilities	159,644,294,140	75,835,137,379
6. Other liabilities	1,505,351,203,184	1,077,869,139,730
Total liabilities	34,090,658,082,044	27,688,697,788,969
[Equity]		
1. Issued capital	717,488,890,000	717,488,890,000
2. Hybrid bond	199,909,080,000	-
3. Capital surplus and adjustments	1,406,942,024,216	1,406,151,364,236
4. Accumulated other comprehensive income	87,400,406,570	79,358,925,432
5. Retained earnings	1,507,794,406,998	1,170,369,588,306
Equity attributable to equity holder of the parent	3,919,534,807,784	3,373,368,767,974
Non-controlling shareholders' equity	99,744,500,000	99,744,500,000
Total equity	4,019,279,307,784	3,473,113,267,974
Total liabilities and equity	38,109,937,389,828	31,161,811,056,943

Consolidated Statements of Comprehensive Income

48th: For the years ended December 31, 2019

47th: For the years ended December 31, 2018

Meritz Securities Co., Ltd. and its subsidiaries

(Unit: KRW)

Classification	48th	47th
I . Operating revenue	11,912,586,454,395	8,739,417,969,483
1. Commission income	468,405,942,104	434,808,928,316
2. Gain on valuation and disposal of financial instruments	1,427,909,503,156	1,610,808,451,758
3. Gain on derivative valuation and transactions	7,405,788,870,187	4,657,454,443,130
4. Interest income	1,209,480,927,183	1,044,097,172,820
5. Gain on valuation and disposal of loans	23,105,014,492	3,602,477,527
6. Gain on foreign exchange transactions	929,592,663,102	680,811,006,875
7. Lease income	129,130,633,908	104,985,986,252
8. Others	319,172,900,263	202,849,502,805
II . Operating expenses	(11,232,644,482,046)	(8,207,068,818,928)
1. Commission expenses	(63,370,695,229)	(66,295,085,604)
2. Loss on valuation and disposal of financial instruments	(2,159,236,851,825)	(1,428,145,712,392)
3. Loss on derivative valuation and transactions	(6,763,111,684,041)	(4,861,648,762,956)
4. Interest expenses	(503,106,239,710)	(402,206,621,074)
5. Loss on valuation and disposal of loans	(93,785,025,439)	(76,817,446,031)
6. Loss on foreign exchange transactions	(858,962,613,718)	(681,752,914,307)
7. General and administrative expenses	(478,798,224,157)	(502,072,660,405)
8. Lease expense	(67,396,576,563)	(52,936,802,522)
9. Others	(244,876,571,364)	(135,192,813,637)
III . Operating income	679,941,972,349	532,349,150,555
IV . Other income	113,073,380,665	84,924,373,675
V . Other expenses	(26,008,603,856)	(28,051,076,186)
VI . Income before income taxes	767,006,749,158	589,222,448,044
VII . Income tax expense	(212,420,667,107)	(155,399,424,383)

(Unit: KRW)

Classification	48th	47th
VIII . Net income	554,586,082,051	433,823,023,661
IX . Other comprehensive income	8,632,784,978	(3,650,123,961)
Items that will not be reclassified subsequently to profit or loss		
1. Gain on valuation of equity securities measured at FVOCI	11,514,467,192	1,692,989,507
2. Gain on disposal of equity securities measured at FVOCI	462,146,412	-
3. Gain on valuation of financial liabilities designated as measured at FVTPL	(133,867,214)	114,348,316
4. Remeasurement gain (loss) on defined benefit plan	(345,467,950)	(571,212,970)
Items that may be reclassified subsequently to profit or loss		
1. Gain on valuation of debt securities measured at FVOCI	(2,541,362,953)	(4,959,699,979)
2. Exchange differences on translation of foreign operations	(323,130,509)	73,451,165
X . Total comprehensive income	563,218,867,029	430,172,899,700
XI . Net income attributable to	554,586,082,051	433,823,023,661
1. Controlling interests	548,983,180,141	428,231,339,603
2. Non-controlling interests	5,602,901,910	5,591,684,058
XII . Other comprehensive income attributable to	8,632,784,978	(3,650,123,961)
1. Controlling interests	8,632,784,978	(3,650,123,961)
2. Non-controlling interests	-	-
XIII . Comprehensive income attributable to	563,218,867,029	430,172,899,700
1. Controlling interests	557,615,965,119	424,581,215,642
2. Non-controlling interests	5,602,901,910	5,591,684,058
XIV . Earnings per share attributable to controlling interests		
1. Basic earnings per share	924	708
2. Diluted earnings per share	840	641

Consolidated Changes in Equity

48th: For the years ended December 31, 2019
47th: For the years ended December 31, 2018

Meritz Securities Co., Ltd. and its subsidiaries

(Unit: KRW)

Classification	Issued capital	Hybrid bond	Capital surplus	Accumulated other comprehensive income	Retained earnings	Non-controlling shareholders' equity	Total
As of January 1, 2018	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
Effect of changes in accounting standards	-	-	-	2,785,730,322	(8,658,903,165)	-	(5,873,172,843)
Dividends	-	-	-	-	(128,798,437,106)	-	(128,798,437,106)
Redemption of convertible callable preferred stock	-	-	-	-	(130,264,047,299)	-	(130,264,047,299)
Total comprehensive income:							
Net income	-	-	-	-	428,231,339,603	5,591,684,058	433,823,023,661
Other comprehensive income:							
Gain (loss) on valuation of equity securities measured at FVOCI	-	-	-	1,692,989,507	-	-	1,692,989,507
Gain (loss) on valuation of debt securities measured at FVOCI	-	-	-	(4,959,699,979)	-	-	(4,959,699,979)
Remeasurements of the net defined benefit liabilities	-	-	-	(571,212,970)	-	-	(571,212,970)
Gain (loss) on valuation of financial liabilities designated as measured at FVTPL	-	-	-	114,348,316	29,954,128	-	144,302,444
Gain (loss) on foreign currency translation	-	-	-	73,451,165	-	-	73,451,165
Allocated expense of stock options	-	-	834,376,814	-	-	-	834,376,814
Dividends paid to hybrid bond	-	-	-	-	-	(5,591,684,058)	(5,591,684,058)
As of December 31, 2018	717,488,890,000	-	1,406,151,364,236	79,358,925,432	1,170,369,588,306	99,744,500,000	3,473,113,267,974
As of January 1, 2019	717,488,890,000	-	1,406,151,364,236	79,358,925,432	1,170,369,588,306	99,744,500,000	3,473,113,267,974
Dividends	-	-	-	-	(139,365,861,096)	-	(139,365,861,096)
Redemption of convertible callable preferred stock	-	-	-	-	(72,783,804,193)	-	(72,783,804,193)
Total comprehensive income:							
Net income	-	-	-	-	548,983,180,141	5,602,901,910	554,586,082,051
Other comprehensive income:							
Gain (loss) on valuation of equity securities measured at FVOCI	-	-	-	11,514,467,192	-	-	11,514,467,192
Gain (loss) on disposal of equity securities measured at FVOCI	-	-	-	-	462,146,412	-	462,146,412
Gain (loss) on valuation of debt securities measured at FVOCI	-	-	-	(2,541,362,953)	-	-	(2,541,362,953)
Remeasurements of the net defined benefit liabilities	-	-	-	(345,467,950)	-	-	(345,467,950)
Gain (loss) on valuation of financial liabilities designated as measured at FVTPL	-	-	-	(263,024,642)	-	-	(133,867,214)
Gain (loss) on foreign currency translation	-	-	-	(323,130,509)	-	-	(323,130,509)
Issue of hybrid bond	-	199,909,080,000	-	-	-	-	199,909,080,000
Allocated expense of stock options	-	-	845,309,780	-	-	-	845,309,780
Expense of converting the convertible callable preferred stock to common stock	-	-	(30,649,800)	-	-	-	(30,649,800)
Expense of capital increase of associated companies	-	-	(24,000,000)	-	-	-	(24,000,000)
Dividends paid to hybrid bond	-	-	-	-	-	(5,602,901,910)	(5,602,901,910)
As of December 31, 2019	717,488,890,000	199,909,080,000	1,406,942,024,216	1,406,942,024,216	1,507,794,406,998	99,744,500,000	4,019,279,307,784

Consolidated Statements of Cash Flows

48th: For the years ended December 31, 2019
47th: For the years ended December 31, 2018

Meritz Securities Co., Ltd. and its subsidiaries

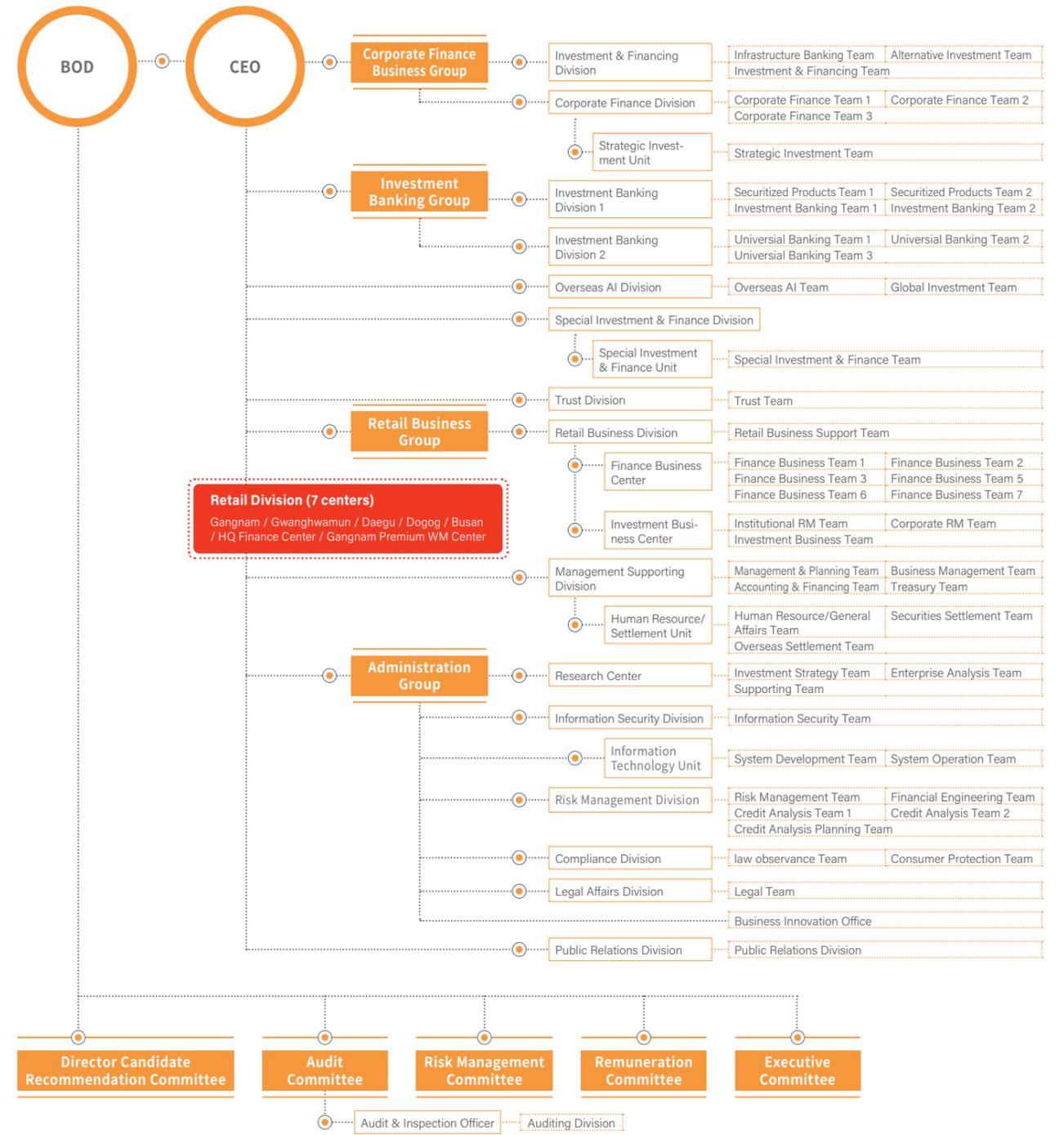
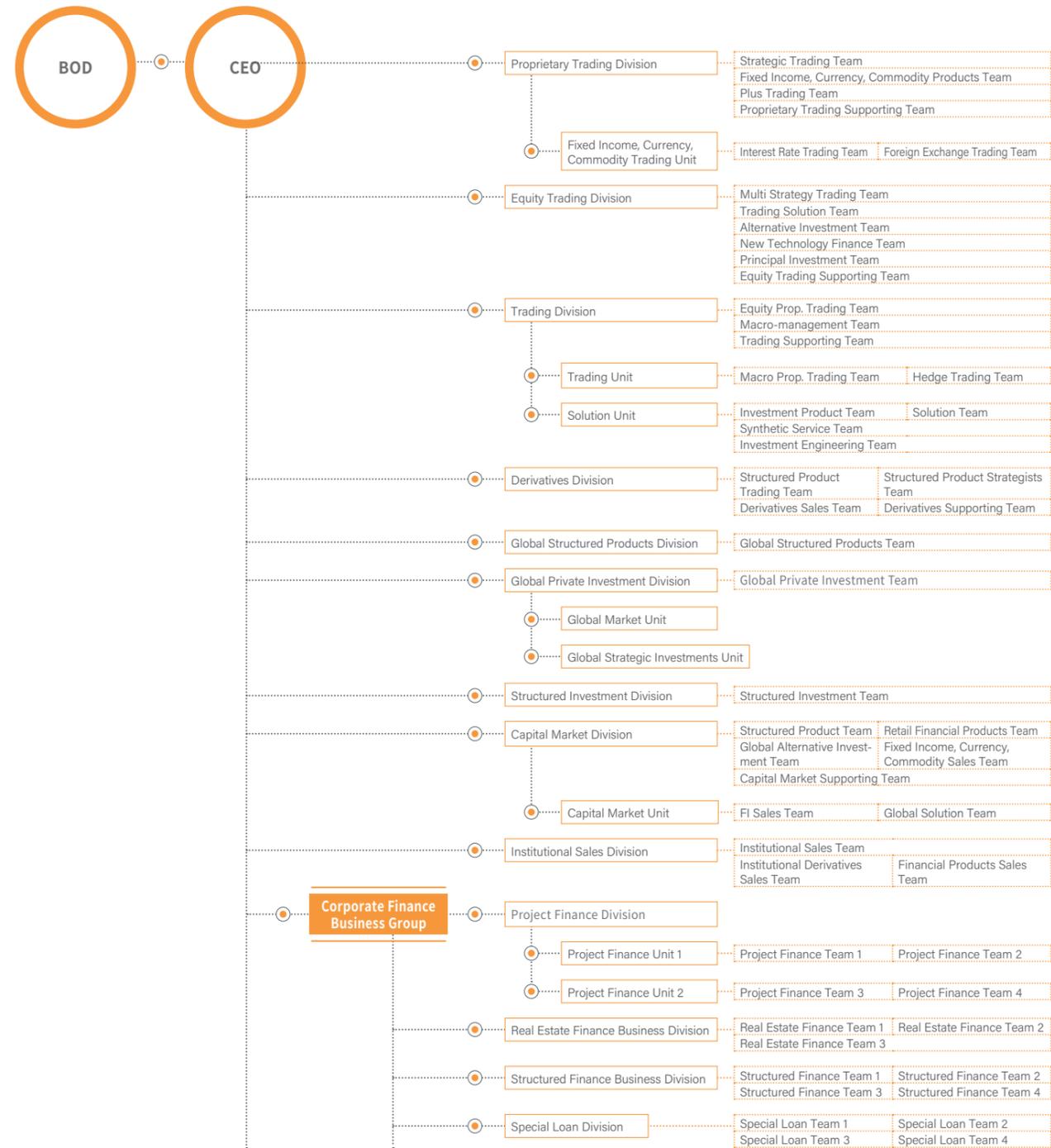
(Unit: KRW)

Clasification	48th	47th
I. Net cash flows used in operating activities	(5,543,680,436,370)	(5,042,663,149,872)
1. Net income before income taxes	767,006,749,158	589,222,448,044
2. Adjustment of non-cash items:		
Loss (gain) on valuation of financial instruments measured at FVTPL	(129,319,751,095)	(15,423,315,742)
Loss (gain) on derivative valuation, net	(215,802,058,797)	189,427,207,795
Loss (gain) on valuation of financial instruments designated as measured at FVTPL	280,192,877,456	(217,621,687,941)
Gain on evaluation of other financial instruments, net	8,839,700	(48,712)
Provision of allowance for doubtful accounts	99,814,791,777	85,775,599,120
Provision of other allowance for doubtful accounts	954,311,277	1,042,652,896
Loss (gain) on foreign currency translation, net	(58,641,683,246)	(5,389,156,948)
Depreciation of property and equipment	14,841,266,583	7,149,819,024
Amortization of intangible assets	3,735,363,217	3,146,677,725
Depreciation expenses on operating lease assets	49,146,887,627	34,525,249,395
Impairment loss on financial assets measured at FVOCI	(2,769,348,640)	(4,615,983,217)
Loss on disposal of financial assets measured at FVOCI	562,651,884	-
Contribution to provision (reversal)	8,807,985,816	7,725,660,945
Provision (reversal) of credit risk adjustments	(2,003,845,375)	(14,742,905,492)
Day 1 profit or loss adjustments (reversal)	(45,552,947,076)	(35,545,835,334)
Post-employment benefit	4,375,114,776	4,202,961,864
Loss (gain) on valuation of incentives	(1,697,327,078)	4,574,969,214
Compensation expenses associated with stock option	27,212,092	(994,467,234)
Loss (gain) on disposal of property and equipment, net	(24,764,852,570)	18,503,007
Loss (gain) on disposal of investment property	(1,888,839,864)	-
Gain on disposal of intangible assets, net	(70,336,830)	-
Gain on disposal of investments in associates, subsidiaries and joint venture, net	(34,680,640,779)	(46,609,587,519)
Gain in equity method	(22,253,713,670)	(16,110,648,203)
Interest income	(1,255,429,426,293)	(1,094,222,072,863)
Interest expense	503,106,239,710	402,206,621,074
Dividend income	(36,379,883,601)	(21,724,137,086)
3. Changes in operating assets and liabilities:		
Cash and due from banks	(151,573,273,068)	(583,092,978,036)
Held-for-trading financial assets with Financial assets at fair value through profit or loss	(5,624,645,284,330)	(2,312,970,030,647)
Loans	(1,665,295,413,683)	(5,055,478,488,126)
CMA	2,995,323,669	(4,940,173)
Lease assets	(150,906,724,044)	(144,988,858,309)
Other assets	(161,614,862,865)	(149,844,781,612)
Due to customers	(87,946,585,449)	(806,825,803,444)
Held-for-trading financial liabilities with Financial liabilities at fair value through profit or loss	1,399,178,208,958	3,462,413,850,724
Provisions	(161,686,110)	(4,553,178)
Defined benefit liabilities	(4,142,981,526)	(6,112,131,749)
Other liabilities	417,615,540,979	191,022,855,127

Clasification	48th	47th
4. Total interest received	1,201,550,196,092	1,013,402,417,536
5. Total interest paid	(485,944,476,960)	(375,526,424,318)
6. Total dividends received	43,852,547,501	19,840,700,630
7. Income tax paid	(177,966,601,693)	(150,512,508,109)
II. Net cash flows provided by (used in) investing activities	(570,952,476,754)	(139,430,298,323)
1. Cash inflow	1,399,296,837,394	2,090,296,455,795
Disposal of financial assets measured at FVOCI	872,692,369,566	1,605,656,862,692
Disposal of investment associates and joint venture	403,081,615,902	437,115,197,639
Receipt of dividends from associates	34,850,007,397	20,476,745,723
Disposal of property and equipment	81,561,400,605	-
Disposal of investment property	4,224,755,324	-
Decrease in intangible assets	1,106,435,000	-
Decrease in guarantee deposits	1,780,253,600	-
Disposal of investments in subsidiaries	-	27,047,649,741
2. Cash outflow	(1,970,249,314,148)	(2,229,726,754,118)
Acquisition of financial assets measured at FVOCI	(468,181,141,687)	(1,390,615,544,137)
Acquisition of investment associates and joint venture	(1,469,286,998,952)	(828,459,264,813)
Acquisition of property and equipment	(16,088,117,218)	(2,911,834,710)
Acquisition of intangible assets	(4,136,099,100)	(3,928,033,700)
Increase in guarantee deposits	(5,261,994,975)	(3,812,076,758)
Acquisition of investments in subsidiaries	(7,294,962,216)	-
III. Net cash provided by financing activities	6,123,104,871,441	5,137,313,672,582
1. Cash inflow	7,907,626,049,288	6,926,044,427,045
Increase in borrowings, net	5,092,457,851,488	3,149,189,666,745
Increase in short-term bonds, net	429,367,076,900	795,230,000,000
Issue of bonds	2,185,892,040,900	2,981,624,760,300
Issue of convertible callable preferred stock	199,909,080,000	-
2. Cash outflow	(1,784,521,177,847)	(1,788,730,754,463)
Redemption of bonds	(1,562,498,954,000)	(1,524,076,586,000)
Dividends paid	(139,365,861,096)	(128,798,437,106)
Redemption of convertible callable preferred stock	(72,783,804,193)	(130,264,047,299)
Dividends paid of hybrid bond	(5,602,901,910)	(5,591,684,058)
Transaction costs on issue of shares	(30,649,800)	-
Transaction costs on issue of subsidiaries shares	(24,000,000)	-
Acquisition of treasury stocks	(4,215,006,848)	-
IV. Net increase in cash and cash equivalents	8,471,958,317	(44,779,775,613)
V. Effect of exchange rate changes on cash and cash equivalents	155,860,844	259,713,890
VI. Cash and cash equivalents at the beginning of the year	981,828,847,155	1,026,348,908,878
VII. Cash and cash equivalents at the end of the year	990,456,666,316	981,828,847,155

Organization Chart

Head Office: 4 groups, 27 divisions, 3 centers, 1 officer, 12 units, 3 chambers, 102 teams
 / Sales Team: 1 division, 7 centers (as of April 13, 2020)



Assurance Statement

To the Readers of 2019 MERITZ Sustainability Report:

Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by of MERITZ to verify the contents of its 2019 MERITZ Sustainability Report (Hereby referred to as "the Report"). MERITZ is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

Scope and standard

MERITZ describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a type2, moderate level of assurance using AA1000AS (2008) and SRV1000 from KMR Global Sustainability Committee as assurance standards. KMR's assurance team(hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the 'Core Option' of GRI Standards which covers the followings.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
 - Management approach of Topic Specific Standards
 - Economic Performance: 201-1, 201-3
 - Market Presence: 202-1
 - Indirect Economic Impacts: 203-1
 - Procurement Practices: 204-1
 - Anti-Corruption: 205-1, 205-2
 - Anti-Competitive Behavior: 206-1
 - Materials: 301-1, 301-3
 - Energy: 302-1, 302-4, 302-5

- Water: 303-1, 303-2, 303-3, 303-4, 303-5
- Biodiversity: 304-1, 304-2, 304-3, 304-4
- Emissions: 305-1, 305-2, 305-5, 305-6, 305-7
- Effluents and Waste: 306-2, 306-3, 306-4, 306-5
- Environmental Compliance: 307-1
- Employment: 401-1, 401-2, 401-3
- Occupational Health and Safety: 403-2, 403-5, 403-6, 403-7, 403-8, 403-10
- Training and Education: 404-1, 404-2, 404-3
- Diversity and Equal Opportunity: 405-1, 405-2
- Non-Discrimination: 406-1
- Child Labor: 408-1
- Forced or Compulsory Labor: 409-1
- Rights of Indigenous Peoples: 411-1
- Human Rights Assessment: 412-2
- Customer Health and Safety: 416-1, 416-2
- Marketing and Labeling: 417-1
- Socioeconomic Compliance: 419-1

This Report excludes data and information of joint corporate, contractor etc. which is outside of the organization, i.e. MERITZ, among report boundaries.

Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows:

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with MERITZ on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

• Inclusivity

Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

- MERITZ is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder MERITZ left out during this procedure.

• Materiality

Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.

- MERITZ is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.

• Responsiveness

Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.

- The assurance team could not find any evidence that MERITZ's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Core Option' of GRI standards.

Recommendation for improvement

We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

Meritz Securities provided a detailed report on corporate governance, an important element in the implementation of sustainable management (including the term of office, hours related to outside director training) and distinguished key and potential issues identified by a systematic materiality assessment. The financial organization is advised to use quantitative data for key achievements in the context of sustainability, further improving the quality of the report.

Our independence

With the exception of providing third party assurance services, KMR is not involved in any other MERITZ's business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

April 29th, 2020

CEO



Awards

(Jan. 2018 ~ Feb. 2020)

FY 2018

Jan. 09	BEST Securities Analyst Award in 2H 2017 (Research Center) - Hankyung Business Weekly
Jan. 16	2018 Maekyung Economy Best Analyst Award (Research Center) - Maekyung Economy Weekly
Jan. 23	23rd Hankyung Star Wars Awards in 2017 (retail staff) - Korea Economic Daily
Jan. 24	Yonhap Infomax Finance Awards (Research Center) - Yonhap Infomax
Feb. 05	BEST ANALYST AWARDS 2017 (Research Center) - Chosun Daily
Feb. 08	2018 Maekyung Securities Awards (won the capital market leader prize) - Maekyung Economic Daily
Jul. 10	BEST Securities Analyst Award in 1H 2018 (Research Center) - Hankyung Business Weekly
Sep. 07	Treasury Bond Market Development Forum and Excellent PD in 1H 2018 (FICC Operation Team) - Ministry of Economy and Finance
Oct. 24	16th Money Today IR Awards (won the Best Prize) - Money Today

FY 2019

Jan. 16	2019 Maekyung Economy Best Analyst Award (Research Center) - Maekyung Economy Weekly
Jan. 17	BEST Analyst Award in 2H 2018 (Research Center) - Hankyung Business Weekly
Jan. 24	8th Yonhap Infomax Finance Awards (Research Center) - Yonhap Infomax
Jan. 31	KRX 2018 Compliance Awards
Feb. 26	7th NEWSPIM Capital Market Awards (Research Center) - NEWPIM
Apr. 18	2019 e-Daily Financial Investment Awards (Derivatives Division) - e-Daily
May 02	2019 Capital Market Awards (Merit Securities won the grand prize) - Herald Economic Daily
Jun. 13	10th Korea Analyst Awards (Research Center) - Money Today
Jul. 02	25th Hankyung Star Wars Awards in 1H 2019 (retail staff) - Korea Economic Daily
Jul. 09	BEST Securities Analyst Award in 1H 2019 (Research Center) - Hankyung Business Weekly
Jul. 29	Korea's Best Report Awards in 1H 2019 (Research Center) - Money Today
Nov. 26	2019 Seoul Economic Daily Securities Awards (Capital Market Division) - Seoul Economic Daily

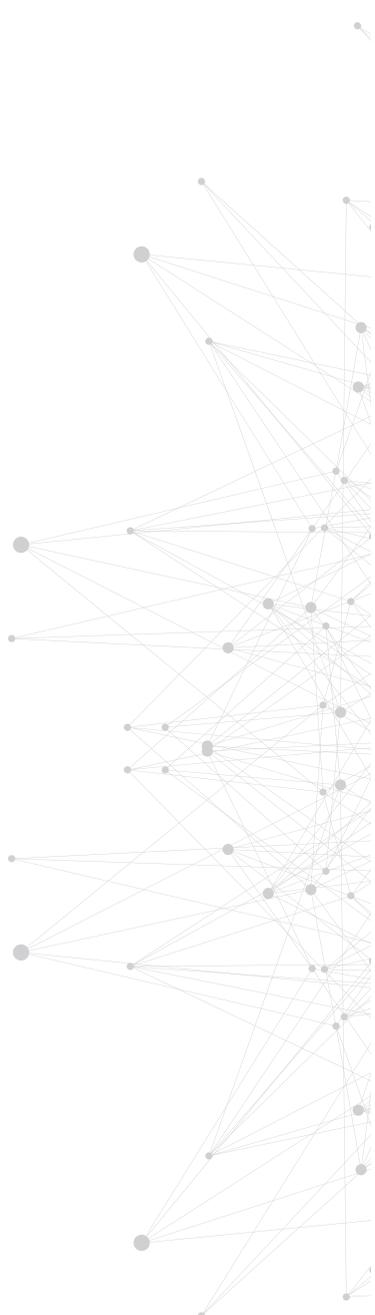
FY 2020

Jan. 15	Hankyung Star Wars Awards in 2H 2019 (retail staff) - Korea Economic Daily
Jan. 22	9th Yonhap Infomax Finance Awards (Research Center) - Yonhap Infomax
Jan. 22	2019 Best Report Awards (Research Center) - Money Today
Feb. 13	11th Asia Fund Awards (Best Fund Seller) - Asia Economic Daily, FnGuide
Feb. 27	2020 Maekyung Securities Awards (IB Division) - Maekyung Economic Daily
Feb. 27	NEWSPIM Capital Market Awards (IB Team #2) - NEWPIM

Participants in This Report

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meritz Securities



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