

MORE THAN JUST GROWING



ABOUT THIS REPORT

Meritz Securities Co., Ltd. published its third Sustainability Report after its second release in 2019. We would like to share our future direction with our stakeholders by transparently disclosing the economic, environmental, and social efforts and achievements through the biannual publication of the “Sustainability Report.”

Reporting principle

This report was drawn up according to the core option of the Global Reporting Initiative (GRI) Standards, the international reporting standards of the sustainability report. It also takes the Sustainability Accounting Standards Board (SASB) standard into consideration to reflect the industry sectors' materiality issues. Moreover, it focuses on reporting important issues that are considered important to internal and external stakeholders through the materiality assessment.

Reporting scope

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

Reporting period

This report contains sustainability management performances from January 1, 2020, through December 31, 2021, and utilized data from the past three years (January 2019 – December 2021) to show historical trends. The reporting period also extended to data from March 2022 on some topics to provide timely information. Both financial and nonfinancial information was prepared based on the fiscal year according to the disclosure system of our company. For information that does not follow the above standards, separate notes were added.

Third-party assurance

We commissioned the Korea Management Registrar (KMA) to conduct a third-party quality-assurance check on content according to AA1000AS Type II, the international assurance standard that aims to publish an objective and fair report that can be trusted by stakeholders. The assurance statement is available on page 61.

More information and inquiries

More detailed information and a PDF version of this report are available on our website (<https://home.imeritz.com/main/ir/>).

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INTRODUCTION

Meritz Securities will continue its sustainable growth through a high-quality portfolio and differentiated financial services in the face of an increasingly sophisticated financial environment.

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MESSAGE FROM THE CEO

Dear shareholders, clients, and stakeholders,

I would like to express my deep gratitude for your unwavering support and encouragement for Meritz Securities.

There were many difficulties in and outside of the country due to COVID-19 throughout this year. Nonetheless, we made endless efforts to uncover unique profit opportunities backed with thorough risk management. As a result, we achieved a record-breaking annual performance again in 2021. This is a significant feat we have been achieving for five consecutive years since 2017.

Meritz Securities ranked overall 1st in Ministry of Strategy and Finance's Best Professional Dealer of Korean Treasury Bonds (KTB) awards in 2021, and selected as a member of highest-grade brokerage securities firm for National Pension Services. These recognitions were in light of our services that contributed to the growth of government bond market and safe funds operations. In addition, we are doing our utmost to prevent financial accidents and protect users of financial products in the rapidly changing financial environment.

I would like to express my sincere gratitude to all stakeholders for watching over us and to our management and employees and for achieving rapid growth by overcoming heightened competition and changes in the financial environment.

Dear shareholders, clients, and stakeholders,

In 2022, the financial market and securities industry is expected to be exposed to higher market risk from increased uncertainty. At

the same time, we are experiencing rapid changes as boundaries between industries are collapsing because of digitalization and platformization.

We will continue to exhibit sustainable growth this year by maintaining a quality portfolio and thorough risk management in the backdrop of a wider range of crises and changes.

To this end, we will strive to establish a stronger sales network and offer tailored financing solutions and expand to new investment opportunities. In addition, we will continue to make sound investments by prioritizing the enhancement and protection of the value of stakeholders such as shareholders and customers. In addition, we will contribute to innovative financing that revitalizes the economy by proactively accepting the trend and paradigm shift for customer experience innovation and strengthening functions to discover innovative companies and support their growth.

Finally, we will continue to promote activities that comply with ethical corporate practices and create socially shared values. We will proactively respond to the future by strengthening social responsibility of finance and responding to climate change. By doing so, we will build an eco-friendly and sustainable financial infrastructure. We hope to have your continued interest and support and wish good health and happiness for our shareholders, clients, and stakeholders.

Sincerely yours,



Meritz Securities Co., Ltd.
Vice Chairman and CEO
Choi Alexander Himoon

A handwritten signature in black ink, appearing to be 'Choi Alexander Himoon'.

COMPANY INTRODUCTION

General information

Meritz Securities Co., Ltd. is the main subsidiary of Meritz Financial Group Inc. and has recorded stable and continuous growth in the last five years, as its annual operating profit and current net income have recorded an all-time high in the dynamic global financial market. This achievement is thanks to the reinforcement of risk management capabilities and quick response to new business opportunities to maximize the customer and company values.

Meritz Securities changed its name from Meritz Investment Bank to Meritz Securities as its license as a merchant bank business expired in April 2020. The company has emerged as a leading securities company beyond specializing in a certain sector by reshaping itself as a young and smart financial player pursuing changes and innovation and preparing for another stride forward in growth.

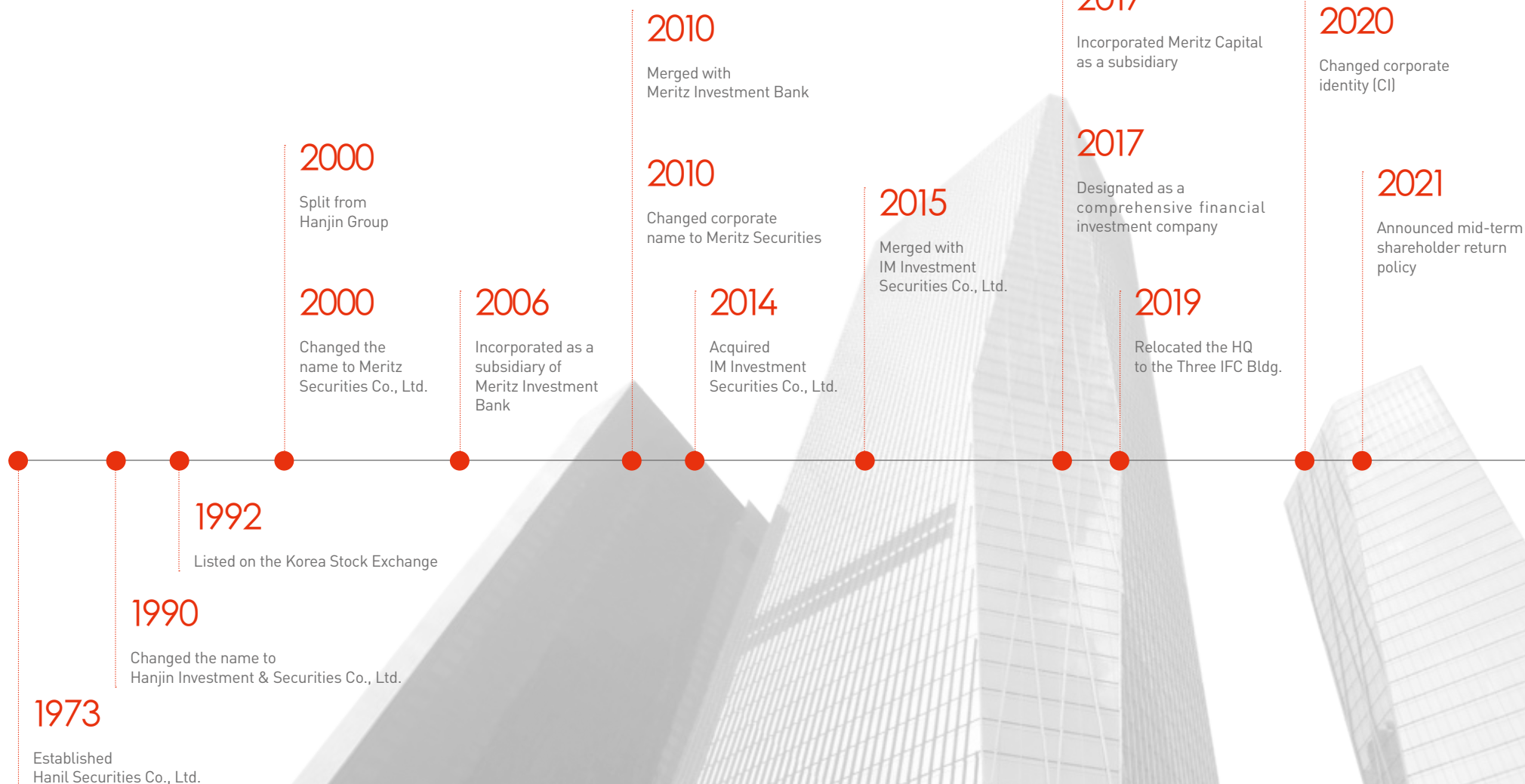
Company name	Meritz Securities Co., Ltd.
Chief executive officer	Choi Alexander Himoon
Headquarters	Three IFC, 10 Gukjegeumyung-ro 10-gil, Yeongdeungpo-gu, Seoul, Korea
Establishment/listing	Feb. 24, 1973 / Jan. 15, 1992
No. of employees	1,506 (as of Dec. 31, 2021)
Equity capital	KRW 5.3344 trillion (as of Dec. 31, 2021, consolidated basis)
Market capitalization	KRW 3.0193 trillion (common shares, as of the closing price at the end of Dec. 2021)
Main affiliates	Meritz Fire & Marine Insurance, Meritz Asset Management, Meritz Capital, Meritz Korindo Insurance, and Meritz Alternative Investment Management

Current credit rating (as of the end of December 2021)

Category	Issuer Credit Rating (ICR)	Commercial paper	Electronic short-term bonds	Corporate Bonds (Senior Priority)
Korea Investors Service (KIS)	AA-	A1	A1	AA-
National Information & Credit Evaluation (NICE)	AA-	A1	A1	AA-

COMPANY INTRODUCTION

Corporate history

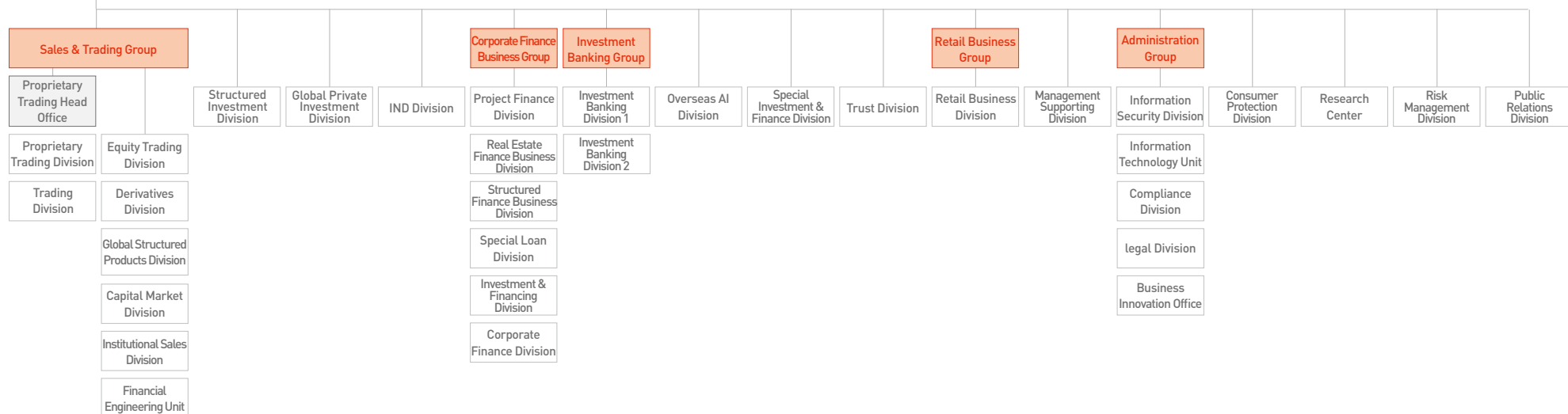
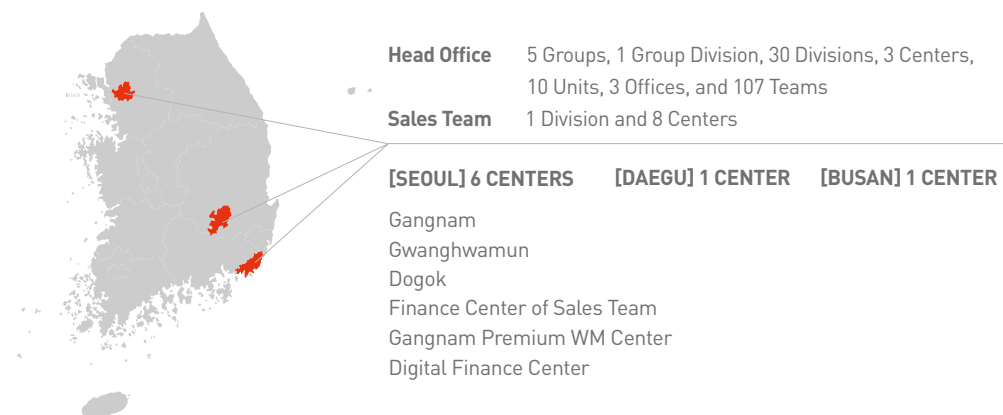


COMPANY INTRODUCTION

Organization chart



Locations



BUSINESS OVERVIEW

Vision and strategy

Like our company slogan says, "Finance is not about money but about happiness," Meritz Securities strives to realize value beyond simply increasing our customer's customer assets by committing ourselves to the essence of the business of finance, improving customers' welfare, and contributing to social development.

We pursue happier lives for all stakeholders, including customers, shareholders, employees, and the company, through flexible service-oriented and innovative thinking for the future, which are our management principles. Ultimately, we are committed to maximizing customer and corporate value as a smart partner to pursue stability and happiness.

“ SMART MERITZ ”

**Maximize corporate and customer values as a smart partner
who brings stability and happiness**

Management Philosophy

Management Principle

A happy life enjoyed together by customers, employees and company



Core Values



Customer-oriented

Flexible Service Mind
Advise the Smart value

MERITZ delivers value tailored and suited to its customers.



Innovation-oriented

Innovative Thinking toward the Future
Create the Smart solution

MERITZ creates solutions for the future from new perspectives.



Organization-oriented

Organization and Co-workers
Be the Smart people

MERITZ understands the correct role and attitude of a company



Objective-oriented

Smart Challenger
Do the Smart challenge

MERITZ achieves challenging goals with the confidence of an expert.

BUSINESS OVERVIEW

Business area and key achievements

Meritz Securities is a one of the largest investment banks (IB) that represents the securities industry in Korea. We provide comprehensive financial investment services based on main business areas such as corporate finance, trading, wholesale, and retail under the vision of "Maximize the corporate and customer values as a smart partner who brings stability and happiness"

Meritz Securities is a main subsidiary of Meritz Financial Group Inc. and secures stable governance. We use Meritz's high brand awareness and create synergy with Meritz Capital, which is our wholly owned subsidiary, to increase the financial assets of private customers and provide optimal financial investment services for the successful growth of customers.



Top KTB primary dealer selected by the Ministry of Strategy and Finance (PD)
Achieved 1st overall



Entered the ELB retirement pension market and achieved sales of over KRW 2.5 trillion



Established Digital Biz Team



Achieving a balance of KRW 700 billion by entering the domestic CFD market

Recorded monthly transaction amount of KRW 1 trillion

Financial Highlight

Because of the ongoing COVID-19 pandemic in 2021, we faced domestic and international difficulties. Nonetheless, we never stopped our efforts to discover differentiated profit opportunities based on thorough risk management while effectively responding to the high volatility of the financial market. As a result, our consolidated net profit for the current period reached KRW 782.9 billion (standalone profit of KRW 681.6 billion), which broke the all-time high-performance record for the fifth consecutive year. We took advantage of our excellent network and demonstrate outstanding advisory and arranging capabilities. By doing this, we make large scale contracts, including the Magok MICE Complex and United Nations Command (UNC) Site Complex Development, which were the largest project financing (PF) agreements in Korea by the local securities company in the IB and operation sector. In the sales and trading sector, we have built a control tower that integrates wholesale and trading sectors amid the difficult circumstances around the financial market in Korea and overseas, thereby systematically and strategically responding to the market. Accordingly, we have obtained significant achievements, such as trading event of Doosan Group stocks and being selected as the top KTB primary dealer (PD)¹⁾. We also entered the Equity-Linked Securities (ELB)²⁾ retirement pension market and achieved sales of over KRW 2.5 trillion, contributing to the diversification of financing and improved liquidity.

Particularly in the retail sector, we have attained an annual profit of around KRW 70 billion thanks to the recruitment of outstanding personnel in a loan mediation area and big deal mediation. We had also risen to the top of the industry very quickly, as we achieved a balance of KRW 700 billion and recorded a monthly transaction amount of KRW 1 trillion thanks to the unprecedented strategy of a 0.015% commission rate, which was the lowest in the industry at the time when we entered the domestic CFD³⁾ market. In addition, we have also newly installed a Digital Biz team to keep up with industry trends.

Finally, we have planned a blueprint for mid-term shareholder-friendly policies to increase the shareholder value through a new stock buyback in 2021 and signed a trust agreement worth a total of KRW 340 billion for a stock buyback. Through the trust agreements signed three times, we responded to the market's voices of concern with trust, thereby gaining the confidence of shareholders. This has led to a significant share price rise.

Meritz Securities will improve our return on equity (ROE)⁴⁾ by expanding the capital utilization business and strengthening the shareholder return policy in the future. We will also strive to build a new network, develop a differentiated finance structure, and discover investment sources.

¹⁾ PD, Primary Dealer: Professional dealer

²⁾ ELB: Equity-linked bond

³⁾ CfD, Contract for Difference: Contract for Difference

⁴⁾ ROE, Return on Equity: Return on equity

External awards and financial performance

2020 Gold Prize in the Corporate Finance Sector at the Maekyung Securities Awards (Feb. 2020) - Hosted by Maeil Business Newspaper

Won the 2020 IB Deal of the Year Award at the Korea Securities Awards (Nov. 2020) - Hosted by Seoul Economic Daily



2021 Gold Prize in the corporate finance sector at the Maekyung Securities Awards (Mar. 2021) - Hosted by Maeil Business Newspaper



Record-breaking performance twice

- Our consolidated net income in 2021 was KRW 782.9 billion, which recorded an increase of 38.5% compared to that of 2020.
- The operating income increased to KRW 948.9 billion, 14.6%, in the same period
- Corporate finance (IB) and trading divisions performed even, and the retail division also performed well due to an increase in trading value in the stock market

Improvement of financial soundness indicators

- Net Capital Ratio (NCR): Significantly increased by 1,427% as of the end of 2021 (compared to 827% as of the end of 2019)
- Debt guarantee volume: Significantly decreased to KRW 4.9 trillion as of the end of 2021 (compared to KRW 8.5 trillion as of the end of 2019)
- Leverage ratio: 803%, an improvement of 77%, as of the end of 2021 (compared to 726% as of the end of 2019)

BUSINESS OVERVIEW

Management strategy and key achievements by main business area

Corporate financing business

Meritz Securities secures a differentiated competitive edge in the corporate financing business based on a wide range of networks, which are built-in capital markets at home and abroad. We serve diverse customers, including large companies, financial firms, startups, small and medium-sized enterprises (SMEs), and private equity funds with professional services tailored to their corporate scale and situation, ranging from fundraising to financial consultations and corporate governance improvement. Furthermore, we have extended our profit base to investments in various alternative assets in overseas markets in addition to those in the United States and Europe. Moreover, our business covers corporate financing, credits (e.g., loans, discounts on notes), mediation of acquisitions, syndication, private placement, sales, the brokerage/mediation/representation/advice for mergers and acquisitions of companies, PF, advice/mediation of PF, payment guarantee, the brokerage/mediation/agent service of loans and loan receivables, and development of asset-backed securitization/structured products.

Management Strategy	Key Achievements
- Enhance profitability by expanding global networks beyond the United States and Europe - Diversify profit sources and build a stable profit creation base by expanding business area to infrastructure, energy, and social overhead capital - Improve customer satisfaction by providing comprehensive financial services through differentiated financial product development	- PF for Magok MICE Complex - Bridge loan for the UNC site complex development - Advised the acquisition of the Finance Tower in Brussels, Belgium - Financial advisory for dual-purpose building used for commercial and residential purposes near Cheongnyangni Station - Financial advisory for the Gongpyeong-dong Urban Environment Improvement Project - Financial advisory for the Le Méridien Hotel site development project

Trading business

By capitalizing on the investment expertise we have accumulated and various trading techniques, such as volatility trading, absolute return¹⁾, and the event-driven technique²⁾, Meritz Securities manages financial investment products, such as stocks, bonds, and derivatives, while generating stable and steady profit through trading strategies, such as public offering and over-the-counter stocks, and thorough risk management. Furthermore, we are proactive in developing diverse structured financial products based on underlying assets, such as composite indices, stocks, and foreign currencies at home and abroad. By doing this, we aim to satisfy the needs of both individual and institutional investors not only in the era of low-interest rates but also the periods when they rise.

In addition, we gain the trust of our customers by selling safe products, increasing our market share, and delivering an excellent performance.

¹⁾ Absolute Return: A strategy to obtain a positive alpha by removing the movement (beta) of the Korea Composite Stock Price Index (KOSPI) through index hedging and then taking a long or short position in only individual stocks.

²⁾ Event-Driven: An event-driven strategy is an investment strategy that seeks to generate value by taking advantage of the stock mispricing that results from corporate events.

Management Strategy	Key Achievements
- Building various trading strategies in response to the uncertainty in the financial market - Maximizing profit opportunities with investment strategies that pursue absolute profit - Expanding venture capital funding to potentially promising and innovative companies and Fourth Industrial Revolution-related sectors.	- Ranked no. 1 overall for excellent KTB PDs in 2021 - Achieved KRW 6 trillion in the issuance of derivative-linked securities such as ELS

BUSINESS OVERVIEW

Wholesale business

The foundation of the wholesale business in Meritz Securities is internationally recognized high-quality research. We broker alternative investment products such as stocks, bonds, collective investment securities, and derivatives to institutional and corporate clients based on differentiated customer service such as domestic and overseas networks and stable transaction execution capabilities. We also offer comprehensive solutions to help customers make investment decisions and manage assets efficiently according to their asset sizes and types.

Management Strategy	Key Achievements
• Provide solutions for the entire process of deal sourcing, structuring, acquisition, and sales as a one-stop service and solutions provider • Expand a profit basis through financial advisory and discovering sales opportunities in line with the environmental, social, and governance (ESG) trend • Strengthen the fund-execution institutions to secure the comparative advantage of trading brokerage rating	• Ranked no. 1 overall for excellent KTB PDs in 2021 • First-class qualification as a consigned securities firm selected by the National Pension Service in 2020

Retail business

We became the first Korean securities firm to establish large financial centers in main cities of Korea in 2014. These centers have been providing customers with optimized asset management services through financial experts in various fields, including stocks.

To meet the needs of the customers, we placed the CFD trading system in place in 2021. In particular, we have concentrated on the development of services and exclusive products for individual professional investors.

We have newly installed Global Product and Digital Biz Teams in response to the changing financial environment in 2022 and focused on the expansion of the foundation for new customers through the reinforcement of differentiated services and marketing for overseas stocks and online customers.

Management Strategy	Key Achievements
• Diversification of profit through new sources, such as overseas stocks and CFD in addition to domestic stocks • Increasing the customers' profit rate with the preemptive response to market change and risk management • Providing customer convenience-oriented digital platforms and focusing on securing new customers with differentiated online marketing	• Selected the best sales company sector in the Asia Fund Grand Prize in Feb. 2020 • Expansion of foreign stock trading countries in Dec. 2020 (including 12 countries in Europe, etc.) • Evaluated as a 2020 A+ fund sales company in Feb. 2021 (third place overall) • CfD launching in July 2021 • Digital Finance Center newly established in Nov. 2021

APPROACH TO SUSTAINABILITY

Meritz Securities is actively responding to issues in the field of sustainability management, including response to the climate crisis, and strengthening communication and cooperation with stakeholders. Going forward, we will go beyond simple corporate social responsibility to create differentiated future values in the overall ESG field.



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2020-21 HIGHLIGHTS



ECONOMY

Record-breaking performance in 2021 (current net income: KRW 782.9 billion)



2021 Gold Prize in the Corporate Finance Sector at the Maekyung Securities Awards

Best Sales Company Sector in the 11th Asia Fund Awards hosted by the Asia Business Daily



ENVIRONMENTAL

More than **KRW 1 trillion** of
ESG fund balance as of the end of 2021

Paper usage reduced by 15%
in 2021 compared to that of 2019

Water usage reduced by 42%
in 2021 compared to that of 2019

**European carbon credit tracking
exchange-traded-notes (ETNs) launched**
for the first time in Korean markets



SOCIAL

Practicing social contribution of

Meritz Chamsarang volunteer group



Launching YouTube channel
"Meritz On"

0 case of personal information leaks and
cyber security incidents four years in a row

**Increasing in the number of
female employees** (ratio of female executives: 29.35%)



GOVERNANCE

100% of attendance rate of the board of
directors of non-executive directors in 2021

100% of the Audit Committee is composed of
non-executive directors



60% of BoD is composed of
non-executive directors

Stock buyback to increase the shareholder value

READY FOR SUSTAINABLE FUTURE

Investment in eco-friendly businesses to cope with climate change

Meritz Securities is actively investing in eco-friendly energy to protect the environment and cope with climate change. We have continuously invested in renewable energy and hydrogen fuel cells since 2016. Based on our successful investment experiences in the Gahwa solar power generation project (2020), Shinan green energy onshore wind power project (2021), and Wampu Hydropower Plant of Indonesia (2021), we are expected to gradually expand eco-friendly investments.

In addition, all companies in the Meritz Financial Group, including Meritz Securities, are actively participating in the Korean New Deal project promoted by the Korean Government and plan to offer financial support worth KRW 2.8 trillion in the "Green New Deal" and other renewable energy and eco-friendly mobility projects by 2025.



Hydropower Plant in Indonesia

Details of investment in the environment

Investment name	Investment period	Investment amount (KRW 1M)
Gahwa solar power generation project-related	2020. 01	4,005
Chunghwa solar power generation project-related	2020. 01	3,905
Daeshin no. 1 and 2 solar power generation projects	2020. 02	7,810
Naepo green energy bridge loan	2020. 03	4,800
Solar power plant (rooftop)-related loans	2020. 04	8,350
Investment in Gwangyang Steelworks Compact Endless cast-rolling Mill (CEM) facilities	2020. 07	38,000
Investment concerning scrap demolition of Woongjin Polysilicon factory in Sangju	2021. 02	36,030
Shinan green energy onshore wind power project	2021. 03	155,000
Purchase of no. 2 Thick Steel Plate Factory facilities of Dongkuk Steel Pohang	2021. 03	43,000
Investment in Wampu Hydropower Plant of Indonesia	2021. 12	25,215

READY FOR SUSTAINABLE FUTURE

Realization of social responsibility in finance

Meritz Securities launched ETNs related to carbon credits for the first time in Korea to promote the efficient reduction of carbon emission by actively participating in the global carbon market mechanism. And also and realize the social responsibility of finance through the operation of the exclusive team for the new technology development support of venture and small giant companies.

Raising ESG funds

Meritz Securities proactively contributes to eco-friendly industries by selling investment products in new and renewable and clean energy sectors worth KRW 506 billion as of 2021.

We also launched ETNs in relation to carbon credits for the first time in Korea to actively participate in the global carbon market mechanism and contribute to the efficient reduction of carbon emissions. The ESG sales become the foundation to supply investment funds for eco-friendly industries. We will continuously launch ESG products that meet the customers' needs considering climate change and social fluctuations in the future.

ESG fund sales status

(Unit: KRW 100 million)

Category	2020	2021
2020 Manufacturing R&D General Private Investment Trust No. 1	180	360
Materials, Parts, Equipment Innovation General Private Investment Trust by Korea Growth Investment Corp.	2,000	2,400
POSCO New Growth No. 1 General Private Investment Trust	9	285
Hyundai Motor Group Future Vehicle Growth General Private Investment Trust by Korea Growth Investment Corp.	-	150
IBK New Deal General Private Investment Trust	-	240.01
MIDAS CUESG General Private Securities Investment Trust No. 1 (Bond mix)	-	500
2020 Manufacturing R&D General Private Investment Trust No. 2	-	180
NH-Amundi Green New Deal infrastructure ESG General Private Special Asset Investment Trust (Hedge fund)	-	257.92
NH-Amundi ESG Mobility Infrastructure General Private Special Asset Investment Trust No. 1 (Hedge fund)	-	532.58

Only funds whose sales amounts are KRW 10 billion or larger as of 2021 are presented here.

Supporting SMEs to develop new technologies

Meritz Securities is also committed to discovering competitive SMEs and creating a sound industrial ecosystem. The companies that Meritz Securities is paying attention to are small giant companies with key technical areas, which will lead the era of the Fourth Industrial Revolution with autonomous driving, artificial intelligence (AI), and big data.

The New Technical Finance Team, which is the dedicated investment organization for new technology development ventures, startups, and SMEs, has formed 23 new technology finance cooperatives based on private funds from 2018 to the end of 2021, thereby investing in 43 cases worth KRW 337.7 billion. Despite the short period of the new technology finance project, five cooperatives were liquidated completely, and liquidating dividends were distributed to the investors.

The role of ESG within the finance and investment industry has become more important. In line with this change, we will live up to the expectations by strengthening organizational competence and launching products that meet the customers' needs to implement the sustainable social responsibility of finance. We will establish the ESG investment system by providing the mid- to long-term directions and planning the expansion of related investments for ESG management.

ESG fund products

Sales category	Fund name	Initial sales year and month	Characteristics
Public	Multi Asset Global Clean Energy Securities Investment Trust (stock)	April. 2021	Diversified investment in global companies related to clean energy such as solar and wind power
Public	Hanwha Quarterly Dividend-Type Energy Infrastructure MLP Special Asset Investment Company	Jan. 2014	Investment in infrastructure assets (master limited partnership (MLP)) according to the United States shale energy development - MLP is a joint venture created to invest mainly in energy midstream activities (energy infrastructure). It is listed on US exchanges (NYSE, NASDAQ)
Public	Korea Investment US MLP Special Asset Investment Trust	June 2014	Invested in the MLP, which is the largest beneficiary of the shale energy boom in the United States, and the operating profit of the infrastructure asset is distributed
Public	HDC Good Corporate Governance Equity Investment Trust (stock)	Mar. 2019	Invested in companies with social responsibilities such as ESG
Public	Korea Investment Global Electric Vehicle and Battery Securities Investment Trust (stocks)	Oct. 2017	Intensive investment in electric vehicles, batteries, and lithium-related stocks and exchange-traded funds (ETF), which are future green transport means

READY FOR SUSTAINABLE FUTURE

Promoting of new shareholder return policies

Meritz Securities has maintained a high level of dividends to practice shareholder-friendly policies. However, despite the effort to return the company's profit as a dividend every year, our stock price has been sluggish for a long time, making it difficult for shareholders to realize a high a return on their investment.

So, we decided to promote a new shareholder return policy and acquire treasury stocks to increase shareholder value, as our stock price was judged to be undervalued compared to other securities companies. The treasury stocks acquired through this trust contract will be retired in the future to increase shareholder value.

Detailed announcement of the shareholder return policy

Mid-term shareholder return policy (ongoing disclosure on May 24, 2021)

- Purpose: Increase shareholder value

- Content:

- 1) Scheduled to maintain a dividend payout ratio at a level of 10% of the current net income based on the separated financial statement
- 2) Scheduled to execute a measure to increase the shareholder value, such as stock buyback and cancellation.

According to the shareholder return policy, we signed a trust contract worth KRW 340 billion in 2021. As a result, we have purchased a total of 66.69 million treasury stocks over the past year. This accounts for around 10% of the total number of issued common shares (approximately 19% based on the number of outstanding shares excluding the largest shareholder's share).

Status of treasury stock trust contract and purchase

Agreement term	Contract amount	Number of shares acquired	Proportion*	Notes
(First) Mar. 18, 2021 – Mar. 17, 2022	KRW 100 billion	21,940,000 shares	3.22%	Stocks retired on Mar. 24, 2022
(Second) Jun. 24, 2021 – Jun. 23, 2022	KRW 100 billion	20,080,000 shares	2.95%	Contracted amount fully utilized (Scheduled to be retired after the contract termination)
(Third) Nov. 12, 2021 – Nov. 11, 2022	KRW 140 billion	24,560,000 shares	3.60%	
Total	KRW 340 billion	66,690,000 shares	9.77%	-

* The purchase proportion is calculated based on 681,730,579 shares, which is the number of common shares issued before the first acquisition stock cancellation.

Despite the stagnation of the stock market, which has continued over the past year, we are maintaining a good share price thanks to the treasury stock buyback. Along with the treasury stock buyback effect, our shareholder return policy has also been recognized in the market. Thus, our stock price as of the current date has increased by around 78% compared to that of the end of 2020 (as of the end of March 2022), and our price-to-book ratio (PBR) has improved from 0.61 at the end of 2020 to 0.92 at the end of March 2022.

Status of treasury stock trust contract and purchase

PBR, Historical (As of the end of 2020)	Before the first acquisition (As of March 17, 2021)	Before the second acquisition (As of June 23, 2021)	Before the third acquisition (As of Nov. 17, 2021)	Current PBR ⁴⁾ (As of Mar. 31, 2022)	Change in stock price (Compared to that at the end of 2020)
0.61	0.73	0.75	0.71	0.92	78.40%

¹⁾ *PBR = Stock price ÷ BPS (Adjusted equity capital ²⁾ ÷ Number of issued shares³⁾)

²⁾ Adjusted equity capital = Equity at the end of the previous quarter – Redeemable Convertible Preferred Shares (RCPS) – Hybrid bonds

³⁾ Number of issued shares = Number of issued common shares – treasury stock

⁴⁾ Change in stock price: Reference stock price of KRW 6,540 as of Mar. 31, 2022, compared to the reference stock price of KRW 3,665 as of Dec. 30, 2020

We have also achieved one of the highest level of shareholder return pay-out ratio, including the amount of treasury stock in the industry in 2021. In contrast with other peers that paid only dividends and shareholders who receive dividends that had to pay the dividends income taxes, our shareholders are more advantageous in terms of increasing investment gains. It's because they had no additional tax for the capital gain through trading if the stock price rises because of share buyback thanks to our shareholder return policy.

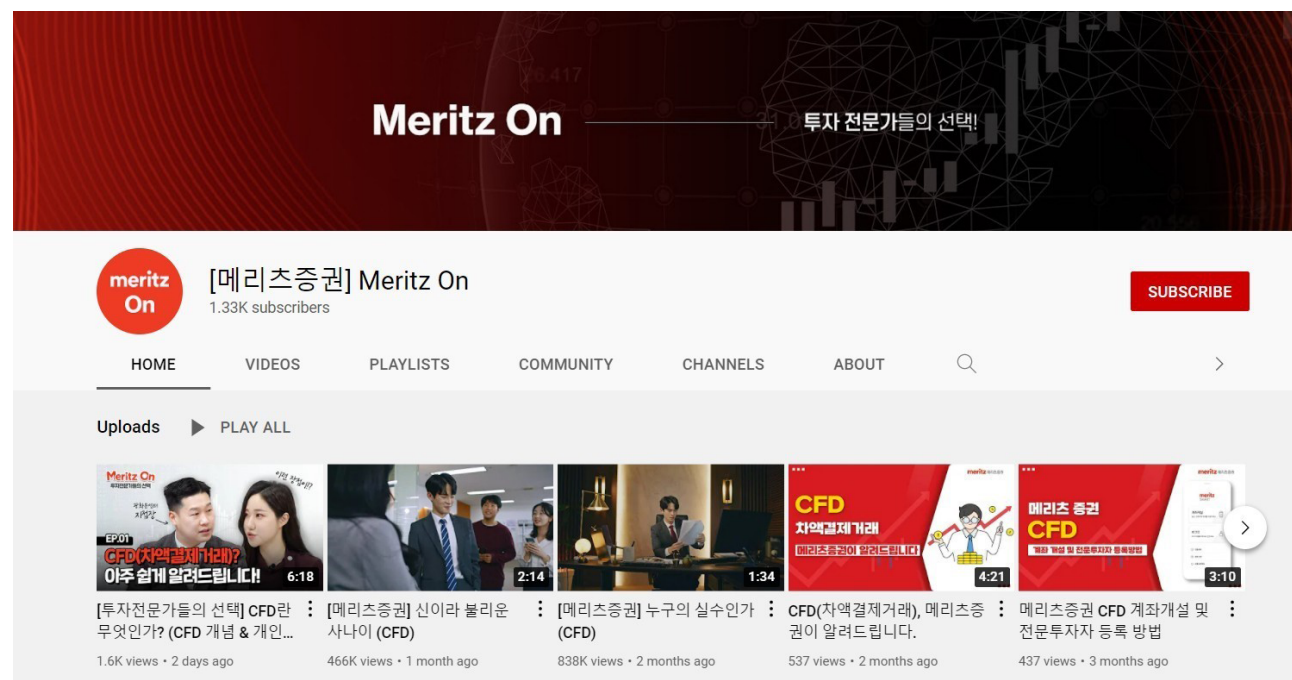
READY FOR SUSTAINABLE FUTURE

Improving of customer accessibility by enhancing the digital communication platforms

Because of the early entry of the 20s and 30s generations into the stock market in recent years, the need to provide online information has been growing. Accordingly, Meritz Securities opened a YouTube channel called "Meritz On" at the end of 2021 to promote communication with our customers by opening the window to provide timely information.

We have also established and began operating an exclusive Digital Biz Team to respond to the digital service demand of individuals in December 2021. The potential of Meritz Securities, which was relatively focused on an IB business, is now limitless, as seen in the strengthening of our retail business division. Last June, we entered the ETN¹⁾ market to significantly expand our business areas. Meritz Securities, which also entered the CfD market in July, reduced the CfD fee to the lowest in the industry and attracted numerous customers. Meritz Securities is identifying the rapidly changing needs of digital customers and concentrating on the improvement of customer convenience through digital channel enhancement and new service planning. We are also providing these customers with various benefits and will strengthen communication with them through digital platforms regularly. Moreover, we will expand the customer touchpoints through new customer-friendly attempts, as customers' ages are becoming diverse and information search channels are changing.

¹⁾ ETN: Exchange Traded Note. Derivative-linked securities are issued by a securities company so that fluctuations in the underlying index and the rate of return are linked and listed on major exchanges and tradeable stocks



YouTube of Meritz Securities



UN SDGs COMMITMENT

The United Nations (UN) has suggested five critical dimensions (people, prosperity, planet, partnership, and peace) and the Sustainable Development Goals (SDGs) consisting of 17 goals and detailed 169 sub-goals for the sustainable development of humans. Meritz Securities supports these SDGs and strives to contribute to achieving the common goals as a member of the international society and developing various related activities.

SDGs	Detailed sub-goals	Main activities of Meritz Securities
	Goal 1. No Poverty 1.2 By 2030, eradicate extreme poverty for all people everywhere	- Operating social contribution programs such as supporting free meals (Mapo Senior Citizen Welfare Center) and providing special food during holidays (Nest of Sharing) - Supporting making Kimchi (Love House) - Participating in the delivery of coal briquettes (Coal Briquettes for Neighbors in Korea)
	Goal 3. Good Health and Well-Being 3.4. By 2030, reduce premature mortality from noncommunicable diseases through prevention and treatment by one-third and promote mental health and well-being.	- Supporting medical cost and health checkups, disaster relief funds, expenditure for congratulations and condolences, etc. for employees - Introduction of staggered commuting and flexible working systems - Reinforcement of welfare through the operation of an in-house labor welfare fund
	Goal 4. Quality Education (Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all) 4.5 Eliminate gender discrimination in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations 4.7 Ensure that all learners acquire the knowledge and skills necessary to promote sustainable development through education	- Support social farms to create jobs for people with developmental disabilities - Support for educational expenses and application fees when obtaining finance qualifications and certificates to improve financial expertise - Provide humanities lectures, etc. to foster diversity and creativity among employees - Re-employment education and consulting support for retirees - Conduct regular education on ethical management and prevention of sexual harassment and discrimination for the disabled
	Goal 5. Gender Equality 5.4 Value unpaid care and promote household responsibility	- Run workplace childcare centers ("A Grade" acquired, which is the top indicator among the institutional child care center grades) - Reduce of housework labor through maternity protection policy and facilitation of parental leave - Provide staff lounges for female employees in the Headquarters
	Goal 6. Clean Water and Sanitation 6.3 By 2030, improve water quality by reducing pollution, eradicating hazardous chemical dumping, and minimizing emission	Reducing water usage through the "Water Capture" system
	Goal 7. Affordable and Clean Energy 7.4 By 2030, strengthen international cooperation to promote access to clean energy research and technology, including renewable energy, energy efficiency, and advanced and cleaner fossil-fuel technology and promote investment in energy infrastructure and clean energy technology	Investment in eco-friendly projects such as the Cheongsong Myeonbongsan wind farm project (2019), Gahwa solar power generation project (2020), and Shinan green energy onshore wind power project (2021)
	Goal 10. Reduced Inequalities within and among countries 10.2 Promote universal social, economic, and political inclusion	- Expansion of employing socially vulnerable classes (people with disabilities, national veterans, etc.) - Promoting the Occupational Safety and Health Committee, internal grievance committee, and union councils
	Goal 11. Sustainable Cities and Communities 11.1 By 2030, ensure everyone has access to adequate, safe and affordable housing and basic services and upgrade slums	Operating housing leases, purchase fund support, loans, and company housing rental systems for employee housing stability
	Goal 12. Responsible Consumption & Production 12.5 Substantially reduce waste generation through prevention, reduction, recycling, and reuse 12.6 Encourage companies to adopt sustainable practices and sustainability reporting	- Continuous reduction of paper usage - Reduction of building energy usage and participation in "Earth Hour," the campaign for turning off lights - Publication of sustainability report biannually - Disclosure of ESG assessment information on the website
	Goal 13. Climate Action 13.2 Integrate climate change actions into national policies, strategies, and plans	- Supporting eco-friendly project funds through the ESG fund supply and sales - Direct investment in renewable energy and nonfossil energy businesses
	Goal 16. Peace, Justice, and Strong Institutions 16.6 Develop effective, accountable, and transparent institutions at all levels	- Installation of a compliance team and arranging a compliance manager - Preparation of an Ethical Management Commitment and fostering compliance program management experts

COMMUNICATION WITH STAKEHOLDERS

Meritz Securities defines key stakeholders as individuals or groups that directly or indirectly exchange influences in the middle of management activities. Meritz Securities categorizes key stakeholders into customers, shareholders and investors, employees and executives, and local communities and manages them systematically. We will endeavor to identify the matters society expects from Meritz Securities through various channels and reflect them on our overall management.



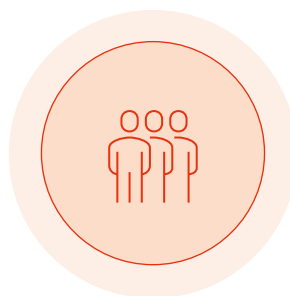
Customer

Communication channels

- Customer and call centers
- Sustainability Report
- Prospective report of Meritz Securities
- Meritz Securities YouTube channel

Interested issues

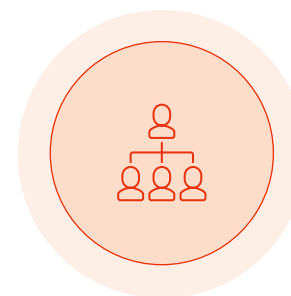
Meritz Securities provides customer-tailored products and the best services and meets customer satisfaction by improving based on customer complaints. We will strive to execute ethical and compliance management to improve the accessibility to finance and create a sound investment culture. In addition, we will communicate with customers regularly to obtain precious customer information.



Shareholders and investors

- Business Report
- Corporate Governance Report
- Sustainability Report
- General meeting of shareholders
- Regular and timely management disclosure
- Investment briefing
- Investor Relations meeting
- Meritz Securities website

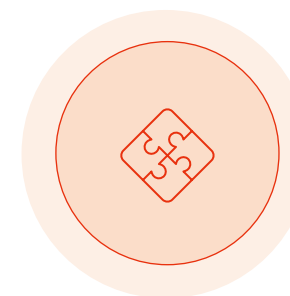
Meritz Securities is raising the value of shareholders and investors through a wide range of shared information, such as economic performance, ESG issues, risk management, and management information.



Employees

- Deal review meeting
- Workers' Committee (Union Council / Occupational Safety and Health Committee)
- Mentoring newly recruited employees
- Grievance Committee
- Message from the CEO

Meritz Securities has run various communication channels to create a culture of respect for human rights based on diversity, inclusion, and equal opportunity and promote the continuous growth of employees and executives.



Local communities

- Meritz Chamsarang Volunteer Group
- Support for SMEs' development of new technologies

Meritz Securities is contributing to the promotion of the local economy and environmental protection and actively participating in social contribution activities for socially vulnerable classes.

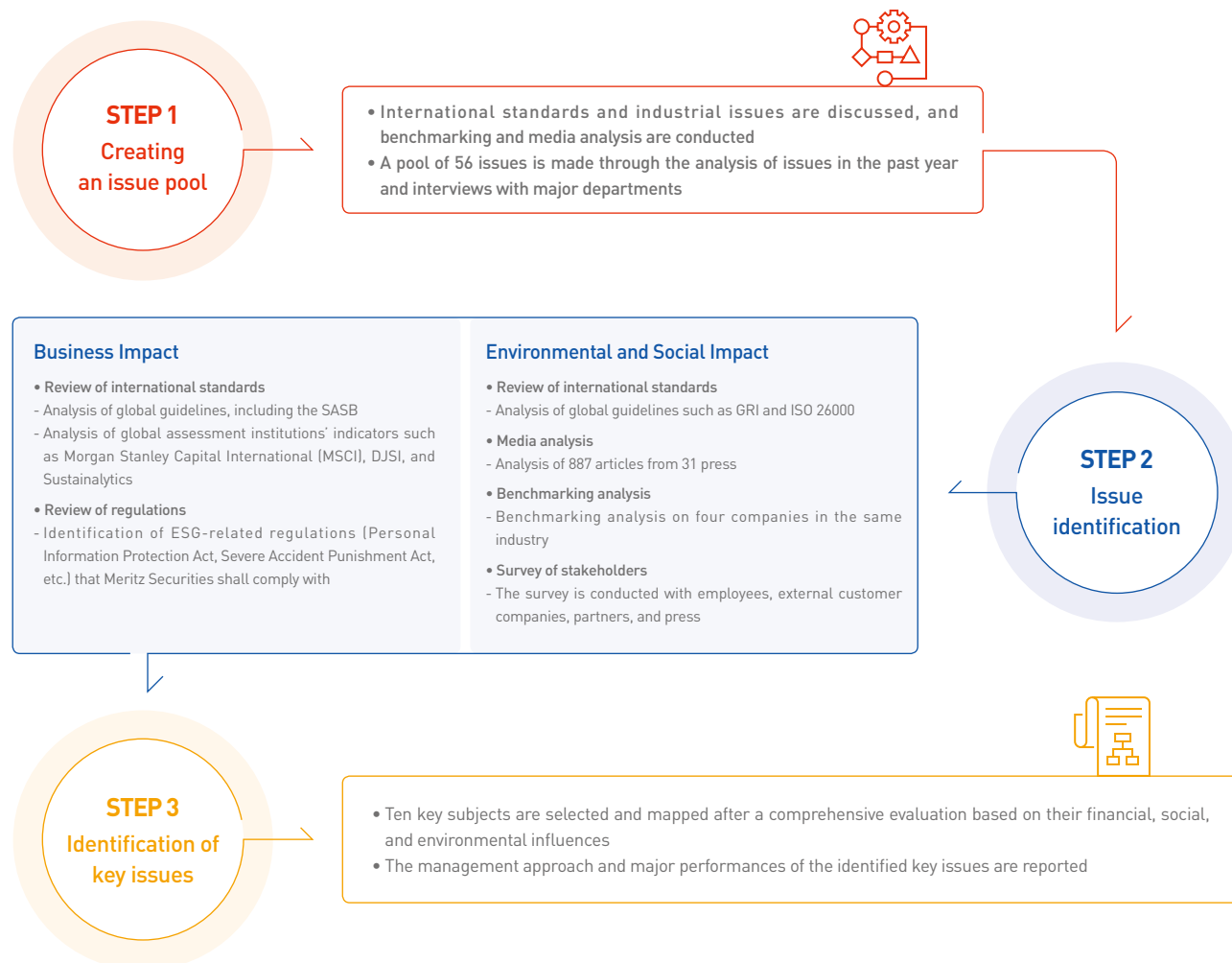
MATERIALITY ASSESSMENT

Meritz Securities performed the materiality assessment to identify areas where internal and external stakeholders pay attention to and critically impact our sustainable growth. Particularly, the concept of materiality has been applied to prepare the report this year. Materiality is the concept that explains that the social and environmental factors that affect the financial position of a company and the external impact of a company's business activities should all be considered. We would like to communicate with our stakeholders by reporting key issues selected through the materiality assessment considering financial impact and social and environmental impact in a balanced manner.

Materiality assessment process

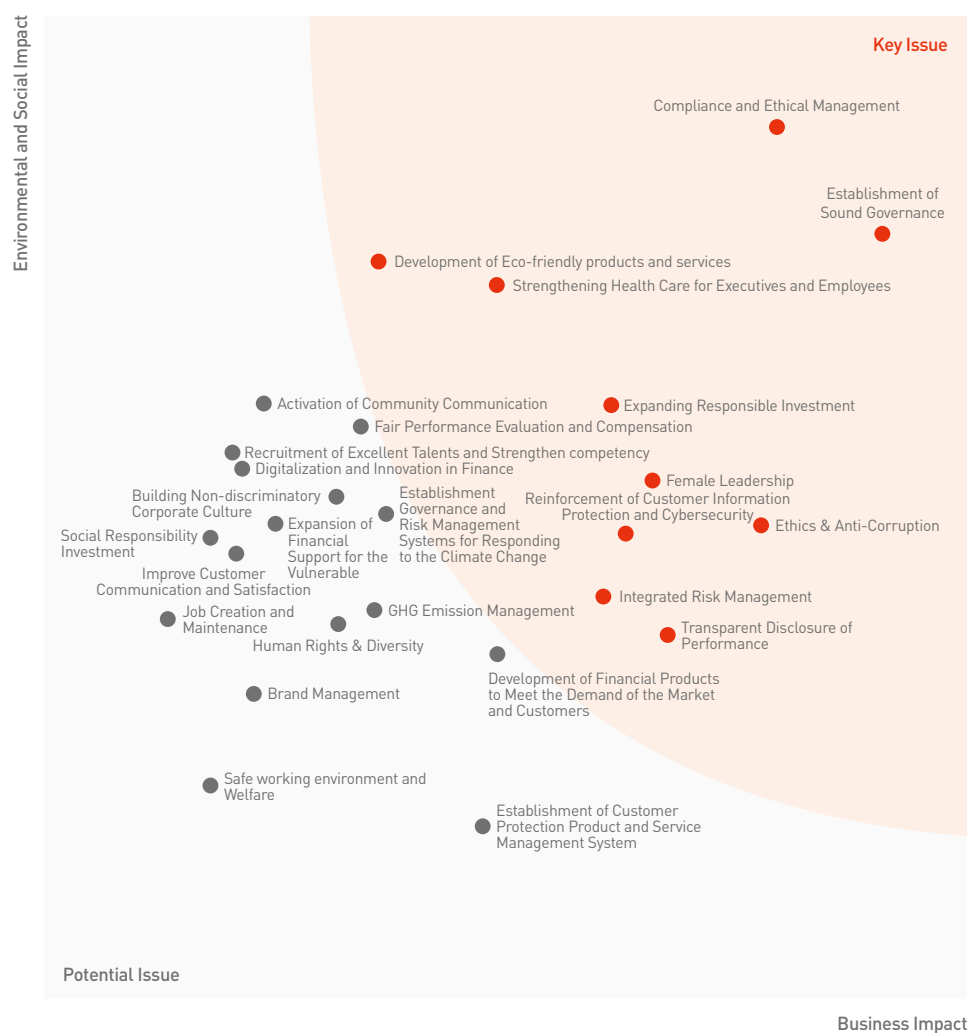
To understand stakeholders' interests in the materiality assessment in 2021, we conducted peer benchmarking, media research, and a survey of external stakeholders based on ISO 26000, an international standard for social responsibility; GRI Standards, an international guideline for reporting sustainability; the Dow Jones Sustainability Indices (DJSI); and UN SDGs. In particular, ESG issues related to our business are identified by reflecting on important subjects within the industry, as suggested by the Sustainability Accounting Standards Board (SASB).

Through this process, a pool of 56 issues were created, and Meritz Securities' key issues were derived after conducting the materiality assessment considering the business and environmental and social impacts.



MATERIALITY ASSESSMENT

Materiality assessment matrix



Materiality assessment results

Key Issue	Ranks of Business Impact	Ranks of Environmental and Social Impact	Page
1 Establishment of sound governance	1	2	24
2 Compliance and ethical management	2	1	31
3 Ethics & Anti-corruption	3	14	32
4 Female leadership	5	10	36
5 Strengthening health care for executives and employees	11	4	38
6 Expanding of responsible investment	7	6	31
7 Reinforcement of customer information protection and cybersecurity	6	16	34
8 Development of eco-friendly products and services	15	3	45
9 Transparent disclosure of management activities and performances	4	22	39
10 Strengthening integrated management of financial and nonfinancial risks	8	20	29

SUSTAINABILITY MANAGEMENT

Meritz Securities is building a transparent and reliable governance structure for responsible management activities. Through this, we increase the competitiveness of the company and realize the value of various stakeholders.

- 24 CORPORATE GOVERNANCE
- 29 RISK MANAGEMENT
- 31 ETHICS AND COMPLIANCE MANAGEMENT
- 34 INFORMATION SECURITY

CORPORATE GOVERNANCE

Main achievements in 2020–2021



The attendance rate of the board of directors (BoD) non-executive directors in 2021 is **100%**



A total of **100%** of the Audit Committee is composed of outside directors



The ratio of outside directors inside the BoD is **60%**

Organization of the BoD

Status of the composition of the Board of Directors

The BoD is the main decision-making body of Meritz Securities and consists of directors with a wide range of expertise. Non-executive directors with proven independence and expertise are appointed to check the executive team according to the corporate governance principles pursued by the company and support important decision-making. The proportion of non-executive directors in the BoD has been maintained at over 60%. In addition, Meritz Securities allows non-executive directors to actively participate in the committee activities within the BoD to fully use each one's expertise, experience, and independence.

Meritz Securities has set more than three directors according to the articles of incorporation, and outside directors are appointed to constitute a majority of the total number of directors. The BoD, as of the end of December 2021, consists of five directors in total (two inside directors and three non-executive directors).

The term of the directors is determined in the general meeting of shareholders and should not exceed a maximum of three years. Non-executive

directors can serve consecutive terms within a maximum of six years (including the term at subsidiaries). The retirement age is not specified separately, but the qualifications of the executives are limited if their ages exceed 70 years according to the internal governance regulation.

The specialties of the directors as of the end of December 2021 are two

in business administration, one in finance, one in economics, and one in accounting. The chairperson of the BoD is Choi Alexander Himoon, an inside director, the current CEO and Vice Chairman; and the senior outside director is Koo Jung-han, who was appointed in the second temporary BoD meeting held on March 18, 2021, with the full consent of all other directors.

Status of the composition of the BoD in Meritz Securities

Name	Category	Internal organization in charge	Position	Major career	Expertise	First appointed date – expiry date
Choi Alexander Himoon	Executive	- Remuneration Committee - Executive Committee - Executive Candidate Recommendation Committee	CEO and Vice-Chairman	- Vice President of Meritz Securities - Senior Managing Director of Samsung Securities - Managing Director at Goldman Sachs - Managing Director of CSFB - Vice President of Bankers Trust	Economics, Business Administration	From Feb. 26, 2010, to the date of the General Meeting of shareholders in 2022
Bae Joon-soo*	Executive	- Risk Management Committee - Executive Committee	Vice President of the Administration Group	- Finance member of the Kim & Chang Law Firm - Banking division director of the Financial Services Commission	International Economics, Administration	From Dec. 19, 2017, to the date of the General Meeting of shareholders in 2023
Koo Jung-han	Non-executive	- Remuneration Committee - Risk Management Committee - Audit Committee - Executive Committee	Senior outside director Chairperson of the Remuneration Committee	(Current) Senior Research Fellow at the Korea Institute of Finance (Current) Outside Director at K-Growth - Outside Director at Hyundai Card	Economics, Finance	From Mar. 24, 2017, to the date of the General Meeting of shareholders in 2023
Kim Hyun-wook	Non-executive	- Executive Candidate Recommendation Committee - Audit Committee - Remuneration Committee	Chairperson of the Executive Candidate Recommendation Committee Chairperson of the Audit Committee	(Current) Professor at the KDI School of Public Policy and Management (Current) Officer of Planning and External Affairs at the KDI School of Public Policy and Management - Head of Office of the Macroeconomic Analysis and Forecasting in KDI - Head of the Economy Research Office in the SK Research Institute - Senior Research Fellow in KDI bulletin - Economist at the Bank of Korea	Economics	From Mar. 15, 2019, to the date of the General Meeting of shareholders in 2023
Lee Sang-cheol	Non-executive	- Risk Management Committee - Executive Candidate Recommendation Committee - Audit Committee	Chairperson of the Risk Management Committee	(Current) Professor of the College of Business Administration at Ewha Womans University (Current) Member of the Corporate Governance Committee at the Korea Corporate Governance Service - Professor at the Dept. of Accounting at Dongguk University - Outside Director in Korea Investment Holdings and Korea Investment Securities - Visiting Professor at the University of Hawaii at Manoa	Business Administration, Accounting	From Mar. 18, 2021, to the date of the General Meeting of shareholders in 2023

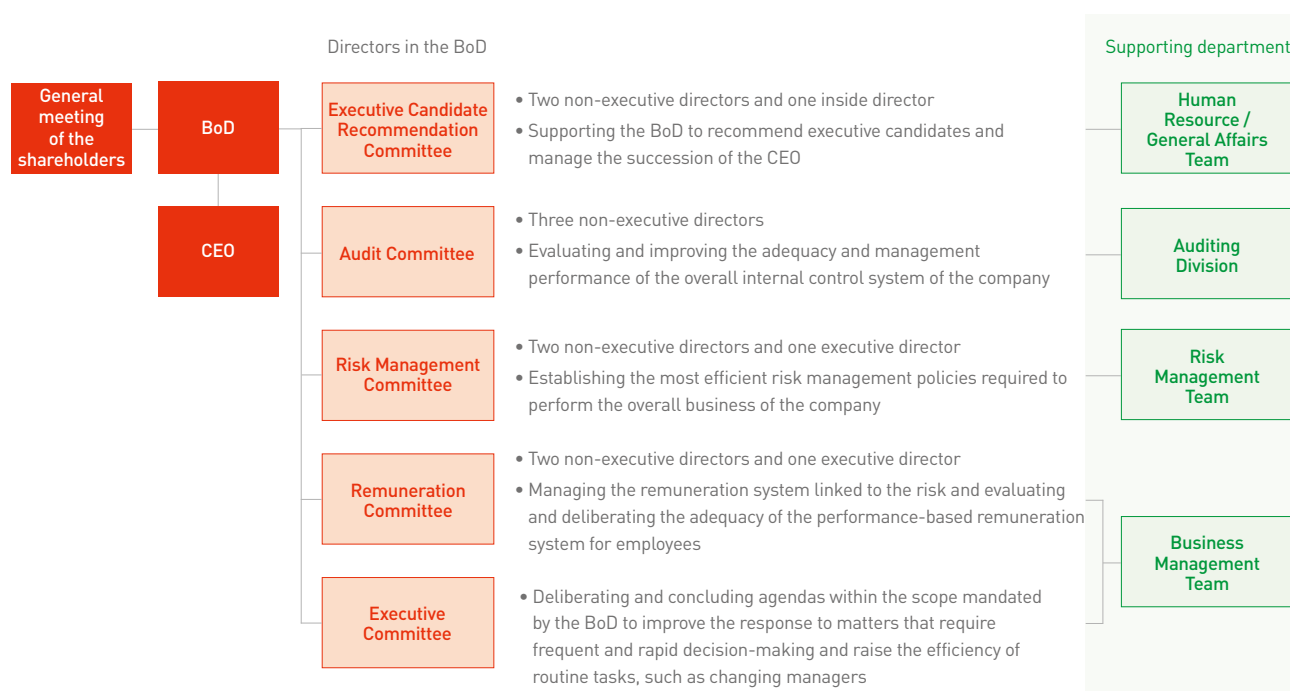
* Non-executive director Bae Joon-soo retired early to transfer to another group company (Dec. 31, 2021).

CORPORATE GOVERNANCE

Directors in the BoD

Meritz Securities has five committees under the BoD: the Executive Committee, Executive Candidate Recommendation Committee, Audit Committee, Risk Management Committee, and Remuneration Committee. Each of them deliberates and concludes the agendas on matters delegated to the BoD, such as monitoring and the advisory of important matters. The BoD of Meritz Securities appoints directors who have rich experience and expertise, which can be mutually supplemented in the process of deliberation and resolution of the BoD.

Organizational Chart of the Committees in the BoD



Independence and expertise of the BoD

The Committees in the BoD of Meritz Securities have ensured independence by enabling the participation of non-executive directors. In addition, the Executive Candidate Recommendation Committee, Risk Management Committee, and Remuneration Committee consist of a majority of non-executive directors according to the internal regulations and related acts.

In particular, the Audit Committee consists only of non-executive directors to raise the check function of the company's executive team and secure the autonomy and independence of the Committee. Non-executive directors hold the majority of all Committees, excluding the Executive Committee, which enables us to gain their professional knowledge and a wide range of advice when making decisions.

Furthermore, each committee consists of directors with expertise and experience fit for their characteristics to maximize the achievement of their purposes and goals. At least one or more accounting or finance experts participate in the Audit Committee. And at least one or more directors who have experience in financial institutions or banking, accounting, or financial sectors participate in the Risk Management Committee to guarantee that the committees act according to their intended purpose. The Remuneration Committee has at least one or more directors who are in the Risk Management Committee to manage the remuneration system of the company according to the corporate governance regulations and enable the review of risks from various sides during decision-making. Furthermore, at least one director who has experience in financial firms participates in the Remuneration Committee to ensure the expertise of the remuneration-related matters of our company. However, the committees are not equipped with policies or compositions for the diversity of gender or nationality, which will be improved as soon as possible. Three of the directors are age of 51 to 55 years old and two of 56 to 60 years old. Meritz Securities will strive to consider the check and balance and synergy as much as possible as we structure the BoD, etc. to comply with the corporate governance principle, protect the interest of our stakeholders, and continue our long-term development.

CORPORATE GOVERNANCE

Activities and effectiveness of the BoD

The regular BoD meeting of Meritz Securities is held every quarter in principle to report management performance every quarter, and the temporary BoD meeting is held occasionally as needed. In 2021, there were a total of 14 BoD meetings (4 regular and 10 temporary meetings), a total of 39 agendas were deliberated and resolved, and 25 agendas were reported. The average attendance rate of the directors was 98.6% (100% in the regular BoD meetings, 98% in the temporary BoD meeting). This is similar to 2020's average of 98.7%, in which only one absence of CEO Choi Alexander Himoon was recorded because of his business trip, while all other directors were fully present in the BoD meetings.

Category	Unit	2019	2020	2021
No. of total BoD meetings held	Case	11	15	14
Discussed and reported agendas	Case	59	58	63
Attendance rate	%	98.2	98.7	98.6

In addition, education is provided for non-executive directors every year to increase their understanding of the finance industry and matters they must be familiar with executives of Meritz Securities. We support non-executive directors in performing their roles efficiently based on the expertise of the BoD and a high understanding of the company through this education.

Tenure, attendance rate, and education hours of the outside directors

Name	Tenure period*	Reappointment	Attendance rate in the BoD, etc.	Evaluation	Education or training in 2021	Cumulative education hours**
Koo Jung-han	45 months	○	100%	○(fit)	Twice	16 hrs
Kim Hyun-wook	33 months	○	100%	○(fit)	Twice	6 hrs
Lee Sang-cheol	9 months		100%	○(fit)	Thrice	3 hrs

* Tenure period is calculated as of Dec. 2021.

** Cumulative education hours are calculated by summing education and training hours non-executive directors have participated in since their first appointment in Meritz Securities.

Status of education provided for the non-executive directors for the last three years

Education date	Education provider	Non-executive directors in attendance	Main education content
Mar. 15 th 2019	Internal education	Kim Hyun-wook	Education for newly appointed outside directors (sustainability report of the company, etc.)
Dec. 17 th 2019	Internal education	Koo Jung-han, Kim Hyun-wook, Jeong Hae-shin	2020 Annual Prospects (stock and bond strategies, etc.)
Mar. 13 th 2020	Internal education	Kim Seok-jin	Education for newly appointed non-executive directors (sustainability report of the company, etc.)
Dec. 17 th 2020	Internal education	Koo Jung-han, Kim Hyun-wook, Kim Seok-jin	2021 Annual Prospects (stock strategies, etc.), Internal control over financial reporting and roles of the Audit Committee
Mar. 18 th 2021	Internal education	Lee Sang-cheol	Education for newly appointed outside directors (sustainability report of the company, etc.)
Dec. 20 th 2021	Internal education	Koo Jung-han, Kim Hyun-wook, Lee Sang-cheol	2022 Annual Prospects (stock strategies, etc.), Internal control over financial reporting and roles of the Audit Committee

Evaluation and remuneration for board members

The evaluation of the BoD aims to ensure its position as the important decision-making body of Meritz Securities and check the organization of the management team by reviewing whether the BoD adequately plays the roles and accomplishes the responsibilities required by laws and internal regulations.

To do this, self-evaluation of the BoD and various annual activities are conducted every January. For the specific inspection items, performing supervisory functions on the management team, expertise and diversity of the directors, education and information supply to non-executive directors, adequacy of the number of the BoD meetings held, timeliness of data supply, and fidelity of the data content are included. These inspections are conducted through an investigation of the operating details of the BoD and surveys of the directors and secretaries. These can be done mainly by the BoD, but some detailed tasks may be delegated and performed by supporting departments. The 2021 evaluation of the BoD was conducted by the Business Management Team, which is a supporting department of the BoD, in January 2022, in which the composition and operations of the BoD and Committees inside the BoD were inspected and surveyed. The evaluation results, such as the collected evaluation of the directors, secretaries, and attendance rate, showed 99 points, which was a top (excellent) grade and a slight increase compared to the 97 points garnered last year. These evaluation results were reported in the first regular BoD meeting in 2022 held on January 27, 2022.

The remuneration of the directors in Meritz Securities is determined and paid according to the criteria set by the BoD, considering positions and assigned duties, within the amount approved by the general meeting of shareholders. The level of the directors' remuneration is confirmed through the general meeting of shareholders via a review by the BoD about its limitations according to the law. More detailed payment criteria of the remuneration paid by our company are disclosed in the "Executive's Remuneration, etc." in the Business Report.

Status of the remuneration of the Board Directors

(Unit: KRW 1,000)

Category	No. of persons	The total amount of remuneration	Average remuneration per person
Total paid remuneration	6	4,746,640	791,107
By category	Inside Directors	2	4,552,190
	Directors in Audit Committee	4	194,450
			48,613

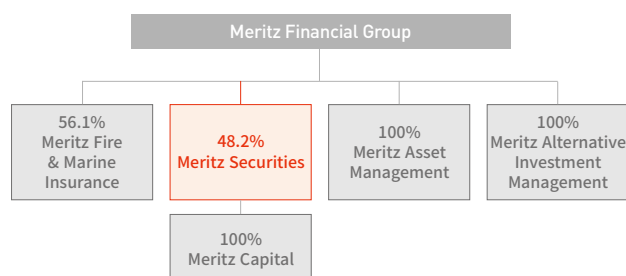
CORPORATE GOVERNANCE

Shareholders and investors

Status of stocks and shareholders

The total number of shares that can be issued is 2,000,000,000 shares, including common and preference shares. The total number of issued shares as of the end of December 2021 was 681,730,579 common shares and 36,956,520 preference shares, and the number of shares that give shareholders voting rights is 586,272,397 common shares. The largest shareholder of Meritz Securities is Meritz Financial Group, holding a 48.17% stake, followed by the National Pension Service, which holds a 7.08% stake.

Corporate governance of Meritz Financial Group



Current status of shareholders

(As of Dec. 31, 2021) (unit: shares)

Name of shareholder	No. of shares owned	Share ratio (%)
Meritz Financial Group Inc.	328,355,866	48.17
National Pension Service	48,298,711	7.08
Employee Stock Ownership Association	3,265,428	0.48
Others	301,801,574	44.27

Protection of Shareholders' Rights

Meritz Securities is committed to always protecting shareholder's rights through the prior notification of general meetings of shareholders, introduction of the electronic voting system, and solicitation to exercise voting rights by proxy.

Holding a general meeting of shareholders

Shareholders convene in a general meeting within three months after closing every business year according to the articles of incorporation, and a temporary general meeting of shareholders is held as per the resolution of the BoD or other statutes. In addition, the date, venue, and purpose and agenda of the meeting are disclosed through written or electronic documents to every shareholder two weeks before the general meeting. Meritz Securities allows shareholders to fully investigate the agenda through the prior disclosure of the general meeting of shareholders and exercise their voting rights.

Category	unit	2019	2020	2021
Company briefing	times	4	4	4
Conference	times	4	4	4
Whether the electronic voting system is adopted	-	Adopted	Adopted	Adopted

Solicitation to exercise voting rights by proxy

Meritz Securities put the solicitation to exercise voting rights by proxy into place on Dec. 31, 2021, and each shareholder can delegate the voting right through the electronic or written proxy form. For the written delegation, a proxy form is issued through in-person delivery, mail or facsimile, or email, or sent along with the notice of convocation of the general meeting of shareholders (only to the issuer), and the solicited voting right holder can file the form in person or via mail.

Shareholder return policy

The cash dividend yield ratio of Meritz Securities as of Dec. 31, 2021, is 1.9% per common share, and the cash dividend per common share is KRW 100 and KRW 283 per preference share (based on the fifth issuance of the preference share). The average dividend yield ratios for the last three and five years are 5.07% and 4.80%.

Meritz Securities disclosed the mid-term shareholder return policy through the ongoing disclosure of duty-related matters (fair disclosure) in May 2021. We will maintain the dividend level at 10% of the current net income based on the separate financial statements in the future for the improvement of shareholder value and implement measures to raise the shareholder value, such as buyback and cancellation of shares.

* Average dividend yield is calculated by simply averaging the sum of dividend yields over the last 3 years and 5 years.

CORPORATE GOVERNANCE

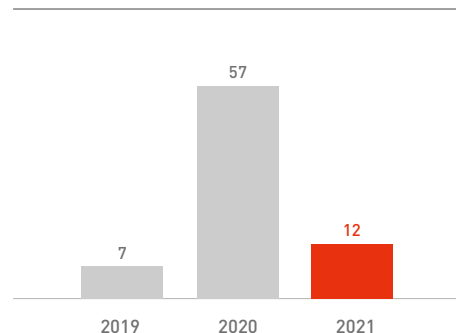
Distribution of economic performance



Local Community

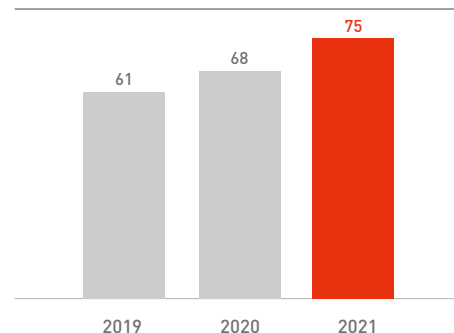
Donation

(Unit: KRW million)



Employee contributions

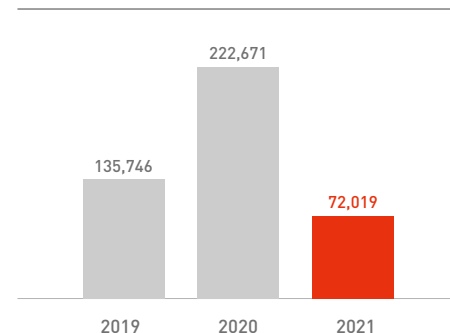
(Unit: KRW million)



Stakeholder

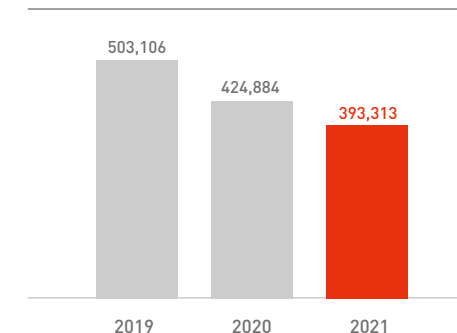
Total cash dividends

(Unit: KRW million)



Interest expenses

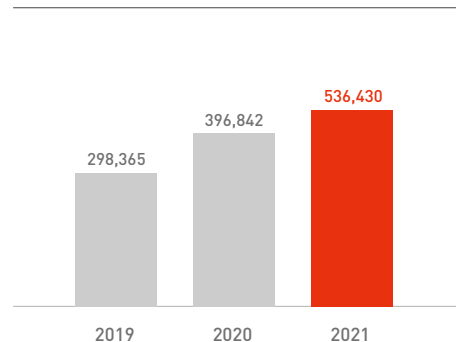
(Unit: KRW million)



Employee

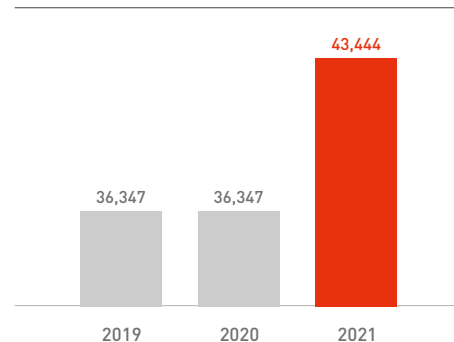
Salary

(Unit: KRW million)



Benefits

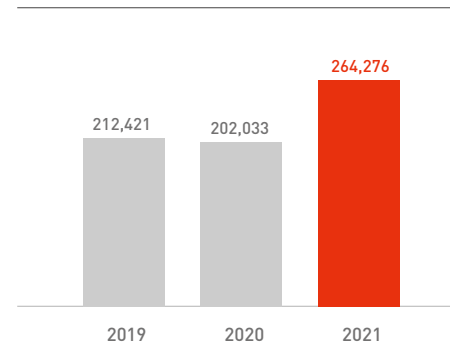
(Unit: KRW million)



Government

Tax expense

(Unit: KRW million)



RISK MANAGEMENT

Main achievements in 2020–2021



Number of Risk Management Committee meetings held in 2021: 6



Establishing the response system for each risk type

Risk management system

Meritz Securities recognizes risk management as the key element of corporate management and establishes and operates risk management strategies to balance the risk and profit. In addition, we have formed an efficient risk management organization system and organic relationships with many enterprise-wide organizations through the Risk Management Committee under the BoD.

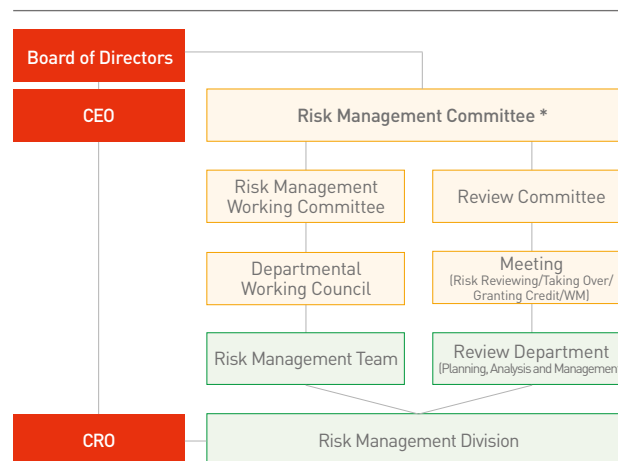
Risk Management Committee

The Risk Management Committee is the highest decision-making body that establishes policies and principles required to recognize, measure, monitor, and control possible risks in the company. The Committee also commands and supervises its Risk Management Working Subcommittee* and Review Subcommittee.** These subcommittees are responsible for the establishment of basic risk management policies and strategies, total risk limit setting, approval of annual appropriate investment limit and loss tolerance limit, establishment and revision of risk management standards, and quarterly risk management status report.

* Risk Management Working Subcommittee: Risk management-related matters are delegated from the Committee

** Review Subcommittee: Loan and investment-related matters are delegated from the Committee

The organizational chart for risk management



* Risk Management Committee: Establishing a company's risk management policy and supervising subcommittee with the company's authority to make possible decisions

Risk Management Division

The Risk Management Division, led by the Chief Risk Management Officer (CRO), is equipped with 33 professional staff including accountants, contractors and developers, and credit rating agencies. The Division is largely composed of the Risk Management Team and Review Department (planning, analysis, and management).

The division examines investment-related deals received from each business division and submits them to the Review Committee, which is held once a week. The CRO makes the final decisions after deliberating whether the contracts are defective or not with specialists from each field. This process helps us eliminate unreasonable contracts, which have ungraspable risks, and select transactions, which can be tolerant, contributing to securing stability and profitability at once.

Key achievements in risk management

A Risk Management Committee meeting was held six times in total in 2021, and all committee members participated. Out of the nine proposed agendas, five were approved, and four were reported. In addition, all five approved agendas were passed according to the legitimate expression of the members.

Key achievements

Improvement of financial soundness through asset sales

- Real estate PF¹⁾ loans and total credit exposure have been declined significantly.
- High-quality deals focusing on sell-down within the risk we can afford
- Stable management of exposure to contingent debt.

Maintaining NCR²⁾ capital adequacy efficient

- Limit distribution and monitoring at a level that maintains the standard of credit rating agencies
- Perform sophisticated NCR simulation considering investment asset maturity and early repayment

Always ready for liquidity risks

- Prepare for mid- to long-term liquidity crises by conducting periodic liquid stress tests for the Meritz Financial Group
- Regular cross-check of financial situations about liquidity issues in collaboration with the financial management department

¹⁾ PF: Project Financing

²⁾ NCR, Net Capital Ratio: Financial soundness

RISK MANAGEMENT

Response by risk type

Meritz Securities is increasing profitability and reliability by systematically integrating and managing risks. We recognize that risk management is the key element of corporate management and establish and operate the risk management strategies to balance the risk and profit. The Executive Team, including the BoD, has a firm understanding of risk management and avoids strictly growth-oriented management. It is also committed to maximizing profit by managing risks at a certain level throughout the company. We have set the total risk limit to a level that can maintain the appropriate net capital ratio, and the risk is divided into market, credit, liquidity, and other risks (operating risk), thereby maintaining the integrated limit management system throughout the enterprise.

Our company is introducing and running the risk management system to build a professional risk management system to cope with rapidly changing risk environments. Through the risk management system, various risks such as market risk measurement by the internal model (Value at Risk (VaR)), credit exposure and credit risk measurement, and liquidity ratio and gap measurement are integrated and managed.

- Status of the response to market risk: We conduct stress tests with VaR on all transactions that involve market risk, and manage market risk by applying both VaR and loss limits. We limit our exposure to risk by setting position limits to prevent exposure to financing liquidity risk because of excessive position setting of bond products and high-risk exposure of derivatives, which aims for speculative trading.

- Status of the response to credit risk: We manage credit risks, including changes in debt fulfillment ability because of a decrease in the credit rating and asset value of parties to the trade. And for credit offers, credit risks are managed through strict prior examination by the Review Committee, which is the specialized organization for investment deliberation. The credit exposure limit is set according to parties to the trade, credit rating, nation, and trade type to prevent excessive exposure to the credit risk. Follow-up management is periodically conducted on trading companies to inspect the status of debt repayment ability and whether the credit has changed.

- Status of the response to liquidity risk: To manage liquidity risk, a liquidity ratio is set as the major indicator, and liquidity gap analysis and liquidity scenario analysis, etc. are used as supplementary indicators. To cope with the discrepancy at the date of maturity between fundraising and using, the limitations of three-month and one-month cumulative liquidity ratios are set and managed. The status of fundraising and using is analyzed and evaluated on a regular basis to maintain liquidity.

- Status of the response to operation risk: Inherent operation risks are measured and managed through the quarterly risk and control self-assessment (RCSA), and improvement tasks are derived and supplemented. In addition, the safety of the management is enhanced through the management of key risk indicators and the internal expansion of the risk management culture.

Tax-related risks

Meritz Securities recognizes not only the transparent and faithful tax reporting and payment according to laws and regulations but also the evaluation and management of various tax-related risks that may occur during business activities as the requirements for sustainable management. To do this, we comply with tax laws to fulfill the obligation of taxpayers faithfully. We are also reporting tax amounts based on the advice of external experts and the authoritative interpretation of the tax administration, etc. depending on circumstances. In addition, employees in charge of taxation do their best to maintain constructive and transparent relationships with tax authorities, and tax-related information is reported* to all stakeholders according to the reporting standards.

* For internal management teams, they are reported through the corporate tax return and payment draft, and for external stakeholders, they become known through the notes to financial statements that are quarterly disclosed.

Tax report content

(Based on separate financial statements)

Report items	Unit	2018	2019	2020	2021
Income before tax	KRW	477,096,629,311	777,064,930,095	576,098,987,798	899,759,154,409
Income tax expenses	KRW	128,146,719,803	181,366,488,259	152,247,116,004	218,149,051,563
Tax amount to be paid	KRW	152,193,570,365	181,989,507,668	214,221,178,592	224,990,793,389
Effective tax rate	%	26.86	23.34	26.43	24.25
Tax payable	%	31.90	23.42	37.18	25.01

ETHICS AND COMPLIANCE MANAGEMENT

Main achievements in 2020–2021



Employees pledge to practice
ethical compliance



More than **27 courses** of
main compliance training
conducted in 2021



Regular employee
compliance training



144 managers: The number of compliance
managers in teams and branches



**Operation of the Legal
Compliance Team,** which is a CEO-led
compliance management dedicated team

Ethical management system

Meritz Securities is pursuing the management philosophy of “A Smart Partner that brings customer stability and happiness.” To practice this, we establish and comply with the Code of Ethics to faithfully conduct our responsibilities and duties as a financial specialist, protect investors, and contribute to the sound development of the capital market and national economy.

The Code of Ethics consists of 15 articles in total that enhance the right ethical consciousness of our employees. It provides detailed guidelines for employees to develop the right ethical consciousness by not only specifying the basic principles that financial specialists should comply with, such as Article 3 (Compliance with Laws), Article 4 (Faithfulness), Article 5 (Respect for Market Order), Article 12 (Report on Violations), and Article 14 (Prohibition of Pursuing Individual Benefit) but also responsibilities for stakeholders and civic societies.

In addition, in case of violation of laws and the Code of Ethics, disciplinary measures are taken for each violation, and if disciplinary measures are received, disadvantageous measures are taken in personnel management. To preemptively prevent this, we conduct ethical education for all employees every year.

Meritz Securities Code of Ethics

Article 1 (Purpose)

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

Article 2 (Customer Priority)

The company and employees should always think from the customers’ point of view and strive to provide them with better financial services.

Article 3 (Compliance with Laws)

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

Article 4 (Faithfulness)

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

Article 5 (Respect for Market Order)

The company and its employees should respect and strive to maintain fair and free-market order.

Article 6 (Information Protection)

The company and its employees should protect and manage both the company’s and customers’ information acquired in the process of business operations.

Article 7 (Self-Innovation)

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

Article 8 (Mutual Respect)

The company should respect the autonomy and creativity of its 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 its 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 its employees should recognize that they are members of 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 the properties of the company nor pursue personal interests 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 the interests of the company and customers even after retirement.

PRACTICING ETHICAL MANAGEMENT

Raising the ethical consciousness of employees

The Pledge to Practice Ethical Compliance

The content of the Pledge to Practice

Meritz Securities is committed to complying with ethical management principles. We require all our employees to submit the pledge to practice ethical compliance every year to familiarize them with the regulations of ethical management and promise to keep the regulations and systems.

The Pledge to Practice Ethical Compliance

I, as an employee of the company, hereby pledge to fully read the "Code of Ethics" and the "Code of Business Conduct" and strive to maintain the company's reputation and my dignity and comply with related regulations when performing the company's business activities by actively participating in the ethical management it pursues.

I also pledge to contact the internal control department if there is a possibility of a violation or any doubts about the "Code of Ethics" and the "Code of Business Conduct" or deal with it according to the internal control standards set by the company.

Date, 2022

Department: Name: (Signature)

Internal report system

Meritz Securities is running a corruption report center to continue our growth as a transparent and clean, ethical company. We are operating various channels for anyone, including employees, customers, partners, and all related parties, to report fraudulent and corrupt acts of employees either anonymously or not. The reported matters are investigated and handled fairly and stringently.

The center is run so that informants can select a convenient route out of various established mediums, including email, telephone, mail, and the website. We have put a thorough protection policy for informants into practice to guarantee confidentiality and avoid any discrimination against informants. Upon request, the handling results according to the report are transparently disclosed. In addition, if an informant's report is able to prevent a loss to the company, incentives such as commendations, rewards, personnel benefits, etc. may be given to the informant. Even in such a case, the exposure of the identity of the informant is strictly prohibited.

No. of internal reports accepted

2019	2020	2021
1	1	1

Acts subject to reporting

1. Crimes such as embezzlement, breach of trust, and bribery
2. Acts of requesting or receiving money, valuables, entertainment, etc. connected to work
3. Acts of leaking confidential company or customer information
4. Illegal and unjust work handling or instruction
5. Using company property privately
6. Corrupted acts related to human resources, such as secret requests for positions and double employment
7. Acts such as sexual harassment, borrowing money between employees or between employees and customers, gambling, etc.
8. Violations of related regulations, internal rules, or the code of ethics of employees
9. Other illegal, unjust, unethical, and immoral conduct equivalent to the above subparagraphs

1. Internal Reporting System

- 1) Website: Click on the "Corruption Report Center" banner on our website.
- 2) Report to the Compliance Officer via mail, email, landlines, etc.

2. Reception and handling

- 1) Verify whether the report is true and fact check (if needed, auditing is requested) → Disciplinary action for illegal acts
- 2) Notification of the handling results to the informant

3. Protecting and awarding an informant

- 1) Protection of the informant Confidentiality regarding the informant's identity and content of the report
- 2) Awarding the informant with a commendation or reward

PRACTICING ETHICAL MANAGEMENT

Compliance management system and practice

Compliance management system

Meritz Securities recognizes compliance management as the essential management philosophy for the sustainable management of the company and builds and runs the system to practice compliance and ethical management in relationships with all stakeholders, including employees and customers. We have established the code of conduct, which includes the internal control standards, Code of Business Conduct, compliance guidelines, etc., and set them as the standards of value judgment and conduct for employees. In addition, we have appointed a Compliance Officer and installed a supporting department for compliance monitoring work to put compliance monitoring systems, such as the legal compliance program proposal and management and compliance monitoring, into place. We also report the inspection and response measures regarding the internal control inspection results and vulnerable areas to the BoD regularly.

Improvement of the compliance management system

- Establishment of an autonomous compliance system through the strengthening of compliance education and inspection activities
- Revision and inspection of a checklist for compliance with laws by teams and branches

Spreading a compliance culture

- Reinforcement of the prior inspection support by the Compliance Officer when providing new products and services
- Discovery of best compliance practices and propagation of incident cases

Furthermore, Meritz Securities endeavors to reduce possible legal violation risks in the conduct of business by receiving official documents sent by external institutions, such as the Financial Supervisory Service, Korea Exchange, and Korea Financial Investment Association, and promptly notifying the departments in charge. We also monitor press releases and reports from finance authorities for the proactive response of our internal control considering social issues and raise issues to improve the employees' awareness.

Dedicated organization of compliance management

Meritz Securities has appointed a Compliance Officer through the BoD according to the Act on Corporate Governance of Financial Companies and run the Internal Control Committee, consisting of main executives, to review and deliberate major issues related to compliance management. In addition, we have installed a legal compliance team, which is a dedicated organization

for compliance management directly under the CEO to practice compliance management and put the compliance management system into place for internal control of every team and branch.

Department (team) name	Major activities
Legal Compliance Team	- Implementation and operation of the internal control system - Compliance monitoring and inspection - Legal compliance and internal control-related education for employees - Supporting Compliance Officer duties throughout the overall internal control process

The following are some activities the Compliance Officer conducted in 2021: inspection of monetary provision according to the Improper Solicitation and Graft Act, inspection of the employees' financial investment product sales, an inspection of customer information abuse, anti-money laundering monitoring, conducting security check day (every month), voluntary mystery shopping (occasionally), inspection of CDD* adequacy in branches and headquarters, and improvement and supplementation of the lacking results.

* CDD: Customer Due Diligence. It is the act of performing background checks, such as the verification of customer identity and the purpose of the trade, to prevent the services of financial companies from being used for money laundering.

Compliance training for employees

Meritz Securities provides compliance training to all employees every year to proactively prevent legal risks and practice effective compliance management. We are running the curriculum of legal compliance, prevention of financial incidents, antisolicitation, and protection of personal credit information, etc. for all employees as well as various educational courses, including ones for the prevention of unfair trade, prevention of money laundering, prevention of incomplete sales, trust, etc. depending on each employee's line of work.

We have also provided more than 13 training courses through written and online methods, such as anti-money laundering system-related online education, a training session on trading order error prevention, strengthening education on financial incidents and prevention activities, and education on the Improper Solicitation and Graft Act. In addition, we have provided courses on unfair trade prevention, algorithm trading risk management, prevention of incidents, internal control education, and education on the prevention of illegal loan accounts.

Major compliance training for employees in 2021

Training course	Target	Frequency
Compliance Day internal control-related training (Financial incident prevention, employees' financial product sales, unfair trade prevention, etc.)	All	Quarterly
Education on conflicts of interest		
Understanding of personal and credit information protection and ethics of information protection	All	Annually
Understanding anti-money laundering systems	All	Occasionally
Internal control of the Finance Center	Finance Center	Biannually
Guide to precautions regarding the over-the-counter transaction of bonds	The department that trades customers' funds	Quarterly
Compliance matters of employees in charge of lending	Related departments	Annually
Guide to precautions related to block deals	The department that trades customers' funds	Monthly

Fair trade

Meritz Securities prohibits improper solicitation while performing business operations through the internal control standards and prevents unsound business conduct by setting the standards and procedures related to the provision of money. We also take precautions about providing (receiving) illegal property benefits and guide employees to report any supply (reception) of property benefits to/from a trading counterparty to the company while engaging in business. The adequacy of the prevention measures against the provision (reception) of illegal property benefits is inspected by the Compliance Department every month, and if violations are discovered during these inspections, we guide our employees so the incident does not occur again through disciplinary warnings by the Compliance Officer.

INFORMATION SECURITY

Main achievements in 2020–2021



Renewal of the certification
of the information security management system
(ISMS) in 2021



Information security education is
conducted for employees and external and
major partners at least once a year



No leaks of private information and
cybersecurity incidents occurred
in the latest four years

Information security system

Meritz Securities has installed and operated the Information Security Committee led by the Chief Information Security Officer (CISO) and Information Security Working Council led by the information protection manager to establish and maintain information security systematically.

Information Security Committee*

The Information Security Committee deliberates and decides matters concerning important information protection. It consists of five executives of high positions in charge of information security and a division head or a person of higher rank. Particularly, it deliberates and decides matters concerning information technology, the establishment of strategies for user protection, results of vulnerability analysis and evaluation and implementation planning, security accidents and handling of those who violate security-related regulations, etc.

* Composition of the Information Security Committee: Head of the Information Security Division, in charge of information technology, Head of Management Supporting Division, Head of the Retail Business Group.

Information Security Working Council

The Information Security Working Council is composed of the staff in charge of information protection and the head of the information technology division. It establishes plans for information protection activities, security policies, measures to protect security vulnerabilities, and contingency plans upon emergency.

Prevention of security incidents and response activities

Meritz Securities is developing related activities to raise information protection consciousness and improve information security vulnerabilities to reinforce the prevention and response to cyber threats. We've maintained the information protection system recognized externally by renewing the certification of ISMS in 2021. We satisfied 80 standards concerning information protection and all 280 main inspection items to acquire the certification. In addition, we have conducted training to cope with infringement incidents according to Article 37-4 in the Regulation on Supervision of Electronic Financial Transactions (training to cope with DDoS* and mail Advanced Persistent Threat attacks).

* A Distributed Denial-of-Service (DDoS) attack is a malicious attempt to disrupt the normal operation of a web application by overwhelming its network resources with a flood of Internet traffic.

Protection of customer information and response to incidents

We are building a process to achieve prompt emergent response along with the internal reporting upon the occurrence of customer information leakages according to Meritz Securities' Manual of Response to the Leakage of Personal Credit Information. When customer information leakage occurs, an emergency action team is created for rapid decision-making and systematic responses are put in place to ensure the rights of the customer whose information has been leaked and prevent damage to the customer and the involvement of additional victims. Each department is familiar with its roles and response procedures and how to conduct various measures to prevent damages to the customer and proactively stop the leakage of information.

Response to cyber infringement

With the COVID-19 pandemic and the expansion of remote cultures, digital transformation has accelerated. Thus, the dependence on information technology and cyberattacks have also significantly increased in all industries. As a result, a system to respond to malicious code, such as ransomware, has also been reinforced. The inspection of files received from external to internal networks has been strengthened, and training for an emergency response to DDoS attacks is conducted at least once a year. We also provide a backup system of data in our internal networks as a plan to rapidly recover the system when it is infected by ransomware.

Information security training

Meritz Securities establishes and executes annual plans for information protection training to strengthen employees' competence in the field and strives to understand the management system and policies of the organization and to secure expertise for each duty. In addition, we have set the third Thursday of every month as "Security Check Day," where all employees participate and report the results and improvement plans to the CEO after inspecting whether information security systems still comply with the standards.

Status of employee information security training completion	Unit	2019	2020	2021
Those who completed training	Persons	1,526	1,513	1,552
Training hours	Hours	9,293	9,213	9,453
Education completion rate	%	100	100	100

In addition, Meritz Securities provides education on information protection for employees of external organizations and major partners. Furthermore, we conduct written or on-site inspections at least once a year to minimize the risk that may occur in the company where personal (credit) information handling is consigned and report the inspection results to the Chief Privacy Officer (CPO).

SMART PARTNER FOR SUSTAINABILITY

Meritz Securities is actively promoting activities such as human rights management, improvement of organizational culture, and strengthening of consumer protection in order to meet the expectations of various stakeholders including employees, customers, partners, and local communities. We will expand our activities for the sustainable growth of all stakeholders.

36	EMPLOYEES
41	CUSTOMER
42	LOCAL COMMUNITIES
44	ENVIRONMENT



EMPLOYEES

Main achievements in 2020–2021



Increase in the ratio of talented female employees

- The ratio of female executives in 2019 increased from 28.4% → to **30.3% in 2021**
- The ratio of female managers in 2019 increased from 28.2% → to **29.35% in 2021**



Increase in the continuous employment years

6.1 years in 2019 → **6.7 years in 2021**



Employees' labor union participation rate

83.8% in 2019 → **89.0% in 2021**

Recruitment and talent development

Transparent and fair talent recruitment

Fair recruitment is the beginning and key to the human resource management of Meritz Securities. Meritz Securities recruits employees based on their ability and potential rather than educational background, gender, or personal background. To elevate the transparency in the recruitment process, we have recruited employees occasionally when needed, and all the recruitments are open and competition-based.

We aim to assign employees selected through the recruitment process to their best position considering their personal ability and aptitude and our long-term path of human resource development. Through this, personal growth and the organization's development improve at the same time.

Meritz Securities is continuously recruiting excellent human resources equipped with the expertise in line with the growth of the financial investment industry and rapidly changing global finance market based on the value of

"fair recruitment." In particular, we recruited 293 employees in 2020 and 281 employees in 2021 to reinforce human resources of sales in all business divisions and middle-back office roles in the risk management division to drive the revenue diversification strategy because of the expansion of the overseas market business, thereby balancing the growth and management.

Meritz Securities will do its best to expand the recruitment of excellent human resources to quickly cope with the rapidly changing finance investment business and acquire the expertise and efficiency of employees who will become leaders of the market.

New hires	Unit	2019	2020	2021
All		334	293	281
Male	Persons	228	198	202
Female		106	95	89

Ensuring employee diversity

Meritz Securities is continuously recruiting women and persons with disabilities to fulfill our responsibilities for employee diversity and the socially disadvantaged. The number of female employees as of 2021 was 445, which increased by 28 employees compared to that of the previous year, and the ratios of female executives and manager roles have also increased by 1% and 3%. In addition, we have maintained the employment of 19 employees with disabilities in 2021, which indicates the steady expansion of the recruitment and employment of the socially disadvantaged.

Employee diversity	Unit	2019	2020	2021
No. of female employees	Persons	396	417	445
The ratio of female employees	%	28.37	29.41	30.30
The ratio of female manager roles	%	28.17	26.38	29.35
No. of employees with disabilities	Persons	15	20	19

Raising the competence of employees

Educational support to raise the competence of employees

Meritz Securities actively invests in the education and self-development of our employees for the long-term growth of the company. To provide specialized financial services to customers, we are subsidizing education expenses and test application fees when employees attempt to acquire financial qualifications so they can develop the professional competencies necessary in the financial field, such as funds, investment, and asset management. Meritz Securities supports not only improving professional skills but also promoting communication between employees and customers. We also support humanities lectures through various educational channels to cultivate diversity and creativity.

Status of educational support for employees	Unit	2019	2020	2021
Training hours per person	Hours	2.9	3.1	3.2
Training expense per person	KRW	26,351	26,885	19,822
Total training hours	Hours	4,129	4,329	4,729
Total training expense	KRW million	48	65	32

Reemployment support service for retirees

Based on the Act on Prohibition of Age Discrimination in Employment and Elderly Employment Promotion, we provide reemployment support services for eligible retirees. We have a retirement preparation service program to help our employees lead prosperous lives after retirement through participation in the professional education program and consulting after retirement, as we have had contracts with professional companies since March 2021. Our employees can take private career design education counseling or employment, startup education courses. They can also take various consultation opportunities and customized education through 1:1 consultation with experts, thereby providing a life design opportunity after retirement and resolving the anxiety of unemployment.

EMPLOYEES

Employee welfare

Main welfare system

Child care centers

A workplace child care center is running near the headquarters building to help employees concentrate on their work by eliminating the need to worry about their children. New children to be admitted to the child care center are selected through an open lottery every year. If a vacancy becomes available in the middle of the class, additional admissions will be made according to the waiting order for each class assigned at the time of the initial lottery. Our child care center has received “excellent” grades in all sections, including the essential indicators in the child care center evaluation system conducted by the Ministry of Health and Welfare, and the highest “A Grade,” which is the highest grade among those institutional child care centers.

Retirement pension programs

Meritz Securities has retirement pension plans for employees so they may lead economically stable lives even after retirement. There are two types of plans, namely, the defined benefit (DB) and defined contribution (DC). As of 2021, we’ve entertained a total of 1,251 customers and reached an operating amount of KRW 50.5 billion.

Retirement pension plan ¹⁾	Unit	2019	2020	2021
No. of subscribers (DB)	Persons	742	787	787
Retirement benefit (DB) ²⁾	KRW 1,000	4,375,115	4,666,802	5,055,500
No. of subscribers (DC)	Persons	428	436	464
Retirement benefit (DC)	KRW 1,000	3,270,769	4,254,770	4,293,594

¹⁾ For retirement pension, the actual valuation amount of the DB obligation and retirement pension premium may be different from those disclosed in the financial statements in the Business Report

²⁾ Defined benefit retirement benefit (DB) is the amount recognized as an expense for the current year

Future design support after the retirement of an employee

Meritz Securities saves 3% of employees’ salaries for savings incentives to give them a lump sum of money in preparation for their retirement. With the saving incentives, employees may buy treasury stocks or get matching funds from the company if they are subscribed to funds operated by the Meritz Financial Group. In addition, instead of receiving a one-off management performance-related pay, some of the payments can be deposited in the retirement pension DC account to help our elderly employees by providing investment and tax-saving opportunities.

Status of our welfare scheme

Assistance for housing rent, purchase fund loan, and company-owned house lease	To help employees who have no house or working in regional areas far from their homes, we assist with housing rent, house purchase fund loans, and company-owned house leases
Financial aid for the education of children	Up to two children of an employee can avail of financial aid for their education to create a basis for improving productivity with the attraction of company loyalty through welfare improvement
Subsidy of medical expenses	Medical expenses subsidy when you or your spouse listed on your health insurance card, lineal ascendants, and spouses’ parents are hospitalized or outpatient due to injury or disease
Medical checkup	Regular health checkups are carried out every year, and measures necessary to maintain health are taken according to the results to support detailed examinations for re-examination.
Recreation facilities	Hanwha, Daemyung, and Oak Valley condominium memberships are operated and loaned to employees at all times.
Support for the expenditure for congratulations and condolences	Payment of congratulations and condolences in relation to congratulations and condolences for you and your family (including your spouse)
Providing clothes	Supporting employees in appropriate clothing for the performance of their duties
Awarding workers’ long-term employment	Provision of special leave and travel vouchers to employees with 10 or 20 years of service
Support for private lesson expenditures	Support for school expenses related to employee performance improvement
Support for disaster relief	Disaster relief subsidy when an employee is injured by fire, flood, or other natural disasters
Petition-based leave	The company provides paid leave to the employee in the event of a predetermined cause for the employee
Operation of clubs	Clubs are run to strengthen friendships and bonds among employees

EMPLOYEES

Work-Life Balance

Meritz Securities introduced a personal computer off day in July 2019 to comply with the legal working hours and support the work-life balance of employees.

We strive to improve the satisfaction of the employees' work environment by introducing flexible work systems, such as a staggered commuting system, flexible work hours system, discretionary work hours system, and special calculation of work hours to apply a working system that is suitable for each team's work characteristics. To ensure the safety of our employees amid the COVID-19 situation, we have built a system to enable work from home regularly and autonomously. Furthermore weand lent notebooks to employees with no personal computers, allowing for comfortable work.

In addition, as part of our maternal protection policies, employees can apply to shorten work for reasons such as pregnancy, parenting, and family care. More recently, family care leave has been widely used. A staff lounge for female and pregnant employees' comfort has been installed on the 25th floor of the headquarters.

The efforts expended by Meritz Securities have led to an increase in average long-term employment.

Average long-term employment	Unit	2019	2020	2021
Male	Years	5.6	5.7	6.0
Female		6.8	6.8	7.0
Total		6.1	6.3	6.7

Organizational culture improvement activities

organizational culture development policy

Meritz Securities achieved its aim to become "a company where professionals want to work together" based on the human resource performance-related pay system in which employees are evaluated transparently and objectively. And now we aims to build an organizational culture where human resources are respected and competent professionals can focus on work.

In addition, we are actively supporting the "recruitment of the best human resources", emphasizing that they are the source of financial competitiveness. At the same time, we are building an organizational culture where all our employees can motivate themselves without limits to become experts in the industry and the competence of individuals and organizations can rise together.

Strengthening employee communication

Meritz Securities stresses a horizontal organizational culture and has set a free debate culture, which is not authoritative. We encourage our employees to freely express their opinions anytime regardless of their positions and ranks if it can help the organization.

Deal review meeting

In the deal review meeting, which is conducted weekly, deals from every business division are discussed intensively to determine whether they will be executed. It is a debate field where every member of the staff can join regardless of their position. The participants can freely express their opinions in the discussion. The fast decision-making and quick execution based on this has been recognized as a healthy and unique part of Meritz Securities' organizational culture.

Health and safety of employees

Enhancing the health of employees

Meritz Securities persists in creating a safe work environment and maintaining the health of employees. Employees and their spouses, children, and even family members listed on the national health insurance are eligible for the medical expenses support scheme. We also strengthen the welfare of employees by running the in-house work welfare fund separately in addition to the welfare systems such as PC ON-OFF and flexible work hours.

Status of employee absenteeism rate	Unit	2019	2020	2021
No. of absences	Days	0	0	0
Sick leaves used	Days	416	0	68
No. of industrial accidents	Cases	0	0	0
No. of victims	Persons	0	0	0
No. of lost workdays	Days	0	0	0

Listening to internal grievances

Meritz Securities is operating the Internal Grievance Committee, which guarantees anonymity while preemptively responding to workers' grievances and stress. In addition, we pay attention to difficulties faced by employees through the regular briefings held by the executives and Human Resources (HR) General Team for workers. We endeavor to reflect the voice of our employees collected through various channels for internal improvement matters.

EMPLOYEES

Operation of the Occupational Safety and Health Committee

We operate the Occupational Safety and Health Subcommittee, consisting of three members each from the union and management under the Internal Grievance Committee for the safety and health management in the workplace. The Subcommittee occasionally convenes to discuss preventive measures for industrial accidents, etc.

Human Rights Protection of Customer Service Staff

Customer service staffs are placed in an external communication channel through which the voices of customers are most closely listened to. They are faced with various kinds of stress because of their emotional labor. Meritz Securities provides additional protective provisions and organizes and operates the Grievance Committee for our customer service employees. We educate them on how to behave in response to verbal abuse, sexual harassment, and assault once a year and identify their psychological status through interviews every quarter. If necessary, they are given psychological treatment or temporarily excluded from customer service duties.

We have revised the guidelines of the protective measures for customer service employees to provide a manual in response to the unreasonable acts of customers and issue warnings through text messaging or calls if needed. Upon the employees' request, their work may be temporarily suspended and we extend their break time, provide treatment and counseling support, and aid lawsuits and damages claims. In addition, we began providing education on human rights protection for 92 customer service employees in 2021 to teach them how to respond to human rights infringement incidents and prevent damages resulting from the violent language of customers.

Evaluation and remuneration

Meritz Securities conducts human resource evaluation through indiscriminate and reasonable systems. Fair evaluation leads to adequate remuneration and transparent personnel management and is the key driving force to attracting and maintaining excellent human resources.

Meritz Securities pays employees based on the salary table by position and ensures that no income inequality occurs between men and women of the same job. The evaluation of employees is conducted in the second half of each year through self-assessment, evaluation interviews, and first and second evaluations based on the employees' performance and competence. Evaluated employees may file an objection directly with the Human Resources Department within seven business days after receiving the evaluation results. The Human Resources Department opens the Personnel Committee and conducts redeliberations within 15 business days after the deadline for filing objections, ensuring the fairness and transparency of the evaluation.

In addition, Meritz Securities' employees are evaluated in a variety of ways beyond the simple evaluation by superiors by introducing a multifaceted evaluation scheme among colleagues.

Win-win relations between the union and management

Building win-win relations between the union and management team

Meritz Securities upholds the three labor rights specified in the Constitution and has held the Joint Labor-Management Council every quarter since the labor union was established on Oct. 29, 1987. The Joint Labor-Management Council plays a role in facilitating the sound development of the company and ultimately improving employees' welfare by discussing employee-related agendas and deciding important matters through consultation.

Meritz Securities' labor union has 200 as of the end of December 2021, which accounts for 89.7% of 223 employees qualified to join.

	2019	2020	2021
Union membership rate (%)	83.8	81.1	89.7

History of the Labor Union at Meritz Securities

- Oct. 29, 1987: Established the labor union (Labor union of Hanil Securities)
- March 2000: The union name changed to Meritz Securities Labor Union because of the corporate name change
- April 1, 2020: Changed the name to Meritz Investment Bank Labor Union because of the mergers and acquisitions (M&A) with Meritz Investment Bank
- Dec. 2019: Lee Kwan-woo and Oh Kwon-seok serve as the leader and vice leader, respectively, of the labor union
- April 2020: Changed the name to Meritz Securities Labor Union because of the corporate name change

Major Achievements of the Council in 2020 - 2021

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 plan to operate medical expenses

EMPLOYEES

Human rights policies of employees, human rights declaration

Meritz Securities puts into practice human rights management, which contains the decision-making criteria and behavioral principles where ethical value is reflected to faithfully fulfill the corporate social responsibilities and pursue healthy growth with all stakeholders. We advocate the human rights principles proposed by the UN's Universal Declaration of Human Rights and corporate and UN Guiding Principles on Business and Human Rights, protect the human rights of all stakeholders, and prevent human rights from being infringed as follows:

Education of human rights protection for employees

We conduct workplace harassment / sexual harassment, verbal abuse, and assault prevention education for all employees every year to increase our employees' awareness and respect for human rights. In addition, we have provided education to improve awareness of persons with disabilities and prevent bullying in the workplace.

Preventive education for sexual harassment	Unit	2019	2020	2021
Education hours for sexual harassment prevention per person	hour/person	1	1	1
No. of employees who participated	Persons	1,431	1,456	1,506
Education hours per person	Hour	1	1	1



Human rights of employees

- We prohibit any discrimination based on gender, school affiliation, disability, religion, race, region of origin, etc. and respect diversity.
- We evaluate and reward employees according to fair criteria and provide an adequate opportunity for self-development to improve work skills.
- We create safe and clean work environments to protect and maintain the health of employees.
- We improve work conditions to help employees balance work and life and exhibit their maximum capabilities as much as possible.



Human rights of customers

- We protect the human rights of those who are vulnerable in terms of financial access by improving accessibility for the disabled and the elderly.
- We do not take the customers' gender, age, and religion into consideration when providing financial services.
- We collect minimal information for our financial services, and customer information is securely managed.
- We strive to develop and provide the best products and services that satisfy customers and win their trust.



Human rights of shareholders and investors

- We provide the information required for shareholders and investors accurately and fairly in a timely manner according to related regulations.
- We secure the transparency of management through the accurate disclosure of accounting data and maintain the trust of shareholders and investors.
- We strive to increase the value of shareholders and investors through reasonable decision-making and transparent management activities.

CUSTOMER

Main achievements in 2020–2021



The ratio of matters handled within 12 business days after reflecting the voice of the customer (VOC)
80.0% in 2019 → **94.0% in 2021**



Operation of the
“Consumer Protection Division”
a dedicated organization for financial consumer protection

Financial consumer protection

Principles of fair trade for consumers

The Financial Consumer Protection Act (FCPA), which was promulgated on March 24, 2020, has been effective since March 25, 2021. Meritz Securities has introduced new systems, such as the reinforcement of compliance with the six sales regulation principles, the right to withdraw a subscription, the right to request the cancelation of an illegal contract, and the right to request to view data according to the enforcement of the reinforced consumers' rights protection act, through which consumer protection is put into practice.

Dedicated organization of financial consumer protection

Meritz Securities arranges various systems and activities for financial consumer protection by running the Consumer Protection Division directly under the CEO's authority. We prevent incomplete sales in compliance with the Financial Consumer Protection Act and Financial Consumer Protection Charter and pay attention to the VOCs at all times, reflecting them in our management activities. We put the Consumer Protection Team that is in charge of complaints and the VOC within the Consumer Protection Division to accept customer complaints. More specifically, accepted complaints are reviewed to check for legality and whether compensation is required, and the review results are released within 14 business days. A procedure to resolve complaints is conducted through an agreement with customers if they involve illegal matters or compensation for damages.

Building a customer-oriented sales process

Meritz Securities conducts financial product sales process training for branch employees on a regular basis every year, and conducts on-site inspections of branches through external evaluation agencies. In addition, by sharing the results, we encourage our employees to naturally internalize the investor protection mindset. Through this training course, we strive to improve the quality of consultations by not only ensuring that our employees comply with financial product sales procedures and laws, but also provide evidence or objective data for product recommendations.

Pursuing customer satisfaction

Customer proposal management through the VOC system

Meritz Securities manages the VOCs systematically and runs a VOC system to reflect the VOCs in management activities. In particular, we expect rapid VOC handling and creating improvements and the performance of systems and management activities using the VOC system. We aim to maintain our customer-oriented management by handling accepted VOCs through due process and upgrading existing procedures based on the review results. In addition, we actively review and reply to them regardless of the severity of customer suggestions. Meritz Securities is committed to checking matters of discomfort and providing a better customer experience by increasing communication with customers.

Proactive reflection of VOCs

To increase customer satisfaction, various channels, including the customer center, Internet, mail, etc., are used to communicate with customers and actively reflect their opinions. The accepted VOCs are collectively managed by our system and shared between the headquarters and branches in real time to actively reflect them.

The ratio of reflecting and handling VOCs within 12 business days

2019	2020	2021	2022 Goal
91%	91%	98%	Status quo (goal is 90% or higher)

LOCAL COMMUNITIES

Main achievements in 2020–2021



15 years: Voluntary social contribution activities are put into practice through 15 years of the operation of the **Meritz Chamsarang Volunteer Group**



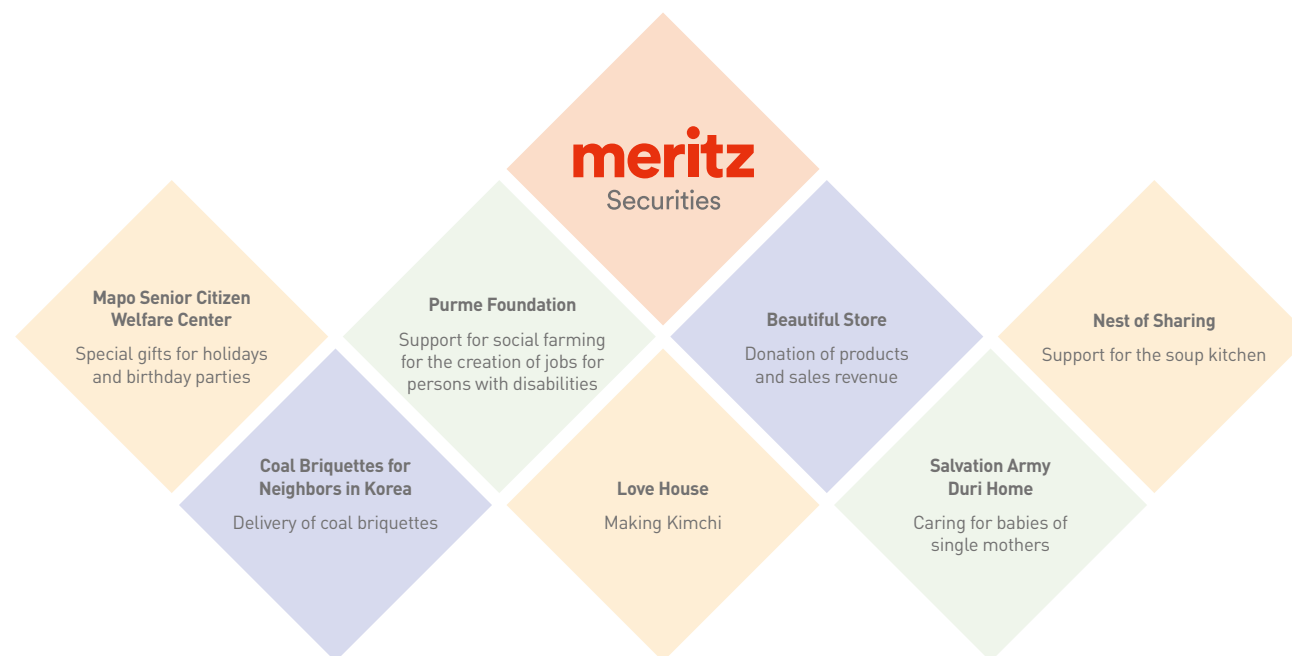
KRW 610 million:
Donated amount in 2021



209 times:
No. of volunteer activities by employees in 2021

Strategy to drive social contribution

Meritz Securities organized and has been running the Chamsarang Volunteer Group since August 2007 to contribute to the development of local communities through the voluntary participation of employees. The Chamsarang Volunteer Group, which has been active for 15 years, is characterized by practicing sharing activities with a variety of themes every month, such as caring for babies of single mothers, operating the Beautiful Store, offering holiday special meal support, and throwing birthday parties for seniors living alone. Both our employees and their family members can participate in these volunteer services. An average of over 30 persons—employees and their family members—join the monthly sharing activities continuously. Participation in volunteer activities has been difficult because of the COVID-19 pandemic since 2020. Thus, donations are delivered now so we may continue to share with warm intentions even in small ways. The Group has conducted 209 voluntary activities as of 2021 and donated around KRW 610 million through the collected profit and donations.



LOCAL COMMUNITIES

Social contribution activities

Introduction and achievements of the program

Delivery of gifts to senior citizens who live alone during traditional holidays

Our employees visit the Mapo Senior Citizen Welfare Center every Lunar New Year's Day and Chuseok to deliver special gifts to senior citizens who live alone in that region. They also play a role as companions of the senior citizens even for a while and check their health conditions when they deliver gifts and visit their residence. We delivered special food gifts to 145 senior citizens who live alone on Lunar New Year's Day and 137 senior citizens in Chuseok.



Beautiful Saturday, Beautiful Store

We have run Beautiful Saturday events every year for the past 14 years in collaboration with the Beautiful Store that started in 2008. We have reinforced the awareness of "reuse, environment, sharing, and donation" through the volunteer service of donating items that are not used at home or in the company and selling them directly as an honorary clerk of the Beautiful Store. Because of COVID-19, direct sales activities halted in 2020, but we are still practicing environmental protection and sharing by donating various goods, such as clothing, miscellaneous items, books, records, and home appliances.



Free Meal Service at the "Nest of Sharing"

Meritz Securities supports a soup kitchen named "Nest of Sharing," which is a nonprofit volunteer group operating a soup kitchen and study room to prevent the underprivileged from missing meals. Nest of Sharing, located in Eunpyeong-gu, Seoul, provides free meal service at lunchtime all year round to senior citizens who live alone, homeless people, poorly fed children, and persons with disabilities in local areas. The company donates every month, and employees visit the place twice a year for volunteer work such as cooking, food distribution, dishwashing, and cleaning.



ENVIRONMENT

Main achievements in 2020–2021



More than **KRW 1 trillion**
ESG fund balance as of the end of 2021



Paper consumption reduced by **15%**
in 2021 compared to that of 2019



Water usage reduced by **42%**
in 2021 compared to that of 2019

Environmental management system

Meritz Securities recognizes the roles and responsibilities of the financial sector related to global climate change. Internally, we have accelerated the eco-friendly step at the enterprise level through the internalization of environmental management. Externally, we have promoted the increase in environmental and social values by investing in eco-friendly businesses and the development of eco-friendly financial products and services.

We aim to continuously expand sustainable green management by upgrading our environmental management system in the future. At the same time, we will contribute to the preservation of human life and the environment as a company that respects all stakeholders and the environment by developing eco-friendly products and expanding investment in all business areas.

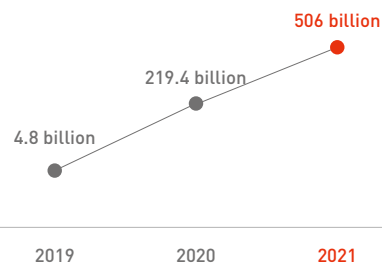
Major goals and plans

Meritz Securities is aware of our corporate roles and responsibilities concerning the climate change issue and supports the worldwide efforts and targets for greenhouse gas (GHG) reduction and carbon neutrality, such as the Paris Agreement on Climate Change and the 2050 Carbon Neutral Strategy. We are striving for the settlement of an eco-friendly management system and building a governance system to discuss and respond to the climate change risks in the mid- to long-term.

The record of ESG fund sales of Meritz Securities has increased rapidly from around KRW 4.8 billion in 2019 to KRW 219.4 billion in 2020 and KRW 506 billion in 2021. We have achieved a balance of KRW 1 trillion as of the end of 2021. As such, the expanding sales of our ESG funds are used as financial resources for investment in eco-friendly industries. We plan to continuously expand the lineup by steadily reviewing the development of eco-friendly products that invest in energy infrastructure companies, such as renewable energy production and alternative means of transportation.

ESG Fund sales performance

(unit: KRW)



Main activities and achievements

Continuous reduction of paper consumption

Meritz Securities has achieved paperless office environments through the cloud printing system introduced in 2019, the establishment of an electronic reporting and document system, and the promotion of mobile tablet PC supply. As a result, paper consumption decreased by 15% in 2021 compared to that in 2019.

Category	Unit	2019	2020	2021
Paper consumption	ton	33	31	28

Management of energy and GHG emission

International Finance Center (IFC) Seoul, where the Meritz Securities Headquarters building is located, saves energy using insulated glass, clean energy, and nighttime electric power. The ice storage system, which is an artificial intelligence (AI) cooling system using nighttime electric power, employs a method that stores energy at night when power consumption is low as a form of ice and uses ice during the day to cool. It provides the optimal cooling status by collecting and analyzing various pieces of data through AI.

In addition, Meritz Securities participates in the campaign for turning off lights called Earth Hour, which started in Sydney, Australia, in 2007, thereby actively participating in the reduction of energy usage.

Management of water usage

IFC Seoul, which has built a rainwater and wastewater recycling system, such as the water capture system using rainwater introduced along the roof of the building, was able to reduce water usage by up to 50% compared to that of similar-sized buildings. Meritz Securities has reduced water usage by around 42% as of 2021 compared to that of 2019, which was the year we moved to the headquarters.

Category	Unit	2019	2020	2021
Annual total water usage	ton	14,588	8,026	8,422

ENVIRONMENT

Development of eco-friendly products and services

ESG fund supply and sales

Meritz Securities has sold 23 ESG funds and continues to expand the lineup. The ESG fund sales of Meritz Securities have increased rapidly from around KRW 4.8 billion in 2019 to KRW 219.4 billion in 2020 and KRW 506 billion in 2021. We've achieved a balance of almost KRW 1.0364 trillion as of the end of 2021. This is significant because the ESG fund sales were used for investments in eco-friendly industries. Meritz Securities will continue to search for eco-friendly products and invest in energy infrastructure companies, such as renewable energy production and green mobility, and promote the expansion of the lineup ceaselessly.

We also provide and put the work-handling standards for alternative investment-related examination departments into place to reflect the ESG elements onto investment.

Work-handling standards for alternative investment-related examination departments

- 1) Purpose: Setting detailed work-handling matters at the time of alternative investment
- 2) Detailed content
 - Review matters upon alternative investment examination
 - On-site investigation and alternative methods
 - Standards of external experts, etc.

Investment in eco-friendly businesses

Meritz Securities is not satisfied with mere passive responses, such as internal reduction of environmental impact, to cope with climate change. Rather, we are actively responding to climate change and adopting environmental protection practices for financial experts, such as direct investment in new and renewable energy businesses.

In particular, we are searching for opportunities to continuously work with eco-friendly businesses based on our successful investment experience worth around KRW 160 billion in eco-friendly projects, such as the Cheongsong Myeonbongsan Wind Farm Project (2019), Gahwa solar power generation project (2020), and Shinan green energy onshore wind power project (2021). Because we wish to emphasize our roles and responsibilities related to climate change, we aim for continuous active green management by discovering opportunities in eco-friendly investment and expanding the investment scale.



Gahwa solar power generation project

Myeonbongsan wind farm project (2019)

- A bridge loan for the execution cost before the main PF related to the Myeonbongsan wind farm project in Cheongsong, Gyeongsangbuk-do
- Power generation capacity: 50.4 MW
- Investment amount: KRW 3.9 billion



Shinan green energy onshore wind power project (2021)

- A loan for the Shinan green energy onshore wind power project in Shinan-gun, Jeollanam-do
- Power generation capacity: 62.7 MW
- Investment amount: KRW 155 billion



Gahwa solar power generation project (2020)

- A loan according to the joint agreement for the solar power generation business involving the Gahwa solar power generation project in Buyeo-gun, Chungcheongnam-do.
- Power generation capacity: PV 0.999 MW + ESS 3.013 MWh
- Investment amount: KRW 4.005 billion



APPENDIX



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FINANCIAL STATEMENTS

Period No. 50: As of December 31, 2021

Period No. 49: As of December 31, 2020

Consolidated statement of financial position Meritz Securities Co., Ltd. (Formerly known as Meritz Investment Bank) and its subsidiaries

(Unit: KRW)

Account subject	Period No. 50	Period No. 49
[Asset]		
1. Cash and due from banks	3,817,859,155,571	2,222,507,307,845
2. Financial assets measured at fair value through profit or loss (FVTPL)	26,982,344,185,030	24,740,241,540,884
3. Financial assets measured at fair value through other comprehensive income (FVOCI)	3,242,998,268,137	648,920,061,987
4. Investments in associates and joint ventures	1,512,864,231,224	1,666,295,119,450
5. Loans	14,302,471,666,058	11,177,655,376,837
6. CMA	-	-
7. Lease assets	1,559,536,485,717	1,300,298,950,498
8. Tangible assets	37,914,345,894	43,119,385,624
9. Investment property	151,170,975,556	6,838,529,795
10. Intangible assets	40,075,686,007	39,657,542,349
11. Defined benefit assets	87,429,393	-
12. Tax assets	208,693,938,537	182,270,631,257
13. Other assets	2,252,222,745,663	1,819,186,755,215
Total assets	54,108,239,112,787	43,846,991,201,741

Account subject	Period No. 50	Period No. 49
[Liabilities]		
1. Deposits	2,564,607,605,947	1,954,874,966,447
2. Financial liabilities measured at FVTPL	11,018,913,632,424	7,849,760,643,764
3. Borrowings	32,166,837,112,169	26,474,744,774,313
4. Provisions	20,974,112,041	16,036,648,414
5. Determinable salary-related liabilities	-	332,246,287
6. Tax liabilities	177,291,885,266	178,775,911,912
7. Other liabilities	2,825,200,338,118	2,583,683,037,139
Total liabilities	48,773,824,685,965	39,058,208,228,276
[Equity]		
1. Issued capital	776,178,787,000	776,139,916,000
2. Hybrid bond	694,740,750,000	249,886,460,000
3. Capital surplus and adjustments	1,270,246,360,057	1,548,087,012,391
4. Accumulated other comprehensive income	152,774,863,477	122,063,901,000
5. Retained earnings	2,316,028,606,288	1,918,191,404,074
Equity attributable to equity holder of the parent	5,209,969,366,822	4,614,368,693,465
Noncontrolling shareholders' equity	124,445,060,000	174,414,280,000
Total equities	5,334,414,426,822	4,788,782,973,465
Total liabilities and equity	54,108,239,112,787	43,846,991,201,741

FINANCIAL STATEMENTS

Period No. 50: As of December 31, 2021

Period No. 49: As of December 31, 2020

Consolidated Statements of Comprehensive Income

Meritz Securities Co., Ltd. (Formerly known as Meritz Investment Bank) and its subsidiaries

(Unit: KRW)

Account subject	Period No. 50	Period No. 49
I . Operating revenue	23,247,385,723,021	16,604,877,677,194
1. Commission income	705,872,249,675	582,921,984,529
2. Gain from valuation and disposal of financial instruments	2,613,114,334,850	2,499,891,221,842
3. Gain from derivative valuation and transactions	16,811,003,736,923	10,517,419,308,488
4. Interest income	1,160,415,434,270	1,099,735,692,784
5. Gain from valuation and disposal of loans	10,850,617,057	11,420,454,093
6. Gain from foreign exchange transactions	1,306,999,636,376	1,444,026,718,957
7. Lease income	175,500,794,475	148,320,290,023
8. Others	463,628,919,395	301,142,006,478
II . Operating expenses	-22,298,446,613,991	-15,776,879,077,552
1. Commission expenses	-109,726,165,413	-67,853,053,079
2. Loss from valuation and disposal of financial instruments	-2,883,513,205,432	-2,840,700,554,613
3. Loss from derivative valuation and transactions	-16,457,437,732,112	-9,974,821,893,140
4. Interest expenses	-393,312,733,258	-424,883,744,797
5. Loss from valuation and disposal of loans	-47,916,607,418	-67,967,765,516
6. Loss from foreign exchange transactions	-1,219,764,824,232	-1,493,485,456,076
7. General and administrative expenses	-772,910,600,734	-605,441,096,405
8. Lease expenses	-94,148,550,541	-80,667,167,217
9. Others	-319,716,194,851	-221,058,346,709
III. Operating profit	948,939,109,030	827,998,599,642
IV. Nonoperating income	153,808,092,553	81,526,925,283
V . Nonoperating expense	-55,546,782,348	-142,358,456,925
VI. Net income before corporate tax expenses	1,047,200,419,235	767,167,068,000
VII. Income tax expenses	-264,275,877,715	-202,032,625,757
VIII. Net income	782,924,541,520	565,134,442,243
IX. Other comprehensive income	31,102,462,477	34,664,464,262

Account subject	Period No. 50	Period No. 49
Items that will not be reclassified subsequently as profit or loss		
1. Gain from valuation of equity securities measured at FVOCI	19,430,292,460	37,196,505,505
2. Gain from disposal of equity securities measured at FVOCI	391,500,000	969,832
3. Gain from valuation of financial liabilities designated as measured at FVTPL	-422,375,376	536,472,004
4. Remeasurement gain (loss) from defined benefit plan	-74,032,700	-871,207,404
Items that may be reclassified subsequently as profit or loss		
1. Gain from valuation of debt securities measured at FVOCI	6,037,599,553	176,273,626
2. Changes in capital because of equity method	1,263,197,384	-1,263,197,373
3. Exchange differences in translation of foreign operations	4,476,281,156	-1,111,351,928
X . Total comprehensive income	814,027,003,997	599,798,906,505
XI. Net income attributable to	782,924,541,520	565,134,442,243
1. Controlling interests	774,868,761,322	558,266,388,844
2. Noncontrolling interests	8,055,780,198	6,868,053,399
XII. Other comprehensive income attributable to	31,102,462,477	34,664,464,262
1. Controlling interests	31,102,462,477	34,664,464,262
2. Noncontrolling interests	-	-
XIII. Comprehensive income attributable to	814,027,003,997	599,798,906,505
1. Controlling interests	805,971,223,799	592,930,853,106
2. Noncontrolling interests	8,055,780,198	6,868,053,399
XIV. Earnings per share attributable to controlling interests		
1. Basic earnings per share	1,201	865
2. Diluted earnings per share	1,129	804

FINANCIAL STATEMENTS

Period No. 50: As of December 31, 2021

Period No. 49: As of December 31, 2020

Consolidated Changes in Equity

Meritz Securities Co., Ltd. and its subsidiaries

(Unit: KRW)

Account title	Issued capital	Hybrid bond	Capital surplus Component	Other accumulated comprehensive income	Retained earnings	Noncontrolling shareholders' equity	Total
Jan. 1, 2021 (at the beginning of current period)	776,139,916,000	249,886,460,000	1,548,087,012,391	122,063,901,000	1,918,191,404,074	174,414,280,000	4,788,782,973,465
Dividends	-	-	-	-	-222,671,001,948	-	-222,671,001,948
Redemption of convertible callable preferred stock	-	-	-	-	-132,612,342,330	-	-132,612,342,330
Total comprehensive income							
Net income	-	-	-	-	774,868,761,322	8,055,780,198	782,924,541,520
Other comprehensive income							
Gain (loss) from the valuation of equity securities measured at FVOCI	-	-	-	19,430,292,460	-	-	19,430,292,460
Gain (loss) from the disposal of equity securities measured at FVOCI	-	-	-	-	391,500,000	-	391,500,000
Gain (loss) from the valuation of debt securities measured at FVOCI	-	-	-	6,037,599,553	-	-	6,037,599,553
Remeasurements of the net defined benefit liabilities (assets)	-	-	-	-74,032,700	-	-	-74,032,700
Gain (loss) from the valuation of financial liabilities designated as measured at FVTPL	-	-	-	-422,375,376	-	-	-422,375,376
Changes in the capital because of the equity method	-	-	-	1,263,197,384	-	-	1,263,197,384
Exchange differences in translation of foreign operations	-	-	-	4,476,281,156	-	-	4,476,281,156
Expense of converting the convertible callable preferred stock to common stock	38,871,000	-	-48,638,812	-	-	-	-9,767,812
The allocated expense of stock options	-	-	-24,742,842,073	-	-	-	-24,742,842,073
Issue of hybrid bond	-	444,854,290,000	-	-	-	-	444,854,290,000
Dividends paid to the hybrid bond	-	-	-	-	-22,139,714,830	-	-22,139,714,830
Issue of the hybrid bond of associated companies	-	-	-	-	-	49,775,280,000	49,775,280,000
Redemption of the hybrid bond of associated companies	-	-	-255,500,000	-	-	-99,744,500,000	-100,000,000,000
Dividends paid to the hybrid bond of associated companies	-	-	-	-	-	-8,055,780,198	-8,055,780,198
The expense of capital increase of associated companies	-	-	-96,000,000	-	-	-	-96,000,000
The allocated expense of stock options	-	-	114,049,956	-	-	-	114,049,956
Acquisition of treasury stock	-	-	-252,811,721,405	-	-	-	-252,811,721,405
Dec. 31, 2021 (at the end of current period)	776,178,787,000	694,740,750,000	1,270,246,360,057	152,774,863,477	2,316,028,606,288	124,445,060,000	5,334,414,426,822

FINANCIAL STATEMENTS

Period No. 50: As of December 31, 2021

Period No. 49: As of December 31, 2020

Consolidated Changes in Equity

Meritz Securities Co., Ltd. and its subsidiaries

(Unit: KRW)

Account title	Issued capital	Hybrid bond	Capital surplus Component	Other accumulated comprehensive income	Retained earnings	Noncontrolling shareholders' equity	Total
Jan. 1, 2020 (beginning of previous period)	717,488,890,000	199,909,080,000	1,406,942,024,216	87,400,406,570	1,507,794,406,998	99,744,500,000	4,019,279,307,784
Dividends	-	-	-	-	-135,745,771,439	-	-135,745,771,439
Total comprehensive income:							
Net income	-	-	-	-	558,266,388,844	6,868,053,399	565,134,442,243
Other comprehensive income:							
Gain (loss) from valuation of equity securities measured at FVOCI	-	-	-	37,196,505,505	-	-	37,196,505,505
Gain (loss) from the disposal of equity securities measured at FVOCI	-	-	-	-	969,832	-	969,832
Gain (loss) from the valuation of debt securities measured at FVOCI	-	-	-	176,273,626	-	-	176,273,626
Remeasurements of the net defined benefit liabilities (assets)	-	-	-	-871,207,404	-	-	-871,207,404
Gain (loss) from the valuation of financial liabilities designated as measured at FVTPL	-	-	-	536,472,004	-	-	536,472,004
Changes in the capital because of the equity method	-	-	-	-1,263,197,373	-	-	-1,263,197,373
Exchange differences in translation of foreign operations	-	-	-	-1,111,351,928	-	-	-1,111,351,928
Capital increase	58,651,026,000	-	141,030,890,740	-	-	-	199,681,916,740
Issue of the hybrid bond	-	49,977,380,000	-	-	-	-	49,977,380,000
Issue of the hybrid bond of associated companies	-	-	-	-	-	74,669,780,000	74,669,780,000
Dividends paid to the hybrid bond	-	-	-	-	-12,124,590,161	-	-12,124,590,161
Dividends paid to the hybrid bond of associated companies	-	-	-	-	-	-6,868,053,399	-6,868,053,399
The allocated expense of stock options	-	-	114,049,956	-	-	-	114,049,956
Disposal of treasury stock	-	-	47,479	-	-	-	47,479
Dec. 31, 2020 (end of previous period)	776,139,916,000	249,886,460,000	1,548,087,012,391	122,063,901,000	1,918,191,404,074	174,414,280,000	4,788,782,973,465

FINANCIAL STATEMENTS

Period No. 50: As of December 31, 2021

Period No. 49: As of December 31, 2020

Consolidated statements of cash flows

Meritz Securities Co., Ltd. (Formerly known as Meritz Investment Bank) and its subsidiaries

(Unit: KRW)

Account title	Period No. 50	Period No. 49
I. Cash flows from operating activities	-3,897,170,005,403	-4,810,383,382,510
1. Net income before corporate tax expenses	1,047,200,419,235	767,167,068,000
2. Adjustment of noncash items		
Loss (gain) from the valuation of financial instruments measured at FVTPL	-55,456,782,875	-41,347,871,749
Loss (gain) from derivative valuation, net	-51,953,948,128	-199,747,189,606
Loss (gain) from the valuation of financial instruments designated as measured at FVTPL	-4,959,678,036	119,248,880,998
Gain from the evaluation of other financial instruments, net	932,100	-10,400
Provision of allowance for doubtful accounts	54,008,588,155	66,753,942,036
Provision of other allowance for doubtful accounts	4,874,732,588	4,438,222,018
Loss (gain) from foreign currency translation, net	-108,333,998,201	36,619,956,767
Depreciation	16,096,560,581	15,634,432,305
Amortization of intangible assets	4,483,010,942	3,889,953,324
Depreciation expenses on operating lease assets	75,337,227,004	60,035,568,818
Impairment loss from financial assets measured at FVOCI	1,710,620,321	85,013,486
Loss from disposal of financial assets measured at FVOCI	788,780,792	-3,142,715
Contribution to provision (reversal)	4,552,744,904	-11,502,537,252
Provision (reversal) of credit risk adjustments	5,697,577,711	3,686,701,112
Day 1 profit or loss adjustments (reversal)	-118,804,264,269	-45,142,562,693
Postemployment benefit	5,055,499,632	4,666,801,716
Loss (gain) on the valuation of incentives	38,048,226,407	8,569,458,846
Compensation expenses associated with stock option	114,049,956	-897,105,814
Loss (gain) from the disposal of property and equipment, net	99,177,476	25,868,787
Loss (gain) from the disposal of investment property	-4,250,736,020	-1,562,867,120
Gain from the disposal of intangible assets, net	372,250	-403,993,312

Account title	Period No. 50	Period No. 49
Gain from the disposal of investments in associates, subsidiaries and joint venture, net	-11,898,746,066	-11,022,300,697
Reversal of impairment losses from intangible assets	-	-2,066,000,000
Loss (gain) in equity method	-56,578,483,223	78,449,390,024
Loss in the redemption of bonds	-	446,929,289
Interest income	-1,203,837,619,699	-1,144,017,264,896
Interest expenses	393,312,733,258	424,883,744,797
Dividend income	-41,557,947,952	-32,598,982,462
3. Net change in assets and liabilities because of operating activities		
Cash and due from banks	-1,418,463,588,593	-120,133,866,585
Financial assets measured at FVTPL	-2,227,997,650,577	-5,845,885,451,713
Loans	-3,949,390,466,092	260,897,036,704
CMA	-	1,998,003,654
Lease assets	-336,034,015,569	-51,370,981,754
Other assets	-326,407,142,838	-645,441,197,971
Deposits	596,910,452,992	-114,490,277,137
Financial liabilities measured at FVTPL	3,197,730,026,330	294,997,391,923
Provisions	-	-
Determinable salary-related liabilities	-5,577,289,380	-5,376,753,883
Other liabilities	139,441,688,199	831,581,345,375
4. Total interest received	1,109,781,016,719	1,076,134,053,964
5. Total interest paid	-416,049,401,448	-395,567,080,210
6. Total dividends received	40,767,435,525	32,534,058,589
7. Income tax paid	-296,052,003,618	-234,549,767,073
II. Cash flows from investing activities	-2,501,840,177,500	-482,718,463,912
1. Cash inflow	1,870,541,583,320	782,243,460,274

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Consolidated statements of cash flows

Meritz Securities Co., Ltd. (Formerly known as Meritz Investment Bank) and its subsidiaries

(Unit: KRW)

Account title	Period No. 50	Period No. 49
Disposal of financial assets measured at FVOCI	1,277,158,678,084	151,022,732,745
Disposal of investment associates and joint venture	491,782,067,102	558,118,085,696
Receipt of dividends from associates	87,488,477,631	61,316,504,621
Disposition of tangible assets	1,950,236,154	331,404,828
Decrease in investment property	9,793,695,599	4,041,397,572
Decrease in intangible assets	49,628,750	758,373,312
Decrease in guarantee deposits	2,318,800,000	6,654,961,500
Changes in the scope of consolidation	-	-
2. Cash outflow	-4,372,381,760,820	-1,264,961,924,186
Acquisition of financial assets measured at FVOCI	-3,837,726,059,912	-327,682,219,438
Acquisition of investment associates and joint venture	-357,334,720,775	-903,656,476,387
Acquisition of tangible assets	-2,610,110,724	-6,650,300,683
Increase in intangible assets	-4,814,303,100	-5,091,776,492
Increase in guarantee deposits	-519,397,110	-6,522,535,199
Disposal of investments in subsidiaries	-169,377,169,199	-15,358,615,987
III. Cash flows from financing activities	6,558,247,525,383	5,306,808,593,932
1. Cash inflow	10,714,790,259,034	8,087,327,098,762
Increase in borrowings, net	5,389,296,534,310	4,137,364,859,519
Increase in short-term bonds, net	1,577,060,000,000	-
Issue of bonds	3,253,804,154,724	3,625,633,116,403
Issue of hybrid bond	444,854,290,000	49,977,380,000
Capital increase	-	199,681,916,740
Issue of hybrid bond of associated companies	49,775,280,000	74,669,780,000
Disposal of treasury stock	-	46,100
2. Cash outflow	-4,156,542,733,651	-2,780,518,504,830

Account title	Period No. 50	Period No. 49
Decrease in short-term bonds, net	-	-497,327,000,000
Dividends paid to hybrid bond of associated companies	-8,294,100,000	-6,502,800,000
Dividends paid	-241,846,001,948	-147,145,771,439
Redemption of convertible callable preferred stock	-132,612,342,330	-
Redemption of bonds	-3,400,000,000,000	-2,120,544,649,740
The expense caused by the redemption of convertible callable preferred stock	-9,767,812	-
The expense of capital increase of associated companies	-96,000,000	-
Principal payment of lease liability	-9,401,155,776	-8,998,283,651
Acquisition of treasury stocks	-249,702,865,785	-
Redemption of the hybrid bond of associated companies	-100,000,000,000	-
Exercise of the stock options of associated companies	-14,580,500,000	-
IV. Net increase in cash and cash equivalents	159,237,342,480	13,706,747,510
V. Effect of exchange rate changes on cash and cash equivalents	7,621,822,774	-4,428,076,347
VI. Cash and cash equivalents at the beginning of the year	999,735,337,479	990,456,666,316
VII. Cash and cash equivalents at the end of the year	1,166,594,502,733	999,735,337,479

ESG PERFORMANCE

ENVIRONMENTAL PERFORMANCE

Emission of greenhouse gas

Category	Unit	2019	2020	2021
Direct emission (Scope 1)	tCO ₂ eq	213	648	647
Indirect emission (Scope 2)	tCO ₂ eq	1,158	929	991

Energy usage

Category	Unit	2019	2020	2021
Direct	Gas	GJ	1,579	1,708
	Gasoline	GJ	1,909	8,021
	Diesel	GJ	11	404
Indirect	Electricity	GJ	10,877	19,415
	Steam	GJ	1,851	0
Sum of energy usage	GJ	16,227	29,546	30,885

General waste

Unit	2019	2020	2021
Ton	90	112	119

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

ESG products and services

Description	Unit	2019	2020	2021
ESG product sales	KRW 100 million	48	2,195	5,061
ESG product revenue	KRW million	8	14	48
No. of ESG investments and loans	Cases	19	28	32
Total amount of ESG investments and loans	KRW million	163,683	171,814	244,473

※ Only funds whose sales amount is more than KRW 10 billion are indicated.

SOCIAL PERFORMANCE

Status of employees

No. of employees*	Unit	2019	2020	2021
No. of total employees	Persons	1,431	1,454	1,506
By region	Workers in headquarters	Persons	805	841
	Workers in local branches	Persons	626	613
By age	Less than 30 years old	Persons	170	182
	30–50 years	Persons	996	987
	50 years or older	Persons	265	285
By employment type	Permanent	Persons	533	542
		%	37.3	37.3
	Temporary	Persons	898	912
		%	63.8	62.7

* Including overseas branches and owned subsidiaries, regular and contract employees at the headquarters in Korea.

No. of employees by position	Unit	2019	2020	2021
No. of total middle manager employees	Persons	158	173	161
No. of total manager employees	Persons	718	683	711
No. of total executives	Persons	42	43	44

Performance evaluation

Performance evaluation	Unit	2019	2020	2021
The ratio of employees who had a regular performance evaluation	%	100	100	100
No. of total employees subject to a performance evaluation	Persons	1,071	1,086	1,120
No. of employees who had an official performance evaluation	Persons	1,071	1,086	1,120

ESG PERFORMANCE

SOCIAL PERFORMANCE

Retirement pension program*

Category	Unit	2019	2020	2021
No. of customers (DB)	Persons	742	787	787
Retirement benefit (DB)	KRW 1,000	4,375,115	4,666,802	5,055,500
No. of customers (DC)	Persons	428	436	464
Retirement benefit (DC)	KRW 1,000	3,270,769	4,254,770	4,293,594

* For retirement pension, the actual valuation amount of DB obligation and the retirement pension premium may be different from those disclosed in the financial statements in the Business Report.

Recruitment of new employees

Category	Unit	2019	2020	2021
No. of total new employees	Persons	334	293	291
By employment type	Permanent	Persons	-	10
	Temporary	Persons	334	281
By gender	Male	Persons	228	202
	Female	Persons	106	89
By age	Less than 30 years old	Persons	114	100
	30 to 50 years old	Persons	175	146
	50 years or older	Persons	45	45

Recruitment of the socially disadvantaged

Category	Unit	2019	2020	2021
Status of employees with disabilities (permanent + temporary)	Persons	15	20	19
	%	1.1	1.4	1.3
Status of female employees (permanent + temporary)	Persons	396	417	445
	%	27.7	28.7	29.6

Maternity and parental leave

Category		Unit	2019	2020	2021
Employees who used maternity leave		Persons	13	13	10
Employees who returned after maternity leave		Persons	4	7	2*
Return ratio (employees who returned / employees who used maternity leave)		%	31	54	20
Those who used parental leave	Subtotal	Persons	8	7	17
	Male	Persons	0	0	1
	Female	Persons	8	7	16
Employees who returned after parental leave	Subtotal	Persons	4	5	10
	Male	Persons	0	0	1
	Female	Persons	4	5	9
Return ratio (employees who returned / employees who used parental leave)	Subtotal	%	50	71	59
	Male	%	-	-	100
	Female	%	50	71	56
Those who served for 12 months or longer after the use of parental leave	Subtotal	Persons	11	3	4
	Male	Persons	0	0	0
	Female	Persons	11	5	2
Return ratio (employees who worked for more than 12 months / returned employees)		%	65	38	57

* Out of 10 employees who completed maternity leave in 2021, 2 employees returned to work and the other 8 are currently on parental leave and expected to return in 2022.

** It is difficult to match the ratio if employees who worked more than 12 months are regarded as those who returned in previous years because employees who returned from parental leave are regarded as returned workers in the current year.

ESG PERFORMANCE

SOCIAL PERFORMANCE

Employee diversity

Number of employees by position	Unit	2019	2020	2021
Female employees				
No. of total female employees	Persons	394	415	443
The ratio of female employees out of total employees	%	28.4	29.4	30.3
The ratio of female employees out of total middle manager employees	%	48.7	52.0	52.2
The ratio of female employees out of total manager employees	%	15.5	16.1	18.3
Female managers				
No. of female middle managers (Assistant Manager)	Persons	77	90	84
The ratio of female middle managers	%	19.5	21.6	19.0
No. of female managers (Manager or higher)	Persons	111	110	130
The ratio of female managers	%	28.2	26.4	29.4
No. of female executives	Persons	2	2	2
The ratio of female managers in charge of sales and profit	%	17.3	15.4	16.0

No. of people who have left the job (retirees)

Category	Unit	2019	2020	2021
No. of employees who left the company	Persons	356	251	240
Voluntary retirement	Persons	22	3	2
Regular retirement	Persons	4	22	10
Recommended resignation (dismissal, disciplinary action, etc.)	Persons	1	-	-
Others (personal circumstances, parental duties, higher education, voluntary leave for other companies, etc.)	Persons	329	226	228

Status of employee absenteeism rate

Category	Unit	2019	2020	2021
No. of absent days	Days	0	0	0
Sick leaves used	Days	416	0	68
No. of industrial accidents	Cases	0	0	0
No. of victims of accidents	Persons	0	0	0
No. of lost workdays	Days	0	0	0

Status of education for employees (Overall)

Category	Unit	2019	2020	2021
Total education expenses	KRW million	48	65	32
Education expenses per person	KRW 1,000/person	26,351	26,885	19,822
Education hours per person	hr/person	3	3	3
Total no. of employees who participated in education	Persons	1,848	2,439	1,664
Total education hours	Persons	4,129	4,329	4,729

Category	Unit	2019	2020	2021
General education (duties and leadership, etc.)				
Education hours (General) per person	hr/person	2.90	3.10	3.20
Ethical management education				
Ethical management education hours per person	hr/person	-	2시간	-
Preventive education for sexual harassment				
Education hours for sexual harassment prevention per person	hr/person	1.00	1.00	1.00
Fair trade or shared value-related education				
Education hours per person	hr/person	2.00	2.00	2.00

ESG PERFORMANCE

SOCIAL PERFORMANCE

Remuneration of the CEO

Category	Unit	2019	2020	2021
Total remuneration	KRW 1,000	2,001,462	2,286,477	2,880,511

The ratio of base salary between male and female employees

Category	Unit	2019	2020	2021
The ratio of base salary between male and female employees	%	87	87	89

Social contribution

Total contribution amount	Unit	2019	2020	2021
Total sum	KRW million	68	124	87
Corporate donations	KRW million	7	57	12
Donations by employees	KRW million	61	68	75

Employee participation in social contribution	Unit	2019	2020	2021
Total participants	Persons	381	41	0*

* Because of the worsening COVID-19 situation, volunteer activities where many employees participate have not been conducted since February 2020. Nonetheless, we have conducted volunteer activities on more than 30 themes every year and delivered donations. For example, before the COVID-19 pandemic, we provided volunteer activities every summer, such as wallpaper and cleaning in the Dongjak Visiting Elderly Welfare Center, to improve the housing environment of the elderly who live alone. However, after the emergence of COVID-19, we purchased and delivered blankets and small household appliances in the summer.

GOVERNANCE PERFORMANCE

Status of Operation of the Board of Directors

Category	Unit	2019	2020	2021
No. of total BoD meetings held	Cases	11	15	14
Agendas discussed	Cases	59	58	64
Attendance rate	%	98.2%	98.7%	98.6%

Credit rating by Korea Investors Service and NICE Investors Service

Category	2019	2020	2021
Korea Investors Service	AA-	AA-	AA-
NICE Investors Service	AA-	AA-	AA-
commercial paper / short-term electronic bonds	A1	A1	A1

GRI STANDARDS

Classification	Disclosure	Indicators	Page
GRI 2: General Disclosures 2021			
The organization and its reporting practices	2-1	Organizational Details	6
	2-2	Entities included in the organization's sustainability reporting	About this report
	2-3	Reporting period, frequency and contactpoint	About this report
	2-4	Restatements of information	About this report
Activities and workers	2-5	External assurance	61
	2-6	Activities, value chain and other business relationships	8
	2-7	Employees	53
Governance	2-8	Workers who are not employees	53
	2-9	Governance structure and composition	24
	2-10	Nomination and selection of the highest governance body	24
	2-11	Chair of the highest governance body	24
	2-12	Role of the highest governance body in overseeing the management of impacts	24
	2-13	Delegation of responsibility for managing impacts	29,30
	2-14	Role of the highest governance body in sustainability reporting	25
	2-16	Communication of critical concerns	26
	2-17	Collective knowledge of the highest governance body	25
	2-18	Evaluation of the performance of the highest governance body	26
Strategy, policies and practices	2-19	Remuneration policies	26
	2-22	Statement on sustainable development strategy	5
	2-24	Embedding policy commitments	31
Stakeholder engagement	2-27	Compliance with laws and regulations	32
	2-29	Approach to stakeholder engagement	20
	2-30	Collective bargaining agreements	39
GRI 3: Material Topics 2021			
Disclosures on material topics	3-1	Process to determine material topics	21
	3-2	List of material topics	22
	3-3	Management of material topics	22
GRI 201: Economic Performance 2016			
Economic Performance	201-1	Direct economic value generated and distributed	28
	201-3	Defined benefit plan obligations and other retirement plans	54
GRI 203: Indirect Economic Impacts 2016			
Indirect Economic Impacts	203-2	Significant indirect economic impacts	28

Classification	Disclosure	Indicators	Page
GRI 205: Anti-corruption 2016			
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	33
GRI 207: Tax 2019			
Tax	207-1	Approach to tax	30
	207-2	Tax governance, control, and risk management	30
	207-3	Stakeholder engagement and management of concerns related to tax	30
GRI 305: Emissions 2016			
Emissions	305-1	Direct (Scope 1) GHG emissions	53
	305-2	Energy indirect (Scope 2) GHG emissions	53
GRI 306: Effluents and Waste 2016			
Effluents and Waste	306-3	Significant spills	53
GRI 401: Employment 2016			
Employment	401-1	New employee hires and employee turnover	36, 54, 55
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	37
	401-3	Parental leave	54
GRI 403: Occupational Health and Safety 2018			
Occupational Health and Safety	403-4	Worker participation, consultation, and communication on occupational health and safety	38, 39
	403-6	Promotion of worker health	38
	403-9	Work-related injuries	38
	403-10	Work-related ill health	38
GRI 404: Training and Education 2016			
Training and Education	404-1	Average hours of training per year per employee	36
	404-2	Programs for upgrading employee skills and transition assistance programs	36
GRI 405: Diversity and Equal Opportunity 2016			
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	36
GRI 413: Local Communities			
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	42
GRI 418: Customer Privacy 2016			
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	34
GRI 419: Socioeconomic Compliance 2016			
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	59
Financial Services Sector Supplement			
Product Portfolio	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	44

SASB

The Sustainability Accounting Standard Board (SASB) is a non-profit organization that establishes nonfinancial reporting standards. Since its foundation in 2011, it has developed and propagated sustainability accounting standards. The SASB proposes closely related sustainability risk topics for each industry and recommends that companies report those subjects regularly and communicate with investors and stakeholders. Meritz Securities discloses related content in line with the Investment Banking and Brokerage industry topic indicators according to the SASB category.

Diversity and inclusion of employees

Code	FN-IB-330a.1
Accounting Metric	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) nonexecutive management, (3) professionals, and (4) all other employees
Unit	%
Response from Meritz Securities	We have disclosed our employees' genders in the "Employee diversity" of Social Performance according to position but have no data about racial and ethnic group representation.

Incorporation of Environmental, Social, and Governance Factors

Code	FN-IB-410a.1
Accounting Metric	Revenue from (1) underwriting, (2) advisory, and (3) securitization transactions incorporating the integration of environmental, social, and governance (ESG) factors by industry
Unit	N/A
Response from Meritz Securities	None.

Code	FN-IB-410a.2		
Accounting Metric	(1) Number and (2) total value of investments and loans incorporating the integration of environmental, social, and governance (ESG) factors by industry		
Unit	(1) Cases, (2) KRW		
Response from Meritz Securities	The number and total value of investments and loans incorporating the integration of ESG factors are as follows: (unit: KRW million)	Category	20202021
		No. of ESG investment and loans	2832
		The total amount of ESG investment and loans	171,814244,473

Code	FN-IB-410a.3
Accounting Metric	Description of approach to the incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities
Unit	N/A
Response from Meritz Securities	"Development of eco-friendly products and services" - Refer to the "Work-handling standards for alternative investment-related examination departments."

Business ethics

Code	FN-IB-510a.1
Accounting Metric	The total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations
Unit	KRW
Response from Meritz Securities	None.

Code	FN-IB-510a.2
Accounting Metric	Description of whistleblower policies and procedures
Unit	N/A
Response from Meritz Securities	The relevant policy operation and procedures are described in the "Internal Report System" of "Ethical Management."

SASB

Professional Integrity

Code	FN-IB-510b.1
Accounting Metric	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings
Unit	(1) Persons, (2) %
Response from Meritz Securities	Employees with the above records in both 2020 and 2021 are (1) 0 and (2) 0%.

Code	FN-IB-510b.2
Accounting Metric	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party
Unit	Cases
Response from Meritz Securities	One fair trade violation occurred in 2021.

Code	FN-IB-510b.3
Accounting Metric	The total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care
Unit	KRW
Response from Meritz Securities	The fine for a violation (one case) of fair trade is KRW 60 million.

Code	FN-IB-510b.4
Accounting Metric	Description of the approach to ensuring professional integrity, including duty of care
Unit	N/A
Response from Meritz Securities	Related content is described in the "Principles of fair trade for consumers" of "Financial consumer protection."

Systemic risk management

Code	FN-IB-550a.1
Accounting Metric	Global Systemically Important Bank (G-SIB) score, by category
Unit	Basis points (bps)
Response from Meritz Securities	None.

Code	FN-IB-550a.2
Accounting Metric	Description of the approach to the incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities
Unit	N/A
Response from Meritz Securities	Meritz Securities perform crisis analysis by applying integrated crisis scenarios for market, credit, and liquidity risks to enterprise-wide positions at least twice a year. The integrated crisis analysis results are reported through the Risk Management Committee. The integrated crisis scenarios estimate the loss size of market and credit risks assuming the fluctuations of factors such as stock price, interest rate, exchange rate, volatility, default rate, collateral price drop, and successful bid rate based on historical financial events (IMF, 2008 financial crisis, European financial crisis). The liquidity risk scenarios estimate liquidity excess and deficiency assuming liquidity outflow because of derivative-linked securities and contingent liabilities based on the assumption of crisis situations considering the overall market and company-specific situations. In addition, scenario analysis results are reflected to establish an emergency financing plan. The crisis steps are divided into three, and countermeasures for each step are put in place.

SASB

Employee incentives and risk-taking

Code	FN-IB-550b.1
Accounting Metric	Percentage of total remuneration that is variable for Material Risk Takers (MRTs)
Unit	%
Response from Meritz Securities	The performance-related pay is distributed according to the performance-related remuneration regulations, but for executives in charge of risk management, the deferred performance is paid in cash rather than in an indexed form, unlike other executives. We do not set a separate ratio for this, but reduction or recovery is possible according to the performance-related remuneration regulations approved by the Remuneration Committee.
Code	FN-IB-550b.2
Accounting Metric	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied
Unit	%
Response from Meritz Securities	None.
Code	FN-IB-550b.3
Accounting Metric	Discussion of policies around the supervision, control, and validation of traders' pricing of Level 3 assets and liabilities
Unit	N/A
Response from Meritz Securities	None.

INDEPENDENT ASSURANCE STATEMENT

To the Readers of 2021 Meritz Securities Sustainability Report:

Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by of Meritz Securities to verify the contents of its 2021 Meritz Securities Sustainability Report (Hereby referred to as "the Report"). Meritz Securities 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 Securities 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, Responsiveness and Impact 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
 - GRI 205: Anti-Corruption
 - GRI 403: Occupational Health and Safety
 - GRI 418: Customer Privacy

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

Verification procedure

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 strategy and performance information system, process evaluation
- Interviewed people in charge of preparing the report
- Reliability evaluation of report performance information, data sampling
- Evaluation of reliability of information based on independent external sources such as the Financial Supervisory Service's electronic disclosure system and public databases

Verification conclusion and opinion

Based on the results we have obtained from material reviews and interviews, we had several discussions with Meritz Securities 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. As a result of the verification, the report

of Meritz Securities was prepared in accordance with the Core Option of the GRI Standards, and no inappropriate parts were found with respect to compliance with the principles set out in the AA100AP (2018). The assurance team's opinions on the principles are as follows.

• Inclusivity

- Meritz Securities 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 Securities left out during this procedure.

• Materiality

Meritz Securities determines the materiality of major issues affecting the organization's sustainability performance through its own evaluation process, and the assurance team could not find any material issues that were omitted from this process.

• Responsiveness

Meritz Securities prioritizes identified major issues and reports activity performance, response cases, and future plans in a comprehensive and balanced manner.

• Impact

Meritz Securities is monitoring the direct and indirect impact of major topics identified through the materiality test, and is reporting the impact in a quantified form to the extent possible.

• Reliability and quality of specific sustainability performance information

In addition to compliance with the AA1000AP (2018) principle, the assurance team conducted reliability verification on economic, environmental, and social performance information related to sustainability performance. An interview was conducted with the person in charge to verify the information and data, and it was confirmed that the data was reliable to data sampling and supporting documents, external sources, and public databases. The assurance team did not find any intentional errors or incorrect descriptions in the sustainability performance information.

• Competence and Independence

KMR maintains a comprehensive quality management system, including policies and procedures documented in accordance with ISO/IEC 17021:2015 (requirements for organizations providing audit and certification of management systems). The assurance team is composed of sustainability experts and maintains the independence of Meritz Securities without any profit-making interest in business activities other than providing third-party assurance services.

May, 2022 Seoul Korea

함민준



STATUS OF MEMBERSHIP AND AWARDS (2020.01~2022.02)

2020

Jan 15th	Hankyung Star Wars Awards in 2nd half 2019 (retail staff) - Korea Economic Daily
Jan 22nd	9 th Yonhap Infomax Finance Awards (Research Center) – Yonhap Infomax
Jan 22nd	2019 Best Report Awards (Research Center) – Money Today
Feb 13rd	11 th Asia Fund Awards (Best Fund Seller) - Asia Economic Daily, FnGuide
Feb 27th	2020 Maekyung Securities Awards (IB Division) - Maekyung Economic Daily
Feb 27th	NEWSPIM Capital Market Awards (IB Team #2) – NEWPIM
April 21st	Gold Prize in Corporate Finance Sector at Maekyung Securities Awards - Maeil Economic Daily
July 10th	Best Securities and Analyst Research Golden Bull Award - Hankyung Business
Nov 24th	Korea Securities and IR Awards - Newsis
Nov 26th	IB Deal of the Year Award at the Korea Securities Awards - Seoul Economic Daily

2021

Jan 27th	1 st Real Estate IB Awards Real Estate PF Financial Arrangement Award - e-Korea Economy
Jan 27th	Korea Capital Markets thebell League Table Awards, Best Bond Deal, Best REITs – the Bell
Feb 25th	Korea Wealth Management Awards, Derivative-Linked Securities House of the Year - The Bell
Mar 30th	23 rd Maekyung Securities Awards Corporate Finance Gold Award - Maeil Economic Daily
Feb 29th	2021eDaily Financial Investment Awards Research Category Grand Prize - eDaily
July 15th	1 st half Korea Best Report Award (IPO sector) - Money Today

2022

Feb 5th	1st overall in the 2nd half of the best KTB dealer (PD) - Ministry of Strategy and Finance
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meritz Securities



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