

ACTION FOR POSITIVE CHANGE

2021 KYOBO SECURITIES
INTEGRATED REPORT



ABOUT THIS REPORT

Kyobo Securities presents this first integrated report to illustrate its strategies, activities, achievements, and goals in advancing sustainability. We are clearly aware of the call of our time that businesses should meet the increasing expectations of wide-ranging stakeholders and duly do their part in resolving a range of pressing global challenges.

Kyobo Securities aims to fulfill its role as an innovative financial investment partner with a shared sense of responsibility and the firm belief that the sum of small actions and efforts brings positive change to our society, the environment, and the wider global community.

In publishing our first integrated report, we vow to disclose the activities and achievements of our systemic ESG management and continue to transparently communicate with stakeholders.

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A LETTER FROM OUR CEOs

Dear Valued Stakeholders,

Let me begin by extending my deepest gratitude for your enduring confidence in and encouragement for Kyobo Securities.

Kyobo Securities was the very first securities firm in Korea, and with its 74-year history, has created a first in the industry by serving as the foundation from which the entire nation's securities industry has successfully grown and thrived. Not only are we truly honored to present this report to our shareholders, but we are also proud in sharing the outcomes of our efforts and commitments to fulfill our role as a financial steward towards the world.

Despite the challenging business conditions brought on by the protracted COVID-19 pandemic, our performance last year reached an all-time high. We announced our new vision to become an 'innovative financial investment partner connecting new experiences and values', in line with our distinctive philosophy and our enduring spirit of challenge. We joined the UN Global Compact (UNGC)* to pursue the sustainable development of businesses and society, and are developing company-wide ESG management strategies and undertaking implementation tasks to embed ESG management into our day-to-day operations. Our stakeholders can rest assured that Kyobo Securities will remain committed to both enhancing customer value and fulfilling our social responsibility for the course of the year.

First, we will deliver new experiences and values through digital innovation.

The ongoing digitalization of the overall industry and customer experience calls for the innovation and fundamental transformation of traditional financial services. This in fact served as the impetus behind our creation of the Digital Innovation Units and the Digital Innovation Program Management Office (PMO). As the nation's first securities company, we aim to specialize in data-based services through leveraging the data we have accumulated on the lifestyle



“

We will evolve into a responsible financial institution to bring positive change for our communities and the world through transformation and innovation. ”

Park Bong-kwon, CEO 박봉권

* UN Global Compact (UNGC) is the world's largest voluntary international initiative for corporate social responsibility, and endorses the UN's Sustainable Development Goals (SDGs). Kyobo Securities will abide by the UNGC 10 principles in the areas of human rights, labour, the environment, and anti-corruption to fulfill its social responsibility towards sustainable development and fully communicate its activities and achievements to its stakeholders.

patterns of our customers, while launching the MyData business to develop tailor-made services for Personal Finance Management (PFM). This will pave our way to provide data-based services that surpass the conventional investment asset categories of deposits, insurance, real estate and digital assets. It will allow for connectivity to a wide array of non-financial sectors spanning from healthcare, telecommunications, and content, providing us with an opportunity to be a truly beneficial financial partner to our customers.

Second, we will realign our business structure and secure new growth drivers to further our growth forward.

For an entire decade, Kyobo Securities has successfully reached its target milestones in pursuing business growth and stable profits. With this being said, we refuse to give way to complacency or rest on outworn laurels; instead, we will use our strengths to propel our future growth and forge even further ahead by realigning and reinforcing our business structure (business portfolio 2.0), building new growth drivers enabled by digital innovation, and generating stronger synergy. Likewise, we will focus on our wide-ranging overseas business and Principal Investment (PI) business, and specifically advance the Venture Capital (VC) business which has a high potential for growth. Through exploring investment opportunities aligned with Kyobo Group's digital innovation initiative in the areas of fintech, ICT, healthcare and AI, we aim to develop new business capabilities and contribute to the development of society.

Third, we will carry the torch for positive change in the world through differentiated ESG management.

As a global corporate citizen, we owe it to the world to shoulder our responsibility in fulfilling our role for the betterment of our community. As such, we defined our ESG management strategy as 'taking responsible action to bring positive change to society, the environment and the wider world', and remain committed to advancing ESG management. Internally, we created the ESG Committee under the direct leadership of the BOD as the first small/mid-sized securities firm to do so, and established governance including ESG Management Council to pursue ESG management in earnest. Externally, we declared our refusal to engage in any financing for new coal-fired power plants in Korea or overseas to 'end coal finance' while expanding our supply of venture capital to

innovative companies to help create an investment environment conducive to shared growth. Going forward, we will join global ESG initiatives to play a leading role in promoting sustainable development at the global level.

Dear Stakeholders,

We are stepping out onto a trail that no one has yet to blaze and ahead of us lies yet more uncertainty at every turn. Our choice is not to merely not to fear, but to rather take the wise path to face the unknown and set our sails for the course ahead. We vow to open a new chapter in our history along with our stakeholders as a low-carbon eco-friendly company, a company that creates people-centered value, and a company that is respected for its transparency. We look forward to your unwavering support and encouragement every step of the way. Thank you.

June 2022

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We vow to open a new chapter in our history along with our stakeholders as a low-carbon eco-friendly company, a company that creates people-centered value, and a company respected for transparency.”

Lee Seok-ki, CEO 01 54 71



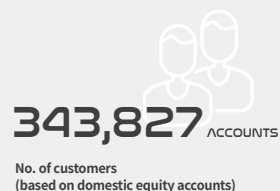
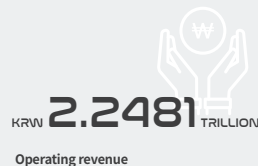
Kyobo Securities at a Glance

Company Overview

Kyobo Securities is committed to building digitally-based platforms and pursuing digital transformation to evolve into an innovative financial investment partner connecting new experiences and values in the financial market characterized by the increasingly fierce competition and sophisticated technology advancement. Another top priority for us is to establish a robust profit structure by identifying new growth drivers and diversifying revenue streams to build our competitive edge as a financial investment business while securing competitive talent and stabilizing our organization and business operations. Such efforts enable us to achieve balanced performance across all operations, and to establish a solid and diversified profit structure to perform reliably against the competition.

(as of the end of Dec. 2021)

Date of establishment	Nov. 22, 1949
CEO	Park Bong-kwon, Lee Seok-ki
Headquarters	97, Uisadang-daero, Yeongdeungpo-gu, Seoul, Korea
Business	Commission business, proprietary trading (equities, bonds, other securities), over-the-counter/exchange-traded derivatives business, investment banking, etc.
Employees (including contract workers)	999 persons



A1 (CP, SHORT-TERM BOND) KOREA RATINGS
AA- (CORPORATE CREDIT RATING) KOREA RATINGS
Credit rating

VISION 2025

We announced our Vision 2025 in May 2021 to move forwards for the next five years. Our Vision 2025 embodies our commitment to delivering new experiences and values to customers by expanding our core financial investment services through alignment with management, partnership and other connected services while fulfilling our role as a socially responsible company practicing ESG management and Socially Responsible Investing amid the shifting socioeconomic landscape brought by the 4th Industrial Revolution and digital innovation.



History

Kyobo Securities has established the foundation from which the entire nation’s securities industry has successfully grown and thrived for the past 74 years, reaching new milestones one after another in the history of Korea’s securities industry.

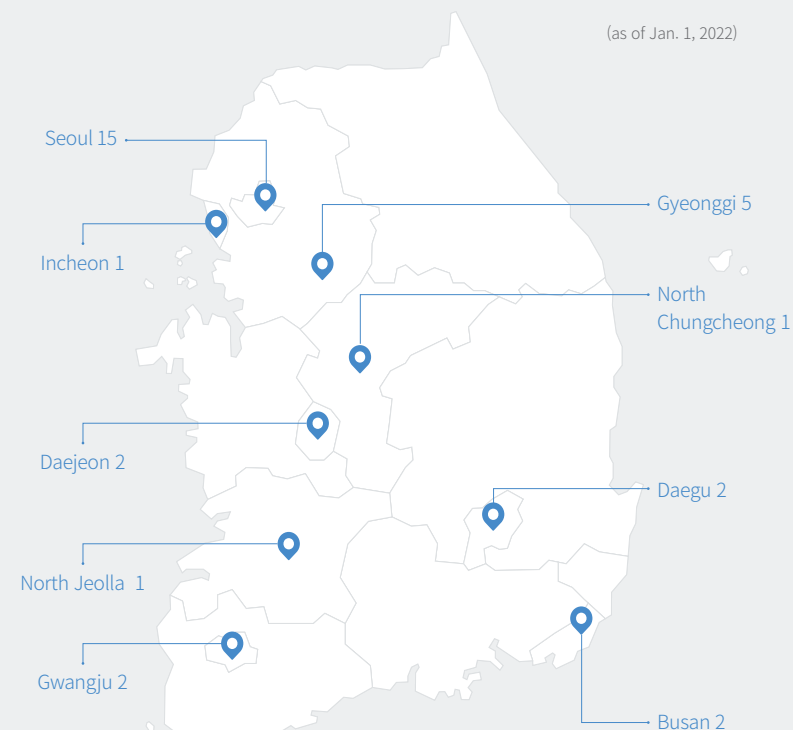
(as of the end of Dec. 2021)

Nov. 22, 1949	Established as Daehan Securities Co., Ltd.
Mar. 17, 1951	Resumed the securities trading business as ordered by the Ministry of Finance
Feb. 28, 1956	Registered with the Korea Exchange (Ministry of Finance License No. 1)
Nov. 01, 1962	Granted a securities business license (Ministry of Finance License No. 1)
Apr. 01, 1994	Renamed Kyobo Securities following Kyobo Life’s acquisition of Daehan Securities
Feb. 01, 1999	Launched Kyobo Trade Service (internet trading system)
Nov. 16, 1999	Listed on KOSDAQ
Mar. 27, 2000	Relocated the headquarters to Yeouido (97, Uisadang-daero, Yeongdeungpo-gu, Seoul, Korea)
Jul. 18, 2002	Listed on the Korea Exchange
Jan. 02, 2003	Launched the PROVEST Z service
Mar. 15, 2007	Launched PROVEST α
Feb. 04, 2009	Granted a financial investment business license (Financial Services Commission)
Apr. 07, 2010	Gained the final approval to engage in the brokerage and trading of exchange-traded derivatives
Aug. 27, 2010	Initiated overseas futures and FX-margin trading
Oct. 25, 2010	Initiated advisory wrap account business
Jan. 25, 2012	Completed the deployment of a next-generation system
May 04, 2015	Registered as an issuer/manager of electronic debit payment instruments (debit card business)
Nov. 10, 2016	Gained approval to register as a private equity fund business
Jun. 08, 2018	Registered for an OTC derivatives CCP general clearing member (direct clearing member → general clearing member)
Jun. 26, 2020	Undertook a rights issue through third-party allotment (KRW 200 billion)
Aug. 03, 2021	Gained approval to register as a new technology project financing company
Nov. 18, 2021	Received a long-term credit rating upgrade to AA- by Korea Investors Service

Branch Network

We operate a network of 31 domestic branches in total across six regions nationwide.

(as of Jan. 1, 2022)



Domestic Network by Region (6 regions)

- ▶ Gangbuk Regional Sector-1 (5 branches) Business Department / Yeouido / Sadang-dong / Ilsan / Sangam DMC
- ▶ Gangbuk Regional Sector-2 (5 branches) Business Department 2 / Myeongdong / Yeouido Financial Center / Gwanghwamun Financial Center / Gangbuk Financial Center
- ▶ Gyeongin Regional Sector (5 branches) Suwon / Bundang / Bupyeong / Siheung-si / Ansan
- ▶ Gangnam Regional Sector (6 branches) Gangnam Business Department / Gangnam/ Songpa / Teheran-ro / Seocho Financial Center / Gangnam Financial Center
- ▶ West Regional Sector (6 branches) Daejeon / Cheongju / Gwangju / Jeonju / Daejeon Financial Center / Gwangju Financial Center
- ▶ East Regional Sector (4 branches) Seomun / Hwamyeong / Daegu Financial Center / Busan Financial Center

BUSINESS OVERVIEW

BROKERAGE

Delivering differentiated financial products and professional services for the greatest-possible customer satisfaction

We operate a network of 31 branches across six regions with two regional units, and strive to become the Best Investment Partner. Our top-tier financial experts provide a range of financial products through one-on-one tailor-made counseling, and deliver total financial services including financial consulting to bring greater customer satisfaction.

Our Institutional Marketing & Sales Unit consists of the Equity Sales Department and the Institutional Derivatives Sales Department and engages in the brokerage of equities, derivatives (futures and options) and other wide-ranging equity-linked products for domestic/international institutional investors and professional investors while serving as an ETF Authorized Participant (AP) and a Liquidity Provider (LP).

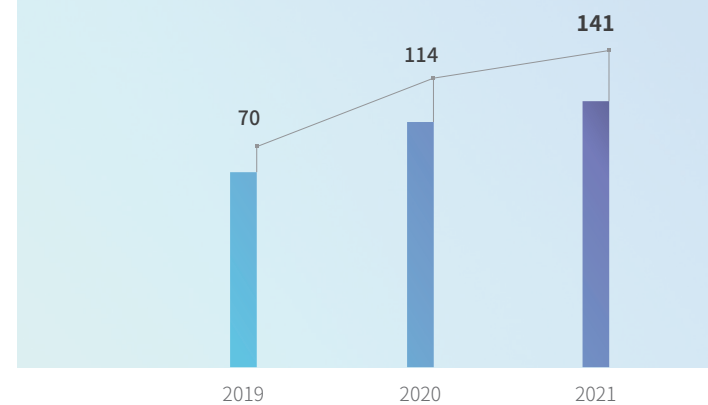


Our experts bring their extensive knowledge in derivatives, interest rates, and bonds as well as domestic and overseas stock trends to serve institutional customers with end-to-end investment solutions. In particular, we provide fast and accurate investment information in alignment with our Research Center and conduct seminars and company visits in Korea and abroad. Engaging in co-business with other business units, we are committed to becoming the best investment partner who delivers high returns to domestic/international corporate customers and professional investors.

The Global Finance Unit, which functions as another critical pillar of our brokerage operations, is composed of the Global Futures Department, the Global Solution Department, and the Global Brokerage Department. The Global Futures Department engages in the on/offline brokerage of varying futures products traded in the domestic and overseas markets – indices, currencies, energy, interest rates, metals, and agricultural/livestock products – and the brokerage of domestic and multi-CFDs. The Global Solution Department serves as a broker of overseas bonds for individuals, institutions, foundation and corporations. The Global Brokerage Department delivers global equity services concerning overseas stocks as well as CFDs and SBLs for overseas stocks, along with differentiated services for retail and corporate customers to provide the greatest-possible customer satisfaction.

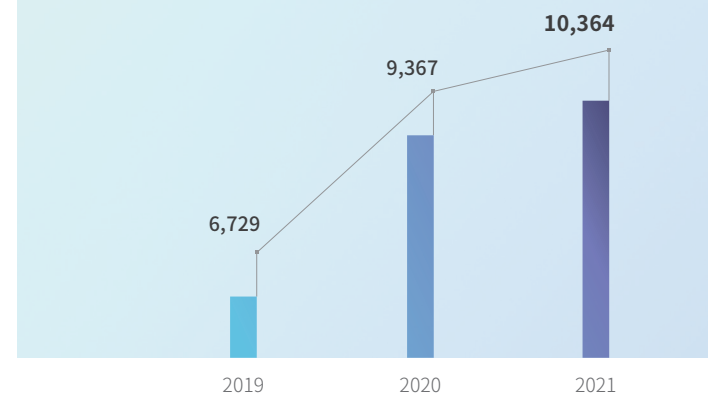
Net brokerage commissions

(unit: KRW billion)



No. of High Net Worth Customers*
(HNW, KRW 100 million and over)

(unit: No. of persons)



* No. of total customers

▶ IB(INVESTMENT BANKING)

Bolstering IB capabilities through novel financial structures and investment solutions

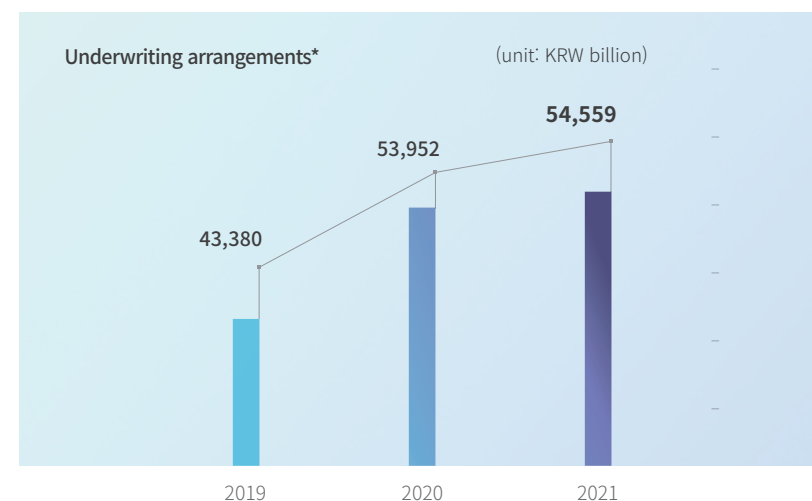
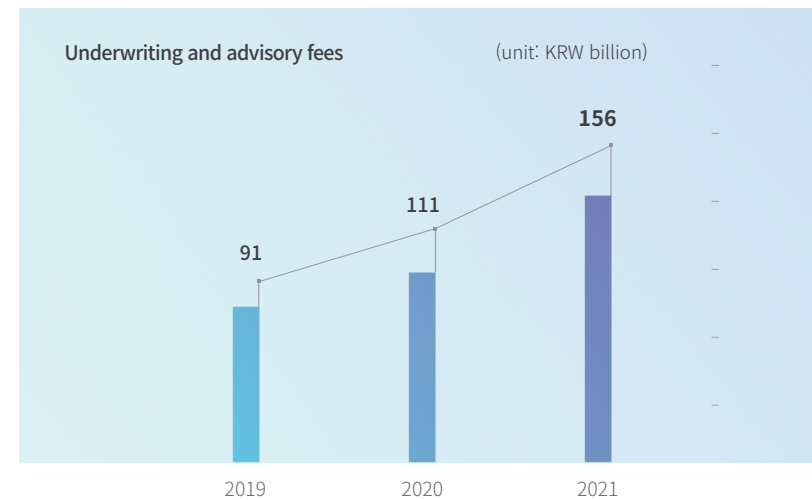
Our Investment Banking Division consists of the ECM (Equity Capital Market) Unit which performs traditional IB operations including rights issues, mezzanine issuance (CB/RCPS), IPOs and M&As as well as the Structured Financing Unit and the Investment Financing Unit. The ECM Unit provides a wide array of solutions for corporate financing including PEF management, direct investment and arrangement in addition to conducting traditional IB operations. In particular, our ECM Unit has been honored as the excellent IPO lead manager by the Korea Exchange twice in recognition of its exceptional capabilities in the primary market.

The ECM Unit goes beyond Korea towards the Greater China investor network to pursue diverse cross-border deals. Furthermore, the Unit engages in rights issue arrangement, mezzanine financing, and M&A advisory with a focus on listed companies as well as in related investment operations. Recently, the Unit extended its business boundary into new technology investment funds and private equity business to strengthen the basis for its financial services provided in parallel with venture capital supply and investment.

The Structured Financing Unit and the Investment Financing Unit design financial structures, recruit financial investors, and serve as a financial advisory for real estate development projects, local government development projects, and SOC/green growth energy development projects, offering optimal integrated financial solutions in the financing sector.

The Units also develop new fit-for-purpose financial structures and products through the issuance and underwriting of loans receivable, accounts receivable, credit derivatives and other diverse asset-backed securities (ABS, ABCP, AB-STB), delivering best-in-class IB financial services across the entire structured financing sector. Our contribution to issuing floating securities structured through diverse financial structure designs and reliably closing high-quality deals was highly recognized when we received the Best Securitization Award at the DNEWS Real Estate IB Awards 2022 in February 2022.

The DCM (Debt Capital Market) Unit assists in addressing legal and account issues associated with the issuance of bonds or CPs so that financial institutions and businesses are able to finance their corporate activities while engaging in investor relations activities to offer diverse solutions that meet the needs of issuers and investors alike. Furthermore, the Unit provides structured finance support for asset-backed securities, serves as a broker for domestic and international financial institutions concerning treasury bonds and Monetary Stabilization Bonds, and enables money market financing.



* Including real estate finance

BUSINESS OVERVIEW

▶ S&T(SALES & TRADING)

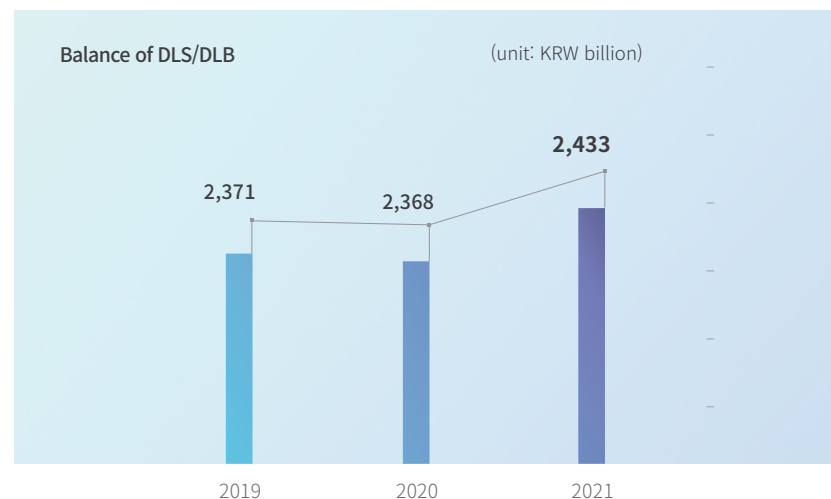
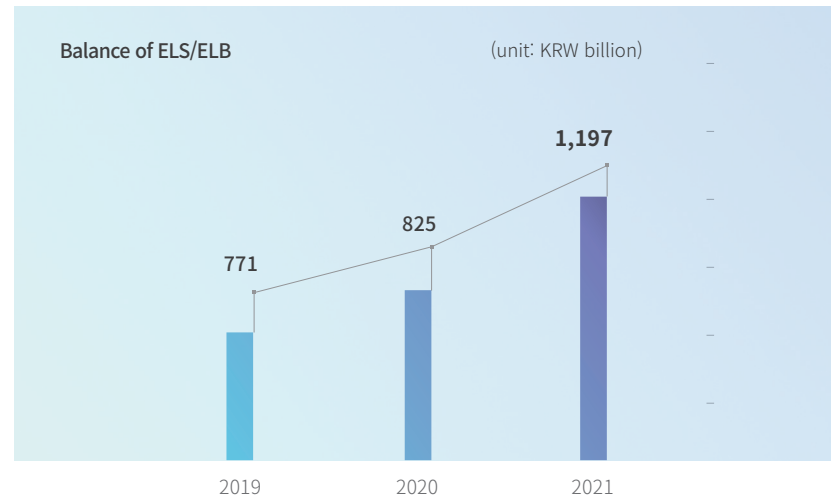
Generating outstanding performance through optimal management strategies and product offerings

Our Sales & Trading Division generates profits by pursuing new business opportunities in the areas of LP, algorithm trading, and alternative asset PA (Placement Agent), along with the management and operation of such conventional business areas as FICC (Fixed Income, Currencies, and Commodities) and assets (bonds, equities, etc.).

In conducting FICC business, our Derivative Solution Unit as the dedicated sales unit is responsible for developing and issuing Derivatives-Linked Securities (DLS/ELS) and structured derivatives that cater to market trends and customer needs while the Derivative Trading Unit creates profit through the self-hedge of inflows and the management of hedge assets. Our algorithm-assisted automatic trading system also helps provide liquidity to the stock market.

The Asset Management Unit is in charge of operating own funds, and engages in RP management to provide interest including CMA, the maintenance of bond-related qualifications spanning Primary Dealers (PD) and purchase agents, and the management of bonds and treasury bond futures. We pursue the generation of stable profit amid the ever-shifting global investment landscape on the strength of our global macro and asset-specific correlation analytics. While exploring new financial markets and revenue sources, we also directly operate spots and derivatives for a range of asset classes, including interest rates, credit, commodities, currencies, and stocks, and identify optimal investment strategies by assessing investment suitability in line with the changing paradigm of the global financial market.

Furthermore, our AI Solution Department generates profit by developing and delivering a suite of investment products in line with the investment needs of professional investors. The Department is developing a range of products in partnership with renowned domestic/international hedge fund and asset managers. As the Department handles assets that lend themselves to the greatest information asymmetries, its operational strategy focuses on communication through the provision of market intelligence and investment strategy reports for investors.



WM(WEALTH MANAGEMENT)

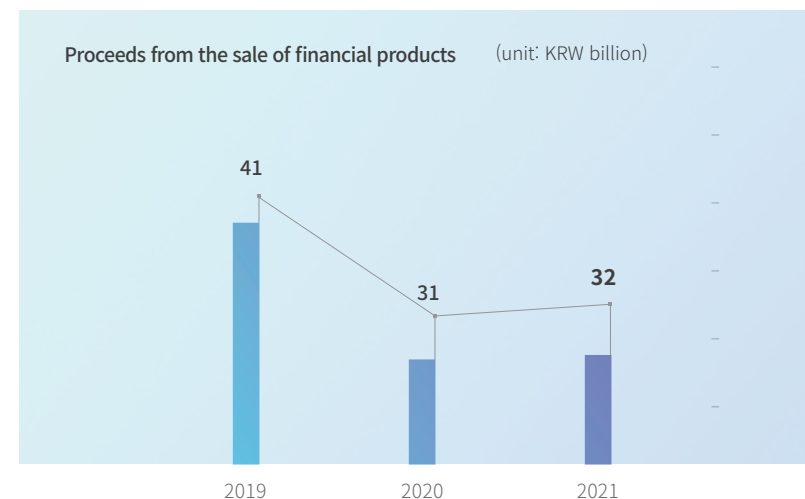
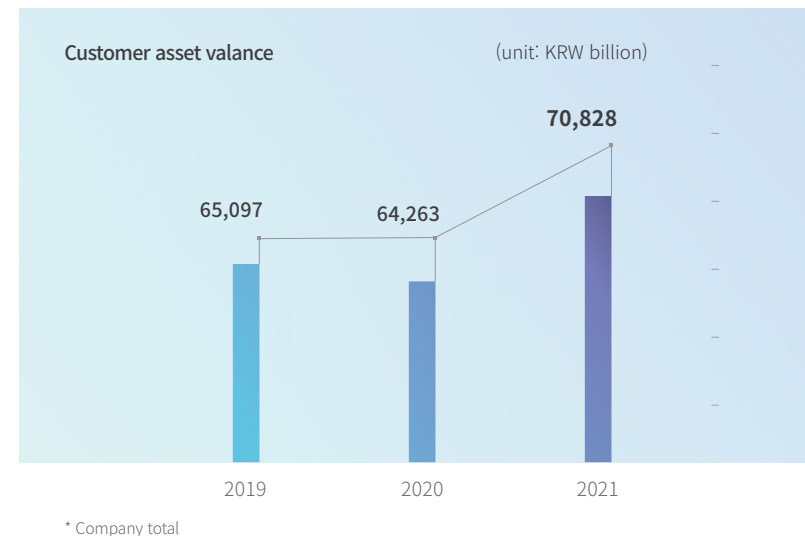
Providing financial solutions customized based on identified customer needs to improve customer value

Our Wealth Management Division consists of the Investment Solution Unit, the Customer Asset Management Unit, and others. The Investment Solution Unit serves public institutions, financial institutions, professional investment institutions, and general corporations by delivering the asset management services that cater to their investment propensity and purpose. This is made possible by creating a tailored portfolio in line with customer needs, systematically managing assets and risks through regular management reporting and feedback, and presenting diverse new products and seminars to keep pace with the changing financial and capital markets. In particular, our differentiated product offerings and asset management made accessible through our diverse networks help us diversify and bolster our operational basis to lead the financial solution asset management market as a tailored investment partner.



On the strength of our years of experience in stably operating a large amount of trust assets, Kyobo Securities promptly provides effective trust products that meet customer needs, and is known for its strength in continuously supplying top-tier products based on exceptional deal sourcing. Our efforts to recruit new customers and implement differentiated operational strategies through the continued monitoring of customer-specific investment propensities have resulted in sustained growth in the number of High Net Worth (HNW) customers with KRW 100 million or more in assets. To elevate our customers' experience beyond mere wealth accumulation, we will relentlessly push the boundary and improve customer value, from professional asset management to financial services provided in reflection of their lifestyle.

The Customer Asset Management Unit provides comprehensive financial services as an investment asset manager operated under the securities firm by managing customer assets through portfolio development, management, and investment advisory. Efficiently operating the funds optimized by incorporating a range of assets including bonds, stocks and derivatives and eventually generating stable profit, we remain committed to serving our customers as a personalized financial solution advisor.



BUSINESS MODEL

Kyobo Securities conducts business with an aim to improve stakeholder value throughout its entire operations, and acts responsibly to make a positive difference in society, the environment and the wider world.



INPUTS

1 Financial capital	Assets (KRW 100 million)	114,838
	Liabilities (KRW 100 million)	100,889
	Capital (KRW 100 million)	13,949
2 Human capital	No. of employees	999 persons
	New hires	127 persons
	Total training expenditures (KRW million)	264
3 Intellectual capital	Intangible assets (KRW million)	8,136
4 Social&Relationship capital	CSR donations made (KRW 100 million)	3.81
	Membership fees paid (KRW million)	2,209
5 Productive capital	No. of domestic branches	31
	No. of non-face-to-face accounts (10,000 persons)	5.4

VALUE CREATION

OUTPUTS & OUTCOMES



1 **Operating Profit**
KRW **185.5** billion

In 2021, we achieved the best-ever performance in our history, driven by our booming brokerage business and our strategic IB business implementation, and the balanced profit generated as a result across all operations, leading to significant growth in our corporate value as well as investor and customer value. This allowed us to further increase the difference in dividend payout ratios between minority shareholders and controlling shareholders to maximize shareholder value.

2 **Employee Compensation***
KRW **18.22** billion

In 2021, we expanded our new and digital business to generate even greater value. We remain focused on improving benefits and recruiting and retaining talent to continuously create value for employees.

*Wages and benefits

3 **Customer Satisfaction Index**
94.2 points

We provided customers with advisory services and invested in innovation and technology to keep our payment/for-fee systems stable and reliable, creating intellectual value for customers. We were also provided with intellectual capital from our business partners. Our stringent security checks allowed us to bolster the prevention of cybercrime and achieve zero in the occurrence of damage from such crime.

4 **Sale of Socially Responsible Investing Funds**
KRW **77.3** billion

We contribute to revitalizing the economy of local communities by investing in funds designed to promote social sustainability. Operating a range of Corporate Social Responsibility (CSR) programs that focus on future generations and investing in venture businesses and startups, we help resolve social issues and create jobs to generate social value in the process.

5 **Digital Customer Assets**
KRW **1.41** billion

We provide valuable products and services to create productive value for customers. Our professional counseling encourages customers to invest in sustainable financial products, and this renders customer assets sustainable to ultimately elevate customer value.

2021-2022 ACHIEVEMENTS

Kyobo Securities won't stay complacent but pursue innovation to build sustainable future growth drivers.

AA- / A1

Gained the highest-level ratings among mid/small-sized securities firms by Korea's three major credit rating agencies of Korea Investors Service, NICE Investors Service, and Korea Ratings

3,000

Issued KRW 300 billion three-year corporate bonds in April 2021, securing KRW 880 billion in investor demand against the initial plan to issue KRW 200 billion corporate bonds



UNGC

Joined the global corporate citizenship initiative UN Global Compact



RESPONSE TO COVID-19

Developed a business continuity plan to respond to COVID-19, bolstered employee health management through work-at-home and virtual meetings, and increased external support by donating encouragement boxes to healthcare professionals

1,855

Achieved KRW 185.5 billion in operating profit, the highest-ever, on a consolidated basis as of the end of 2021, in line with performance growth across IB, S&T, WM and all other operations

19.7 %

Increased the ratio of female managers year-on-year to reach 19.7% as of the end of 2021, and will further raise the number through systemic development programs

Excellence Award in the Consumer Protection Category

Received the Excellence Award in the consumer protection category at the Market Leader Awards 2021 in recognition of our contribution to the advancement of the financial industry through protecting the rights and interests of financial consumers



ESG Committee

Created the ESG (Environmental, Social, Governance) Committee under the direct leadership of the Board of Directors and bolstered the execution of ESG management

773

Reached KRW 77.3 billion in the sales of socially responsible investing funds as of the end of 2021



94.2

Gained 94.2 points in the Customer Satisfaction Index in 2021 to remain above 90 points

B

Received an overall rating of B in the ESG assessments made by the Korea Corporate Governance Service (2021)



100%

Consider customer trust as the top priority and have all employees sign the ethics pledge, and joined the UN Global Compact in December 2021 to contribute to disseminating an anti-corruption culture among businesses and society at large

End Coal Finance

Announced the commitment to ending coal finance to proactively respond to climate change and join in the global effort to achieve carbon neutrality



1,400

Reached KRW 140 billion in digital customer assets to strengthen digital capabilities, and launched MyData business to secure future growth drivers through digital innovation

ZERO

Posted zero in the number of personal data breaches over the past three years as a result of a company-wide effort to tighten information security



FIRST

Published the first integrated report in June 2022

ESG FUNDAMENTALS

17 _ ESG MANAGEMENT STRATEGY AND POLICY

21 _ STAKEHOLDER ENGAGEMENT

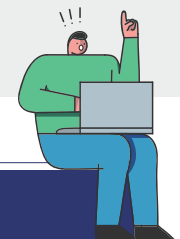
26 _ MANAGEMENT APPROACH FOR
MATERIAL TOPICS

28 _ UN SDGS

30 _ ESG HIGHLIGHTS

24 _ MATERIALITY ASSESSMENT

ESG Management Strategy and Policy



Advancing ESG management

ESG Management Strategy

Understanding and efficiently managing environmental, social and governance issues – climate change, COVID-19, respect for human rights and diversity, and transparent governance – is garnering heightened attention as a critical factor for a company’s sustainable growth. Swift response to the needs of major stakeholders is gaining greater importance than ever, and this renders ESG management an essential business consideration and a key driver behind long-term growth and successful business conduct.

Kyobo Securities recognizes the importance of ESG issues in the scope of all business activities and in business conduct, and believes that its business operations should center around stakeholders.

To sincerely advance ESG management, we defined our ESG management strategy as ‘taking responsible action to bring positive change to society, the environment and the wider world’, along with its four focus areas and implementation tasks. All our departments will align to systematically implement wide-ranging tasks to advance ESG management in our own distinctive ways and contribute to the sustainable development of the whole global community.

ESG Management Strategy

Our Approach by Area

Strategic Task

UN SGDs



Investment Principles for ESG Finance

As a financial institution, Kyobo Securities stipulated investment principles for ESG finance to fulfill its environmental and social responsibility and prevent potential financial/non-financial risks. We also abide by the investment exclusion principles that were established to prevent risks that arise from inappropriate investment and asset management.



ESG Risk Assessment Criteria

We plan to set and apply assessment criteria to manage ESG risks that have recently emerged as the key agenda from the investment perspective.

As part of the deal assessment process, we review the financial/non-financial disclosures of assessment targets and the materials provided by external ESG rating agencies. When deemed necessary, direct due diligence will be internally conducted on the target company to comprehensively consider assessment factors in each ESG area.

ESG-related risk assessments apply to all our investment activities governed by the 'Investment Advisory Committee' and other investment decision-making bodies, and are performed in each of the internal review, assessment, investment and follow-up management phases.

In addition, ESG risk assessment criteria apply in a way to recommend not to make an investment when the assessment target fails to meet the minimum criteria from the environmental and social aspects.

ESG Risk Review Item by Investment Target

<p>Company</p> 	<ul style="list-style-type: none"> • External disclosures • Ratings awarded by ESG rating agencies • Corporate due diligence data • Review the environmental and social impact of the company's business
<p>Development Project</p> 	<ul style="list-style-type: none"> • Project details • Project participants • Review the environmental and social impact caused by the project

Investment Principles for ESG Finance



We contribute to the transition into a low-carbon society and environmentally-friendly business operations.

- We expand financial support for industries that contribute to the circular economy by developing energy efficiency technology to reduce carbon emissions, using renewable energy and promoting resource recycling and reuse.
- We scale down financial support for industries that bring adverse impacts directly/indirectly to climate change through carbon emissions.



We contribute to increasing financial inclusion and fulfilling a company's social responsibility.


- We promote financial inclusion by developing products and services for vulnerable groups in society who are often financially underserved, and bolster financial support for innovative companies.
- We perform risk reviews on companies that cause social controversies over human rights violations, safety incidents, and corruption, and reflect such reviews in making investment decisions.



We establish a transparent corporate management system and contribute to pursuing economic reliability.

- We identify whether the Board of Directors, non-executive directors and the Audit Committee are established and operated to make decisions and perform oversight to protect the interest of the company and shareholders, and reflect the results in our investment decision-making.
- We reduce financial support for companies who failed to meet their obligation to disclose information necessary for stakeholders.

Investment Exclusion Principles



- We consider reputational risks to limit investments made in relation to management disputes or in the gambling industry.
- We assess target companies and products for their ESG information as part of the investment review process to exclude inappropriate investment targets.

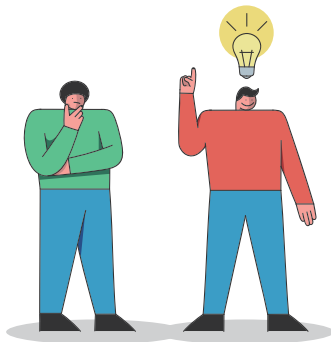
ESG RESEARCH CAPABILITY

Initiating Assessments on ESG Values along with Financial Performance

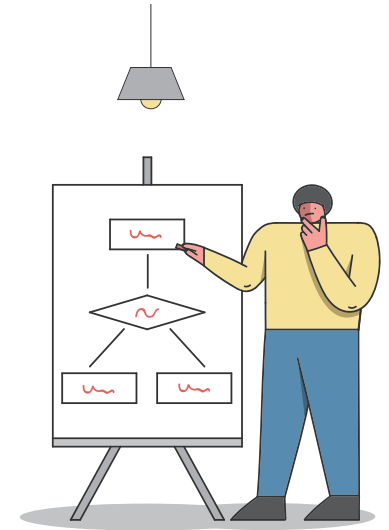
The Kyobo Securities Research Center assesses ESG as the initiative to maximize corporate value including co-existence between shareholders and stakeholders and to create an ecosystem in consideration of inclusion, scalability and sustainability. We also believe that ESG management and investment will expand in the market economy and open capitalism sectors.

In corporate value assessments which form the core function and value in the capital market, it will become critical that non-financial values are not excluded but assessed properly along with financial performance. A company's competitiveness and sustainability will improve when stakeholders – creditors, customers, partners, communities, nations and the global community as well as shareholders – are engaged in diverse ways and their needs are met.

Our Research Center provides investment information through the analysis of innovation, scalability, inclusion and sustainability by taking a new approach to corporate value assessments which factors in ESG as well as financial value. Starting with its report on governance improvement in 2019, the Center has published a range of reports on the topics of climate change and the ESG paradigm shift which demonstrate its approach to ESG. The Kyobo Securities Research Center will maintain such perspectives and publish more ESG reports differentiated for their uniqueness.



ESG-related reports published by the Research Center



Strengthening the Online Channels for Research Content

Digital transformation and COVID-19 have massively changed the way content is produced and consumed. All while releasing reports and hosting offline seminars, our Research Center is also active in holding conference calls attended by multiple participants and webinars hosted on the Zoom and Webex platforms. The Center launched its own Youtube brands such as 'Weekly Compass' by the head of the Research Center Kim Hy-eong-ryeol, and 'Bridgehead' to regularly share diverse timely content.

Our Research Center live broadcast the 'Kyobo Intelligence Forum 2022' on Youtube in October 2021. This served to invite renowned experts to share their prospects on the US for 2022, and analysts provided their outlook for industry innovation and the new economy in 2022. The Research Center aims to continue to host the Intelligence Forum to deliver high-quality services to diverse investors.



Kyobo Securities Intelligence Forum 2022

ESG Management Governance System

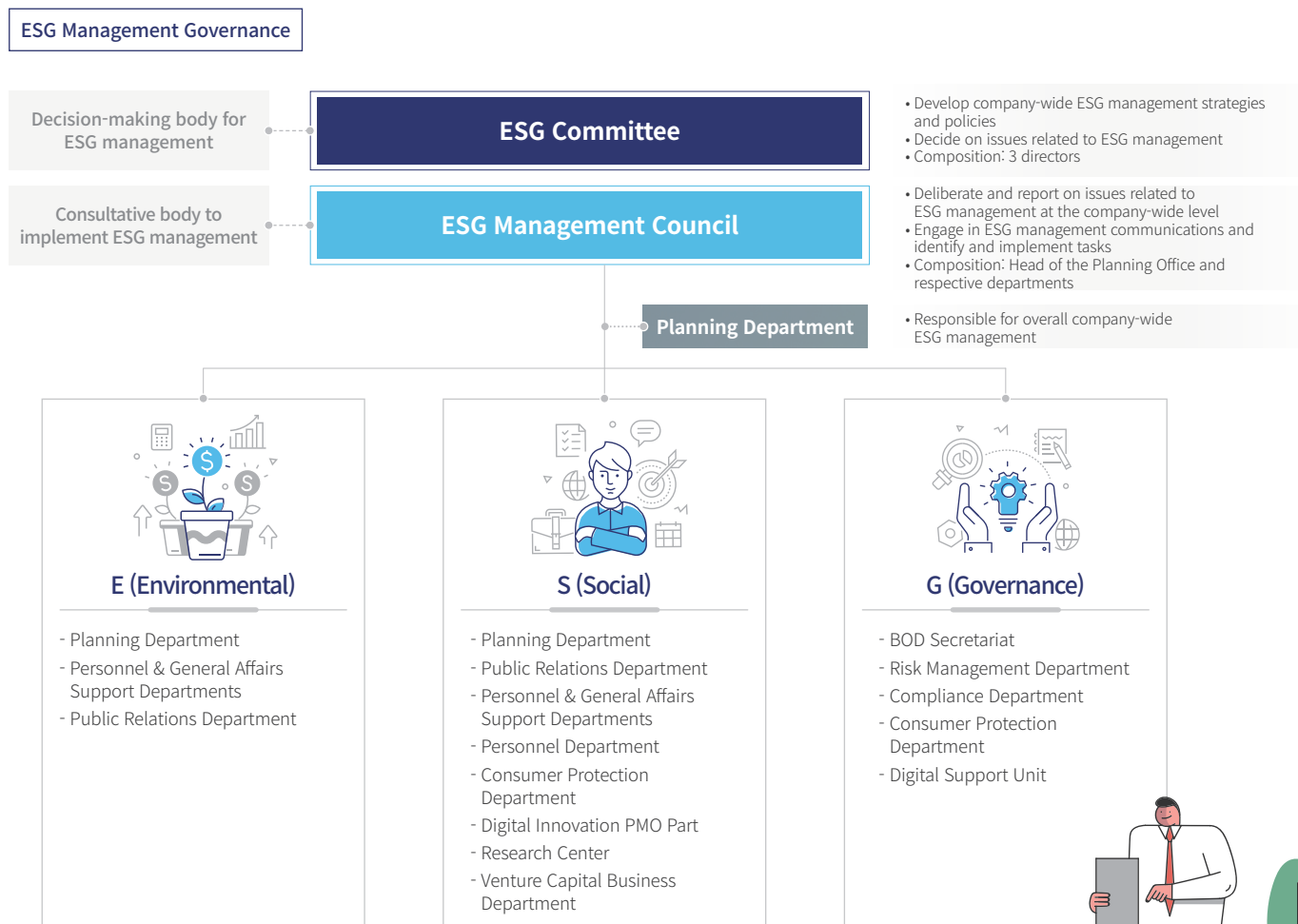
ESG Committee

We have created and operated the ESG Committee chaired by a non-executive director since June 2021 under the direct leadership of the Board of Directors. In so doing, our Board of Directors serves as the highest decision-making body managing and overseeing ESG agenda as well as a business one, establishing a responsible and sustainable decision-making system in the process.

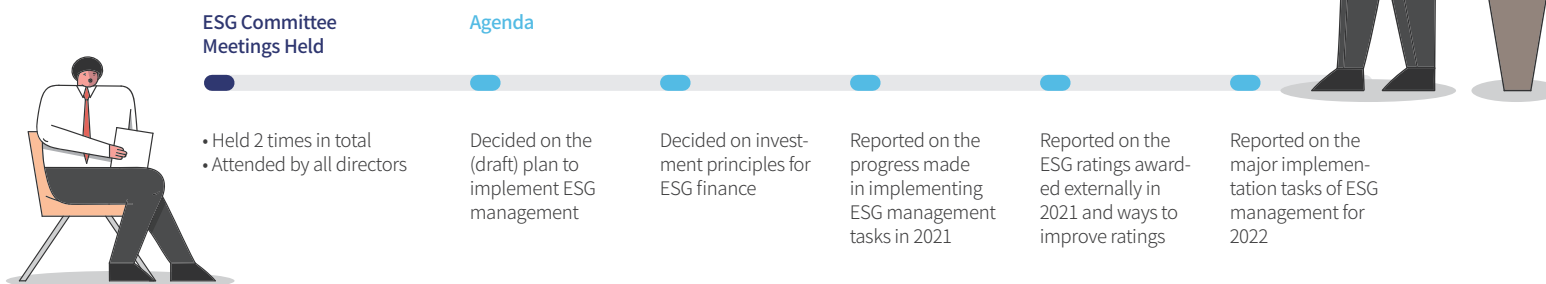
The ESG Committee, created to respond to the shifting corporate value paradigm and the emerging ESG needs of investors and customers, meets quarterly or more often in principle. The ESG Committee is mandated to make major decisions on Kyobo Securities' ESG management and to embed ESG management into our business operations by approving major ESG strategies and implementation plans and reviewing their progress regularly.

ESG Management Council

Taking note of the need for cross-functional efforts and consultations to efficiently advance ESG management, we operate the ESG Management Council attended by the heads of working-level departments highly associated with ESG management. As a consultative body to implement ESG management, the Council meets regularly at least quarterly to review our progress made in implementing ESG management tasks and identify new tasks to elevate our working-level execution of ESG management.



Operation of the ESG Committee in 2021

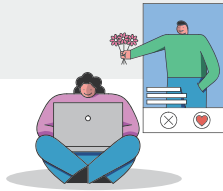


Stakeholder Engagement

Stakeholder Selection and Grouping

Kyobo Securities categorized stakeholders into the three groups of key stakeholders, strategic stakeholders, and other stakeholders based on legal/financial/operational responsibility and impact as suggested by ISO 26000, and defined employees, customers, shareholders & investors, governments and related organizations, and communities as its strategic stakeholders.

Stakeholder communication and engagement form the foundation for our sustainability management, and we operate a range of on/offline channels to identify major concerns of our respective stakeholder groups and fully respond to such concerns. We plan to introduce new communication channels to reflect stakeholder characteristics in line with the shifting conditions, and operate these channels in a way that facilitates experience sharing and engagement so that we further solidify our trust-based relationships with stakeholders.



Stakeholder Mapping & Grouping



Stakeholder Group	Definition	Stakeholders
Core stakeholders	Essential for a company's survival	Employees, customers, and shareholders & investors
Strategic stakeholders	Essential for a company's responding to specific issues	Governments and related organizations, communities, and business partners
Other stakeholders	Stakeholders other than key and strategic ones	Media, NPOs, NGOs, vulnerable groups, peer groups, research institutes, and experts

Stakeholder Communication Channel

Channel	Stakeholder	Issue of Interest	Communication Channel	Communication Cycle	Our Response
Internal	Employees (including labor unions)	<ul style="list-style-type: none"> Work-life balance Employee capacity building Benefits Employee communication Fair appraisal and compensation 	<ul style="list-style-type: none"> Employee surveys In-house hobby clubs Labor-management council In-house broadcasting/messenger Intranet 	When needed On-going Quarterly On-going On-going	<ul style="list-style-type: none"> Flexible hours, PC-Off Operate tailor-made training programs Operate a range of benefits programs Facilitate virtual communication
External	Customers	<ul style="list-style-type: none"> Customer service improvement Provision of customer-centered financial products and services Handling of complaints and grievances Information and data security Financial consumer protection Provision of proper investment information 	<ul style="list-style-type: none"> Website Social network channels VOC Customer satisfaction surveys Branch-specific counters Investment briefings 	On-going On-going On-going When needed On-going When needed	<ul style="list-style-type: none"> Provide digitally-based financial products and services Improve the VOC process Increase financial accessibility Facilitate communication channels
	Shareholders & investors	<ul style="list-style-type: none"> Corporate value improvement Sound governance Financial performance Risk management 	<ul style="list-style-type: none"> Website IR events Major regular reports 	On-going When needed Quarterly & half-yearly/annually On-going Annually	<ul style="list-style-type: none"> Transparent disclosures Risk monitoring/response Risk management by type
	Governments and related organizations	<ul style="list-style-type: none"> Inclusive finance Ethics and compliance management Tax-paying obligation Participation in government policies 	<ul style="list-style-type: none"> Press releases Discussions/seminars 	On-going When needed	<ul style="list-style-type: none"> Ethical management training Operate the compliance support system Pay taxes faithfully
	Communities	<ul style="list-style-type: none"> Community CSR activities Community reinvigoration Scaling up CSR programs 	<ul style="list-style-type: none"> Website/social network channels Dreami Social Volunteers Collaborators 	On-going On-going On-going	<ul style="list-style-type: none"> Volunteering Dreami Hope Donation Dreami Challenge

Stakeholder Interview



Song Doo-hee,
Manager

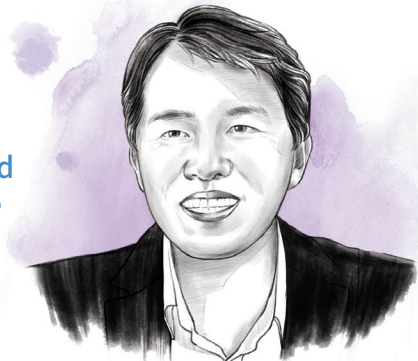
Fides Investment
Management

“
Improving customer
service satisfaction by
securing ESG-related
research talent and
digitizing financial
operations”

Fides Investment Management has built robust trust-based relationships with Kyobo Securities through long-term collaboration. Kyobo Securities is highly prominent in business operation, strategy and sales, and its exceptional capabilities in these areas put the company ahead of the competition among small/mid-sized securities firms. ESG is emerging as an important global issue and trend in the securities industry. This highlights the need to recognize ESG-related issues as business opportunities and proactively respond to them. As more and more best practices emerge in ESG-related product development and research, Kyobo Securities is also advised to recruit professionals from diverse fields to engage in ESG research and product development, which will surely help the company generate better outcomes. Another global trend in this industry is financial digitalization. As Kyobo Securities has established long-term trust with customers when compared to its larger peers, it needs to further focus on product and service digitalization to improve customer convenience and satisfaction. It is our hope that Kyobo Securities develop services powered by digital innovation to solidify its profile among young customers who have come to develop an immense interest in investment.

Kyobo Securities is aware that ESG lies at the heart of its business operations and is carefully planning and implementing ESG management tasks to contribute to society by conducting business. Embedding ESG into services and products is a shared challenge in the securities industry, and Kyobo Securities is also continuously developing ESG-conscious products and services. Human rights management and talent recruitment are critical in advancing ESG management. This prompted us at Kyobo Securities to build a corporate culture where employees respect each other and are satisfied with their work. While Kyobo Securities laid the basis for ESG management in 2021, we will take another critical step forward in 2022 to systematically undertake wide-ranging activities to sincerely advance ESG management in the social and environmental areas as well as in business conduct. We have learned through our extensive experiences and achievements that the sum of small actions results in outstanding performance. This will drive our company and employees to take small yet meaningful actions for society and the environment and act responsibly to bring positive change and eventually generate even greater outcomes.

“
Embedding ESG
management into our
entire business areas and
bringing positive change
through responsible
action”

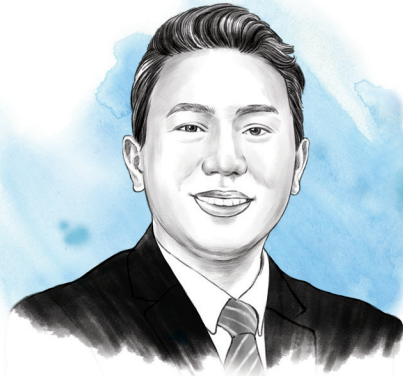


Song Eui-jin,
Executive Vice
President

Kyobo Securities



Delivering digital solutions through collaboration with partners possessing innovative technology to emerge as a sustainable financial institution



Lee Hyeok-geun,
Senior Vice
President | LG HITACHI

LG Hitachi, as a supplier of big data and customer data security services based on IT platforms and solutions, is building platforms and developing services for Kyobo Securities' digital MyData business. Having the longest history in the Korean securities market, Kyobo Securities has gained trust from customers over the years and has built a highly loyal customer base. The financial landscape is changing quickly, and financial institutions are able to conduct sustainable business by recruiting new customers while bringing greater satisfaction to existing customers by promptly reflecting such rapidly-shifting trends into their financial products and services. For Kyobo Securities to become sustainable, the company needs to cater to customer needs and continuously develop financial products and services combined with innovative technologies. Integrating innovative technologies this way not only improves customer satisfaction but also increases energy efficiency to generate a positive environmental impact. It is our hope that Kyobo Securities will grow into a competitive digital solution provider through collaboration with innovative technology companies in addition to investing in innovative technology companies and promising startups and venture businesses.

The Korea Food for the Hungry International (KFHI) has partnered with Kyobo Securities for the past 11 years since we first worked on the HopePlus project to sponsor and send gifts to children with whom we forged ties. As not many companies are willing to participate in long-term, large-scale sponsorship projects, our long-lasting partnership with Kyobo Securities is truly a great precedent. Kyobo Securities never spares efforts in maintaining company-wide volunteering through actual interest and support rather than engaging in performative activities, and its employees also participate with all their good intentions to serve the interest of communities. Unlike the manufacturing industry, the securities industry may find it difficult to reflect their unique characteristics in the CSR programs that they implement. In spite of such limitations, Kyobo Securities leverages its internal capabilities to engage in educational CSR programs including consulting to help children from low-income households and teens leaving their shelter in developing economic competencies. As such programs assist socially-underprivileged groups in learning financial and economic knowledge to become self-reliant through the help of Kyobo Securities' professionals, this will surely aid in resolving the fundamental issues that communities face and set an example for other institutions to follow.



Undertaking CSR activities to share financial and economic knowledge to set an example for other organizations in resolving social challenges



Cha Han-Kil,
Staff | Korea Food for the
Hungry International

Materiality Assessment

Materiality Assessment

Kyobo Securities has conducted materiality assessments to identify the key issues of sustainability management that should be considered critical in the securities industry and to transparently communicate with stakeholders.

The materiality assessments were made in accordance with the principles of Sustainability Context, Materiality, Completeness, and Stakeholder Inclusiveness as recommended by the GRI Standards and ISO 26000.

We have identified the top eight issues as material issues out of the pool of 15 issues in total, and focused on these issues in organizing the table of content and elaborating on relevant details in this integrated report.



Materiality Assessment Process

Identification



Media analysis

Analyzed articles related to Kyobo Securities between Jan. 1, 2021~Dec. 31, 2021

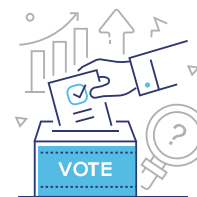
International standards and their benchmarking

Analyzed industry-specific material issues concerning the GRI Standards, the SASB, the MSCI, and the KCGS

Benchmarked material issues of similar peers in Korea and abroad

Identified a pool of 15 material issues

Prioritization



Stakeholder impact

Analyzed impact on such major stakeholders as customers, business partners, communities, and relevant organizations

Conducted an online survey, with 213 in total responding

Business impact

Assessed impact on our business operations from the employees' perspective

Conducted an online survey with 183 employees responding

Performed materiality assessments by considering stakeholder impact and business impact

Validation



External expert review

Engaged sustainability management experts in review work

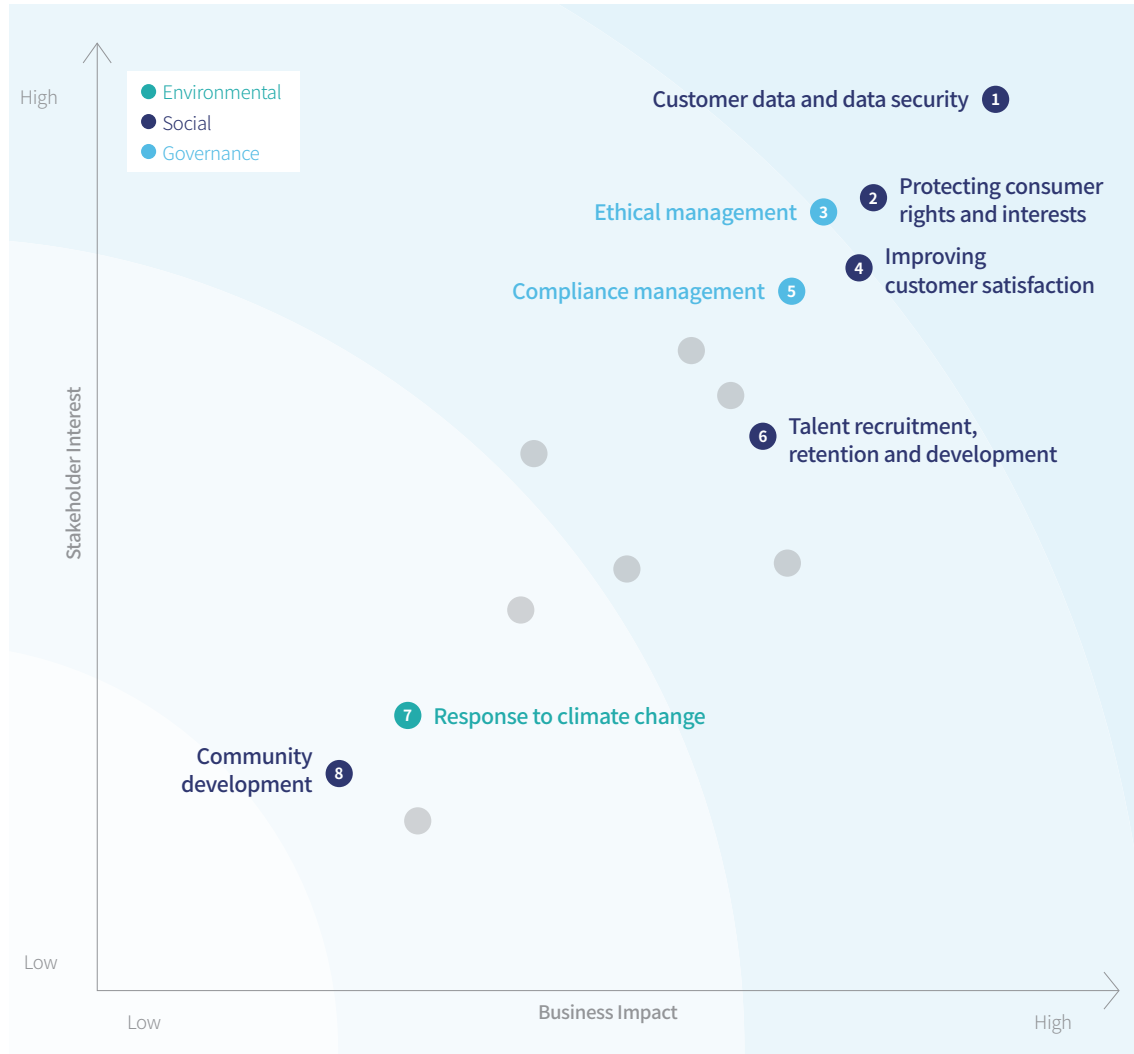
Finalization following an internal review

Granted final approval on material issues through reviews made by the responsible department

Selected top eight issues as material issues following external expert/internal reviews



Materiality Assessment Results



Kyobo Securities Material Topics in 2021

Material Topics	GRI Content Index	Reporting Boundary
① Customer data and data security	GRI 418	Inside/ Outside
② Protecting consumer rights and interests	GRI 417	Outside
③ Ethical management	GRI 102, GRI 205, GRI 206	Inside/ Outside
④ Improving customer satisfaction	GRI 417	Outside
⑤ Compliance management	GRI 419	Inside
⑥ Talent recruitment, retention and development	GRI 401, GRI 404, GRI 405, GRI 406	Inside
⑦ Response to climate change	GRI 305	Inside/ Outside
⑧ Community development	GRI 413	Outside

Management Approach for Material Topics

Material Topics	Context	Our Approach	Key Performance & Plan	Page
Customer data and data security	Financial services are evolving to bring together fragmented personal financial data to provide tailored customer services. Cyber threats targeting such data is also getting more sophisticated and intelligent. As incidents involving financial data could cause monetary damages, it is critical that we establish an information security management system to protect customer data and securely deliver financial services.	We are establishing and operating the Information Security Management System (ISMS) by assigning dedicated information security personnel to develop information security policies, developing and operating an information security system, and conducting vulnerability analyses/assessments and security controls. To raise employees' awareness of information security at all levels and strengthen the expertise of dedicated personnel, we regularly provide information security training, along with mock drills to prepare for cyber threats.	<p>[Major Activity]</p> <ul style="list-style-type: none"> • Maintain the Information Security Management System certification (Korea) • Deploy and operate information security solutions • Conduct exercises against security breaches and information security training <p>[Future Plan]</p> <ul style="list-style-type: none"> • Strengthen information security training and raise awareness • Advance the information security management system • Achieve international information security management system certifications 	48-49
Protecting consumer rights and interests	The enforcement of the Financial Consumer Protection Act has raised issues with greater obligations imposed on financial product sellers and tightening punishments, and has further underlined the importance of the precautionary approach to protect the rights and interests of financial consumers rather than managing damage that has already occurred. This drove Kyobo Securities to implement a preliminary review process to protect against consumer damage throughout the entire process of product development, sales and follow-up management, and to prevent mis-selling.	In 2021, we created the financial product supervision organization through organizational restructuring, and reported to the Board of Directors 'Product Committee deliberation results and follow-up management'. We also stipulated standards for financial consumer protection and its internal controls while creating and convening the internal control for Financial Products Committee. In December 2021, we appointed the CCO under the direct leadership of the CEOs for the independent management of consumer protection operations.	<p>[Major Activity]</p> <ul style="list-style-type: none"> • Align branch processes in preparation for the enforcement of the Financial Consumer Protection Act • Align the financial investment product deliberation process • Conduct monitoring and follow-up review on products subject to deliberation • Provide branches with product sales process training <p>[Future Plan]</p> <ul style="list-style-type: none"> • Establish a process to reinforce complete sales • Ensure the effectiveness of internal controls for financial consumer protection 	43-46
Ethical management	A company's unethical and non-transparent behaviors are publicized in real-time in line with the spread of social media, and this significantly impacts its reputation and decreases in corporate value. Business ethics is never an option but defines regulations required to guarantee a minimum level of sustainability. A company may find it difficult to secure sustainability if investors and employees depreciate its corporate value.	Our strategic approach is to continuously publicize the importance of ethical management. On quarterly Ethical Management Day, we provide internal training to disseminate cases of ethical management and conduct surveys to check employees' ethical mindset and provide feedback. We also engage in ethical mindset self-checks and ethical management campaigns to raise employees' ethical awareness of an ongoing basis.	<p>[Major Activity]</p> <ul style="list-style-type: none"> • Launch ethical management promotion campaigns (quarterly Ethical Management Day) • Conduct ethics training for new hires, experienced employees and compliance managers • Conduct ethics training led by branches (case discussions, etc.) • Convene the Business Ethics Committee twice a year <p>[Future Plan]</p> <ul style="list-style-type: none"> • Develop and implement advanced ethics programs • Operate programs to strengthen ethical leadership for high-level managers • Operate an ethics consultative body for young generations • Work to provide ethical leader rewards • Lay the basis for whistleblowing mechanisms by stipulating whistleblower protection policies 	53-54
Improving customer satisfaction	For a company to become sustainable, its products and services should be purchased again and again, and this is made possible when customer satisfaction improves. In the securities industry, it is critical to identify customers' investment propensity to clearly notify their risk appetite and support customers to invest stably while minimizing civil and legal disputes to build trust.	We identify and make necessary improvements through continuous customer satisfaction reviews. Each year, we build on customer trust through monitoring and feedback offered by professional organizations, and conduct retraining to address vulnerabilities through result analyses, engaging in ongoing improvement activities.	<p>[Major Activity]</p> <ul style="list-style-type: none"> • Conduct customer satisfaction surveys • Conduct phone-based monitoring on branch employees • Check the branch environment <p>[Future Plan]</p> <ul style="list-style-type: none"> • Provide tailor-made training programs to respective departments/employees • Provide training to nurture top CS talent and select CS leaders • Operate the customer panel system 	46-48




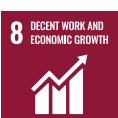






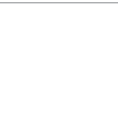

Material Topics	Context	Our Approach	Key Performance & Plan	Page
Compliance management	Financial institutions bear the obligation to comply with performance, processing and disclosure regulations concerning insider trading, anti-monopoly, price-fixing, and market manipulation. They need to abide by regulations through robust internal controls, and gain trust from customers in the process.	We continue to bolster our internal control system to establish compliance management, and assign managers at each branch to this end in addition to operating the compliance organization. We efficiently operate our system in each of the prevention, monitoring, and follow-up management phase.	<p>[Major Activity]</p> <ul style="list-style-type: none"> • Create and manage an internal control checklist • Operate the 'Red Whistle' as a whistleblowing mechanism • Provide internal control training <p>[Future Plan]</p> <ul style="list-style-type: none"> • Publish internal control manuals • Develop and improve a system for internal control monitoring • Strengthen anti-money laundering through the Risk-Based Approach 	55
Talent recruitment, retention and development	Flexibly and promptly responding to the rapidly-shifting financial landscape, strengthening employees' competency to deliver best-in-class financial services, and recruiting outstanding talent is of paramount importance. As human resources are especially important in the securities industry, companies need to improve the expertise of their employees through training and ensure to prevent the turnover of competent employees.	We provide wide-ranging training programs to strengthen employees' expertise. In line with the mounting importance of digital capabilities, we assist them in acquiring relevant qualifications and receiving digital education to help build digital capacity.	<p>[Major Activity]</p> <ul style="list-style-type: none"> • Conduct company-wide digital innovation training and job evaluation tests • Recruit digital innovation talent • Assist employees in acquiring MyData manager licenses <p>[Future Plan]</p> <ul style="list-style-type: none"> • Provide courses to strengthen digital training and nurture professionals serving HNW customers • Reinforce financial internal control training 	60-63
Response to climate change	Stakeholders and governments increasingly demand that we promote the green industry through climate finance and create positive environmental impact and external effects amid the rising worldwide concerns that climate change may trigger another financial crisis. The financial industry has the potential to reduce exposures to stranded assets and bolster climate risk management, thereby improving its capital adequacy and asset quality.	In May 2021, we publicly announced our commitment to end coal finance, and have decided to discontinue investments in building new coal-fired power plants to achieve carbon neutrality. We will continue to reduce carbon emissions from our internal operations and from financial assets and transparently disclose environmental data to join in the effort to transition to a low carbon economy.	<p>[Major Activity]</p> <ul style="list-style-type: none"> • Announce the commitment to end coal finance • Create an eco-friendly work environment • Launch eco-friendly campaigns <p>[Future Plan]</p> <ul style="list-style-type: none"> • Install EV ultra-fast chargers and gradually shift to EVs to expand green mobility 	69-70
Community development	Wide-ranging CSR programs are gaining importance in ensuring the growth and development of future generations, environmental sustainability, and community development. Businesses need to cooperate with stakeholders – employees, customers, shareholders, and governments – to act for future generations and environmental improvement while taking the lead in resolving social challenges.	We defined our slogan of taking responsible action to bring positive change to society, the environment and the wider world, and are planning and implementing five specific programs to attain the three-set strategic CSR goals of creating an eco-friendly corporate culture, engaging communities with a focus on future generations, and sharing rewarding experiences.	<p>[Major Activity]</p> <ul style="list-style-type: none"> • Launch the CSR program 'Dreami Challenge' • Engage employees in volunteering for community improvement • Initiated the Dreami Hope Donation as an employee donation program • Engage employees in volunteering in celebration of the company anniversary <p>[Future Plan]</p> <ul style="list-style-type: none"> • Launch the Dream Up program to assist underprivileged children in communities • Launch the Green Race employee action campaign to protect the environment 	64-66

UN SDGs

In establishing its ESG management strategic framework, Kyobo Securities aligned its aspiration to become a sustainable company with the UN-led global initiative of the Sustainable Development Goals (SDGs). Out of 17 Goals, we will focus on goals that are highly aligned with our business and ESG management strategy and report our activities and achievements accordingly. Attaining these global goals towards a sustainable future requires businesses to play a pivotal role in resolving major social and environmental challenges. Kyobo Securities contributes to reaching the UN SDGs by faithfully implementing ESG management.



SDGs	SDG Targets	Key performance	Next Plan
	<p>Ensure quality education and promote lifelong learning opportunities for all</p> <ul style="list-style-type: none"> 4.4 Increase the number of youth and adults who have technical and vocational skills for employment and decent jobs 	<ul style="list-style-type: none"> Per-capita training hours, total trainees Employee training satisfaction surveys 	<ul style="list-style-type: none"> Develop employee training programs and upgrade their operation
	<p>Achieve gender equality and empower all women</p> <ul style="list-style-type: none"> 5.1 End all forms of discrimination against all women and girls 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making 	<ul style="list-style-type: none"> No. of cases of operating communication channels Ratio of female managers Diversity at the executive level (gender, age) No. of expertise areas of BOD members 	<ul style="list-style-type: none"> Facilitate open communication with employees and boost female leadership Ensure diversity at the executive level
	<p>Ensure access to sustainable energy for all</p> <ul style="list-style-type: none"> 7.a Enhance international cooperation to facilitate access to clean energy research and technology including renewable energy and energy efficiency, and promote investment in energy infrastructure and clean energy technology 	<ul style="list-style-type: none"> Energy consumption Water consumption Waste generation Ratio of switching to eco-friendly mobility No. of LED lights newly installed (ratio) 	<ul style="list-style-type: none"> Establish an environmental data reporting/management system Expand eco-friendly mobility and purchase certified products Improve energy efficiency Achieve the international environmental management system certification (ISO 14001)
	<p>Promote sustained economic growth and decent work for all</p> <ul style="list-style-type: none"> 8.5 Achieve full and productive employment and decent work for all women and men, and equal pay for work of equal value 8.10 Strengthen the capacity of financial institutions to encourage and expand access to banking, insurance and financial services for all 	<ul style="list-style-type: none"> No. of hours/participants in investor protection training Customer service satisfaction surveys 	<ul style="list-style-type: none"> Develop and provide digitally-based financial services Strengthen the financial consumer protection system and its activities Improve accessibility and services for financial consumers

SDGs	SDG Targets	Key performance	Next Plan
	Build resilient infrastructure and promote sustainable industrialization <ul style="list-style-type: none"> 9.3 Increase the access of small-scale industrial and other enterprises to financial services 	<ul style="list-style-type: none"> Investments made in venture/startup companies, No. of invested companies 	<ul style="list-style-type: none"> Create an ecosystem of venture firms and startups
	Reduce inequality within and among countries <ul style="list-style-type: none"> 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard 	<ul style="list-style-type: none"> Stipulate human rights management policies No. of sessions of human rights management training, total training hours, and No. of employees who completed such training 	<ul style="list-style-type: none"> Respect diversity and establish human rights management policies Establish respect for diversity and human rights management as part of our business operations
	Ensure sustainable consumption and production patterns <ul style="list-style-type: none"> 12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle 	<ul style="list-style-type: none"> No. of cases of ESG risks occurring Develop ESG communication channels No. of employees who completed ESG training No. of ESG-related analysis reports published Publication of sustainability reports 	<ul style="list-style-type: none"> Establish an ESG risk identification and management system Expand ESG awareness at all levels Improve ESG research capabilities and publish analysis reports containing ESG components Publish and disclose sustainability reports
	Take urgent action to combat climate change and its impacts <ul style="list-style-type: none"> 13.2 Integrate climate change measures into national policies, strategies and planning 	<ul style="list-style-type: none"> GHG emissions Energy and GHG emissions reduction and its ratio ESG investments made ESG bond underwriting – size and No. of issuance 	<ul style="list-style-type: none"> Set energy/GHG emission reduction targets Commit to carbon neutrality and verify GHG emissions Measure carbon emissions for each asset portfolio Develop and implement ESG investment plans Launch ESG financial services and products Reinforce capabilities to arrange and underwrite ESG bonds Issue ESG bonds
	Promote inclusive societies for sustainable development <ul style="list-style-type: none"> 16.5 Substantially reduce corruption and bribery in all their forms 16.10 Ensure public access to information and protect fundamental freedoms 	<ul style="list-style-type: none"> Employees (ratio) who completed ethics training No. of whistleblowing reports submitted on corruption and actions taken No. of cases of non-compliance with laws and regulations, and fines imposed Ethical management assessment scores No. of corruptive practices that occurred No. and ratio of worksites assessed for corruption risks Total No. of hours of information security training and employees who completed such training No. of mock drills conducted No. of customer data breaches 	<ul style="list-style-type: none"> Strengthen ethical management and internal control activities Reinforce response to laws and regulations in relation to business operations Advance the ethical management monitoring system Assess corruption risks and identify improvement tasks Achieve international anti-bribery management system certifications Bolster information security and cyber security training and raise awareness Expand mock drills to prepare for cyber threats Advance the information security management system (Create a data privacy organization, etc.) Achieve international information security management system certifications
	Revitalize the global partnership for sustainable development <ul style="list-style-type: none"> 17.16 Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships, to support the achievement of the Sustainable Development Goals 	<ul style="list-style-type: none"> Participation in initiatives External ESG ratings 	<ul style="list-style-type: none"> Join global ESG initiatives Develop plans to respond to ESG assessments and improve ratings

Digital & Innovation

In pursuing digital innovation, Kyobo Securities aims to open up new business possibilities. Digital technology will drive our effort to improve the efficiency of our business practices and dramatically increase productivity, and the knowledge that we gain in this process will fuel our growth into a securities firm equipped with comprehensive asset management capabilities.



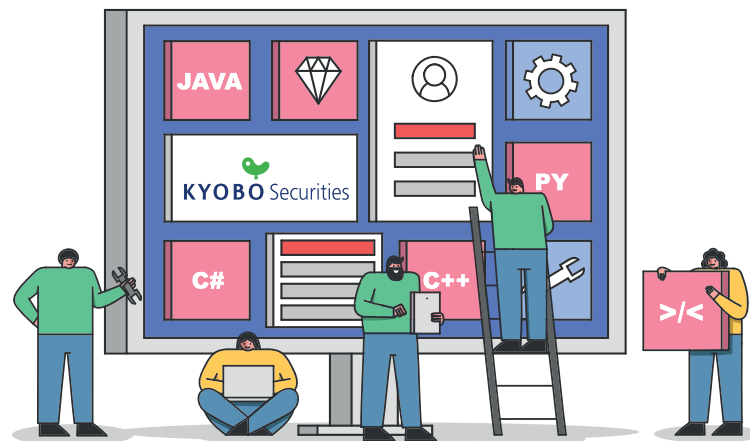
DIGITAL



Digital Innovation Strategy

In pursuing digital innovation, Kyobo Securities aims to open up new business possibilities. Digital technology will drive our effort to improve the efficiency of our business practices and dramatically increase productivity, and the knowledge that we gain in this process will fuel our growth into a securities firm equipped with comprehensive asset management capabilities.

In October 2020, we created a digital innovation organization, and defined our digital innovation strategy that aims to 'establish a customer-centric financial platform through digital innovation' under the motto of 'Go Digital! New Kyobo Securities'. In 2021, we laid the groundwork for digital innovation and advanced implementation tasks in the four strategic directions of upgrading customer digital channels, laying the basis for smart work, expanding e-business, and securing new digital business.



Upgrading Customer Digital Channels

A menu search functionality was added to make our Mobile Trading System (MTS) more customer-friendly, and the UI of the entire menu was upgraded. We expanded our virtual cyber counter operations, introduced a simple transfer service, and launched ISA products for open banking services.

Laying the Basis for Smart Work

KPIS, our groupware, was re-established to embrace smart work. Specifically, introducing an electronic approval system and mobile groupware expedited our decision-making process. This came in tandem with UI/UX upgrades and improved system stability.

Expanding e-Business

We prepared for service launching to support the development and trading of innovative financial services (financial investment gift certificates), and plan to open digital branches to deliver best-in-class digitally-based services.

Securing New Digital Business

We created an organization dedicated to planning and executing data-based digital business, and will open a marketplace that enables a range of investment activities on virtual channels that often serve as an effective touchpoint with millennials and Gen Z. Furthermore, we obtained a license to operate as a new technology project financing company and formed group CVC investment funds to identify and introduce digital startups on an on-going basis.

Digital Innovation: Our Vision and Approach

Slogan

Go Digital! New Kyobo Securities

Establish a customer-centric financial platform through digital innovation
Digital Innovation brings new experiences to customers

Strategic Direction

Advancing customer digital channels

Laying the basis for smart work

Expanding e-business

Securing new digital business

A financial company that grows hand-in-hand with customers

Strategic Implementation Task

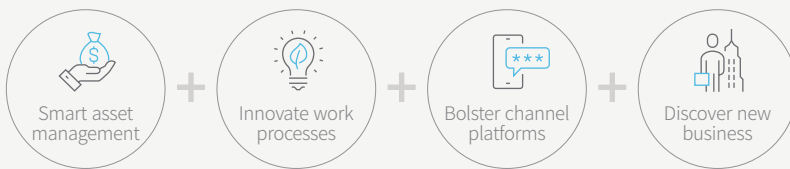
Digital Innovation Task (Strategic Implementation Task) Completion

Phase 1 Laying the digital basis (FY 2021)

Phase 2 Digital transition (FY 2023)

Digital hyper convergence (FY 2024~)

Purpose



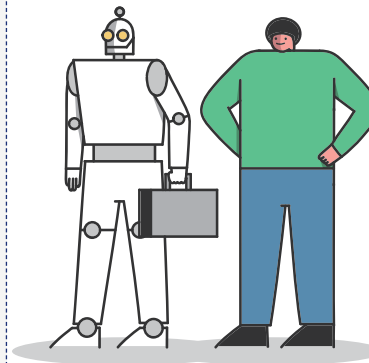
Bolster Digital Capabilities

To advance digital transformation and bolster our digital capabilities at the group-wide level, Kyobo Securities created the Digital Enablement Unit composed of the New Business Development Department and the Digital Platform Department. We also seek out digital professionals and provide company-wide digital training to strengthen employees' digital competency in a sustained and systemic manner, working on multiple fronts to align our organizational personnel operation with the digital trend of our time.

All our employees are provided with digital innovation training in a virtual format on the topics of fin-tech, artificial intelligence, digital marketing, virtual reality, and financial business among others, and all employees in general manager and below positions take digital innovation performance assessment tests to help bolster their digital competency at the company-wide level. We support our employees with learning materials, lecture videos, and test fees to help them achieve the MyData manager license, and nurture digital professionals through the external digital school courses aligned with Kyobo Life Insurance (group affiliate).

Our Digital Channel Kyobo Money10 TV

Kyobo Securities' official Youtube channel 'Kyobo Money10 TV' offers comprehensive content that resonates with all generations along with useful investment information to reach out closer to different generations in its own genuine way.



In line with the mounting interest of retail investors in the stock market, we communicated investment information content through Stock Market Talk by Park Byeong-chang, Weekly Compass by the head of the Research Center Kim Hyeong-ryeol, and News Sol-Sol by the newscaster Kim Ye-sol, to deliver stock market analysis results while producing and releasing content on investment and trading strategies for investors. Our special broadcast 'Stock War' featured three Kyobo Securities employees as panelists to address the four topics of the US-China trade war, ESG, the upcoming presidential election and COVID-19, along with the Korean traditional music of Pansori, garnering much attention from viewers.



Building a Centralized Document System

To provide an online work environment which transcends the limitations of physical workspaces in line with our digital innovation strategy, we plan to create a database of internal data, ensure efficiency in office layouts, and build a centralized document system in connection with smart work.

Creating a Database of Internal Data

Building a central server (K⁺LOUD) aligned with our electronic approval groupware, we will connect our offices, meeting rooms, and remote work.

Ensuring Efficiency in Office Layouts

We have established wi-fi and internet networks across our office spaces to help employees efficiently use workspaces, and plan to change our current department-based layout to render our workspaces more efficient.

Aligning with Smart Work

Our plan is to create connections among laptops, the access system, the integrated messenger/e-mail program, electronic approval, and the power limit system. Our K⁺LOUD TFT is working to this end, and the completion of this project will enable us to store data from video conferences, video calls, e-mails, and messenger conversations as common-use data to improve their utility as well as to expedite information sharing. We will also introduce digitalized face recognition as our office access system to further tighten our internal security.

Our Achievements in Digital Asset Management

(as of the end of 2021)



Embracing RPA

To boost our competitiveness, we have developed and embraced Robotic Process Automation (RPA). RPA automates simple, repetitive, low value-added work performed by humans to support our employees to focus more on high value-added work and eventually make our operations more accurate and efficient.

We have embraced RPA for 63 types of work for the past three years to eliminate 7,395 hours of simple repetitive work. Some of the RPA development proposals were addressed by automating our existing computer system, which reduced 4,287 working hours and improved the efficiency of 11,682 working hours in total (hours worked by 6.03 employees per year). We will continue with our effort to improve the accuracy and efficiency of our operations.

(unit: No. of cases)

Category	2019	2020	2021
RPA implementation	32	27	4

*RPA(Robotic Process Automation): Robot-assisted work automation technology. This information technology leverages robotic software to automate the regular, repetitive work performed by people such as data collection, input, and comparison.

CASE STUDY

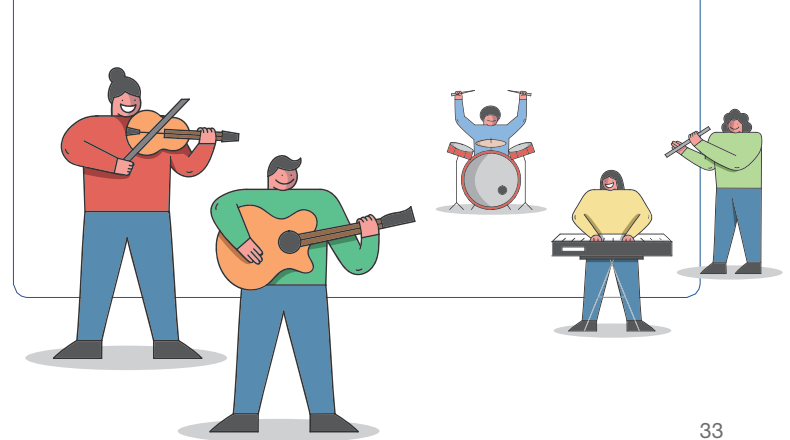
Digital Transformation in Culture



We designed a Digital Transformation in Culture program to collaborate with millennial and Gen Z artists to showcase their talent in a variety of areas, under the slogan of "Kyobo Securities Cheering for Youth in Difficult Times".

The performances presented as such provided a chance to perform for artists who are facing extreme hardships amid COVID-19 as well as time for a getaway for workers passing by our company building. The fascinating content produced by these artist teams was uploaded on Kyobo Money10 TV to approach millennials and Gen Z through cultural collaboration.

This cultural collaboration program helps attract young generations who are our future customers and also lay the basis for culture-themed alternative investment, evolving into Kyobo Securities' leading cultural brand.



Better Business, Better World

Kyobo Securities will join the TCFD, the CDP and other global climate-related initiatives as a supporter and/or a signatory to reaffirm its commitment to the sustainable development of our economy and society and faithfully fulfill its role and make contribution as a financial institution.



RE-NEWABLE



Commitment to Coal Exit

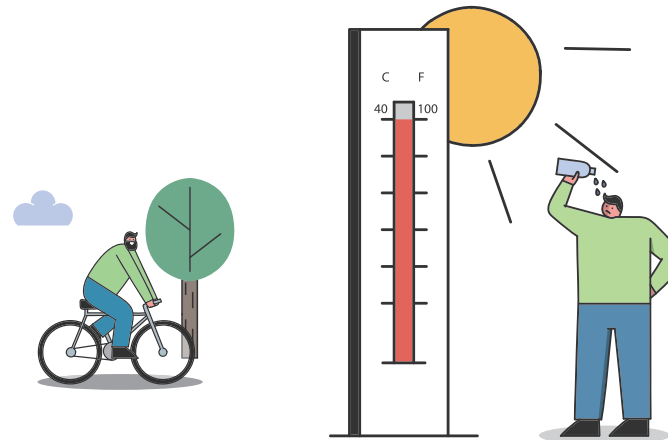
Amid the rising social interest in climate change, the Korean government announced its 2050 carbon neutrality initiative, and 113 financial institutions in Korea also endorsed the 'implementation of climate finance to achieve 2050 carbon neutrality'. This demonstrates their commitment to fully support the government's carbon neutrality announcement and to step forward in advancing climate finance to help attain the carbon neutrality goal. Kyobo Securities also actively participated in this process and publicly announced its six commitments to implement climate finance.

These financial institutions, aside from making their announcement, also promised to deliver on at least two of the six commitments – declaring the decarbonization initiative, endorsing the TCFD (Task force on Climate-related Financial Disclosure), and joining the CDP (Carbon Disclosure Project) as a signatory among others - for their substantial implementation.

Kyobo Securities will join the TCFD, the CDP and other global climate-related initiatives as a supporter and/or a signatory to reaffirm its commitment to the sustainable development of our economy and society and faithfully fulfill its role and make contribution as a financial institution.

6 Commitments to Advance Climate Finance

1. Fully endorse the 2050 carbon neutrality initiative
2. Proactively integrate ESG considerations, including climate-related risks, to overall financial business operations
3. Support disclosures in accordance with international climate-related standards, and endeavor to disclose financial information accordingly
4. Demand target companies to disclose ESG data as well as climate-related data
5. Take wide-ranging climate actions to shift the flow of funds from carbon-intensive industries into carbon-free ones
6. Launch wide-ranging financial products in relation to response to climate change



Announcing Coal Exit

As a financial affiliate of Kyobo, we at Kyobo Securities announced our voluntary commitment to end coal finance, indicating we will discontinue investments that go into the construction of new coal-fired power plants. In accordance with our ESG investment principles, we will set policy directions and investment restriction strategies to exit coal to take a preemptive risk management approach and join in the global effort to achieve carbon neutrality.

Declaration to End Coal Finance

Kyobo Group recognizes the grave impact brought on by climate-related risks, and fully supports the effort to achieve carbon neutrality for a sustainable planet while joining hands with the global financial industry to reduce GHG emissions and transition into a low carbon economy.

First, we will not participate in project financing to construct coal-fired power plants* in Korea and overseas.

Second, we will not underwrite bonds issued by SPCs (special purpose company) to construct coal-fired power plants* in Korea and overseas.

Third, we will not underwrite any bonds issued to construct coal-fired power plants* in Korea and overseas.

Fourth, we will endeavor to expand investments made with ESG considerations, including renewable energy investments and loans.

* Coal-fired power plants: Coal power plants and coal co-generation power plants



Joining the UNGC

We joined the UN Global Compact (UNGC) which supports the UN's Sustainable Development Goals (SDGs). We will take our UNGC membership as an opportunity to comply with its 10 principles in the four areas of human rights, labour, the environment and anti-corruption, and communicate to stakeholders our activities and achievements in fulfilling our corporate social responsibility and reaching the SDGs.

Kyobo Securities will proactively participate in a wide array of global ESG initiatives, and advance ESG management in our own distinctive ways to make a positive difference across the world.



Participating in the Emissions Trading Market

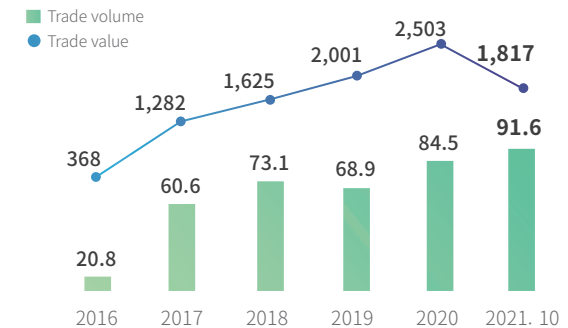
As part of our efforts to advance ESG management, we were granted a participant status in the Korean emissions trading market (ETS), which was created with an aim to contribute to the government's GHG emissions reduction policy by enabling the reliable trading of allowances. The government sets the national total cap on pollutants, allocates and/or sells allowances to companies, and makes sure that these allowances are traded in conformity with market principles.

Presently, securities firms are able to engage in the trading of Korea Allowance Units (KAU) only by operating their own assets. When these companies become established participants in the market, however, their operation will gradually expand to include brokerage trading to operate assets on behalf of customers. The size of trading is also expected to grow continuously, especially when the scope of the ETS extend to the trading of derivatives.

As a participant in the ETS, Kyobo Securities will do its part to ensure carbon prices are set at reasonable levels in the market and to support the government in implementing its carbon neutrality strategy.

Emissions Trading Market: Average Daily Trade Volume and Value

(unit: 1,000 tons, KRW million)



ESG PERFORMANCE

38 _ PROSPERITY

50 _ PRINCIPLES OF GOVERNANCE

68 _ PLANET

60 _ PEOPLE

PROSPERITY

Innovative Finance

SHIFTING DATA PARADIGM

Advent of the Data Era

In today's data economy, data creates business opportunities and generates profit. Businesses collect valuable data in large quantities and advance their analysis of owned data for business applications. A company's competitive edge is determined by its competency in using such data. In the era of the data economy, a massive amount of data is being generated and stored in the cyber world. The global data consumption is expected to rise from 2ZB (zettabyte) in 2010 to 175ZB in 2025, skyrocketing by nearly 90 times in just 15 years. The amount of data generated in virtually all sectors, be it individuals, businesses or countries, is only set to grow further.

In the early days of the data economy, the focus was on increasing the use of data across all industries to encourage technology innovation such as AI along the frontline of the data industry. This spurred the rapid growth of the digital industry as a supplier of relevant technologies and platforms, and brick-and-mortar industries that are not digitally associated are accelerating their digital transformation. While consumers have come to enjoy the benefits of data-based ultra-personalized service and real-time tailored service in this process, they also experience such adverse impacts as personal data breaches and the monopoly of data by a handful of companies. The paradigm shift towards the data economy presents both uncertainties and opportunities, and is an irreversible global trend.

What Is MyData?

The MyData paradigm has emerged as an actionable strategy to create a data distribution ecosystem led by individuals all while considering the two possibly conflicting aspects of promoting the data economy and protecting data privacy. MyData services, which intend to ensure individuals have the right to self-determination regarding their personal data, are a globally pervasive trend. In Korea, data-based customized service business will start at full scale in 2022 mainly in the financial sector where personal credit information is systematically stored and managed.

Often referred to as the 'financial assistant at your fingertips', MyData, with the consent given by consumers, enables services whereby a single company collects finance-related data that were previously scattered across banking, securities, card, and insurance among others to deliver tailored information and products. Consumers are able to conveniently manage their own data on a single mobile app or a website and even make investment decisions while financial institutions identify consumers' financial patterns more accurately and propose personalized information. Meanwhile, most MyData companies plan their business based on the same API specification, and industry experts reckon that PFM (Personal Finance Management) services alone will hardly be a differentiating factor from the competition.

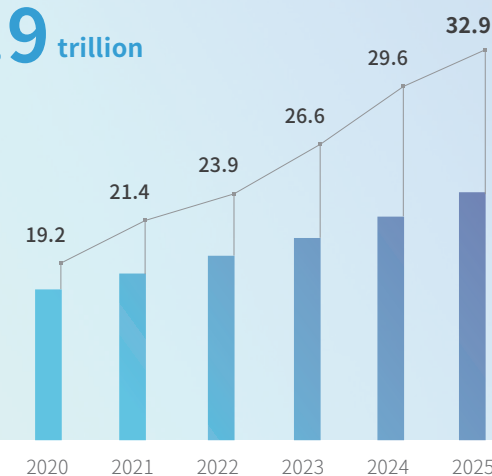
Kyobo Securities will leverage standardized MyData APIs in the planning phase to develop a comprehensive definition of assets that include real assets, alternative assets and digital assets as well as financial assets in order to present differentiated services in a phased-in manner to cater to the investment trends of young generations who are rising as the mass affluent in the investment sector.

Outlook on the Domestic Data Industry Market Size

(unit: KRW trillion)



32.9 trillion



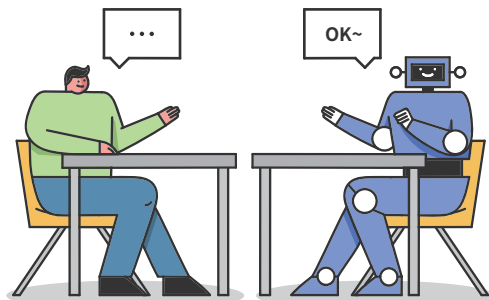
Launching Our MyData Business

Background for Launching MyData Business

In the ever-changing financial landscape, it is imperative that we take swift action in response to the surroundings that we take to gain a competitive edge. The financial industry as a whole needs to preemptively respond to major external changes – big tech/fin-tech companies expanding their B2C service, broadening data-based business models, the emergence of innovative products, and finance services going online and mobile, and increasing customer needs for tailor-made services. Internally, we need to establish new growth drivers to align Kyobo Securities' Vision 2025 and mid/long-term strategic directions with the group-level strategy based on digital transformation (DBS, Digital transformation Based Strategy).

As we explored new business opportunities that leverage data and hold growth potential by aligning the major trends of the financial industry with Kyobo Securities' mid/long-term strategy, we arrived at the conclusion that MyData business could be a viable choice for us.

Our plan is to reflect the essence of our financial investment business into services, and seek out partnerships with non-financial partners specializing in data business while making VC investments so that we position our MyData business as one of the key pillars of our digital operations.



MyData Business Strategy



Recruiting New Customers

- Focus on the dual-track strategy of recruiting new effective customers (Attack) while retaining existing customers (Defense) on the basis of the rather weak retail customer base



Generating B2C+B2B Synergy

- Fully leverage our B2B product development and sales capabilities in implementing B2C strategies
- Reinforce our data management/analytics capabilities and expand their application



Creating an Open Ecosystem

- Create an ecosystem open to non-financial/public institutions and fintech companies
- Hold the potential to supplement our capabilities and generate synergy among participants



Diversifying Investment Products

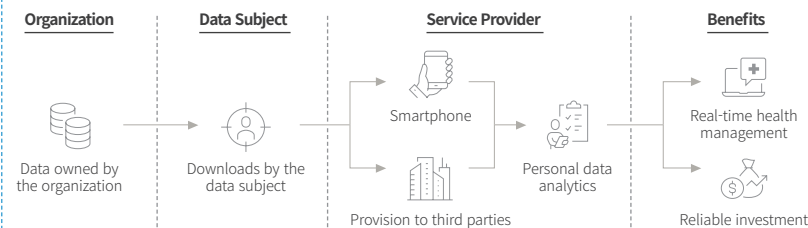
- Diversify products for customers to dominate early new retail business areas in line with the widening scope of investment assets such as IP and NFT



Aligning with Cultural Content

- Create new services by combining our own capabilities with the cultural content application capabilities of group affiliates

Conceptual Framework of MyData





MyData Business Journey

To advance into the digital platform market early on which is emerging as a new growth driver, we applied for a provisional MyData license to the Financial Services Commission in May 2021, and was granted the license in July that year. Our next step was to establish the Digital Enablement unit and recruited IT professionals, accelerating our efforts to strengthen digital capabilities prior to launching our own MyData services. In early 2021, we signed an MOU with the Institute of Management Research of Seoul National University along with major group affiliates in order to identify customized financial services. This will enable us to share new trends on MyData technology and jointly develop new services including financial literacy services.

As reinforcing AI competitiveness emerges as the key agenda in the securities industry, this highlights the importance of robo advisors in offering MyData services. This prompted us to sign a business agreement with LG Hitachi, which has track records in conducting AI-based business, to develop MyData and we are currently working to establish independent platforms and develop app services.

Kyobo Securities will leverage its own platforms under development to deliver tailored services that target millennials and Gen Z and present MyData services that set the company apart from the competition.

Expanding MyData Business

The initiation of MyData services whereby customer data becomes the source of value to deliver a never-before-possible experience signifies the beginning of unbundled platform competition among financial institutions.

We defined a roadmap to scale up our business model in line with phase-specific strategies, and are consistently bolstering our data management capabilities with a goal of obtaining the official license in Q2 of 2022 and launching services in Q3 of 2022.

Aside from internal capability reinforcement, we will diversify our alliance with partners that possess competitive technologies and platforms in the market to upgrade our digital value chain, paving the way for our future growth through digital innovation.

Our plan is to initiate MyData services that are distinguished from those provided by our industry peers to help our customers broaden their investment experience and deliver varying investment opportunities and convergence-driven services to expand our business territory. Furthermore, we will solidify our position on the strength of our innovative platforms recognized in the market for their provision of end-to-end investment offerings, including digital assets.



▶ MYDATA KEY MILESTONE

Kyobo Securities is accelerating its effort to bolster digital capabilities prior to releasing its MyData services in July 2022.

May 2021

- Applied for a preliminary MyData license

Jul. 2021

- Obtained the preliminary MyData license
- Created a unit to launch a new digital business

Aug. 2021

- Developed an RFP and a business plan

Sep. 2021

- Designed an independent service plan based on user research findings

Oct. 2021

- Selected a preferred bidder to build our MyData system

Nov. 2021

- Selected a MyData system developer and initiated development

Apr. 2022

- Applied for the official MyData license

Jul. 2022

- Will launch MyData services



MyData services
to be launched
in July 2022

Creating an Ecosystem for VC and Venture Businesses

Background for Launching New Technology Project Financing Business

Kyobo Group has established a management strategy to collaborate with startups with its owned assets by leveraging the CVC (Corporate Venture Capital) model which creates an investment portfolio targeting specific companies. To build on this to secure new growth drivers, tap into new technologies and markets, and pursue digital innovation, we made preparations to advance into a new technology project financing business.

Our Purpose in Registering as a New Technology Project Financing Business

In making new technology project financing business registration, we aim to respond to the shifting industry landscape, secure new growth engines, and drive the Kyobo Group's aspiration for digital innovation.

The changing industrial environment has invoked interest in small/mid-sized venture businesses, venture capital investments have increased across the financial and overall industries, and the government has strengthened its policy to nurture small/mid-sized venture companies. Our decision to advance into the venture capital (VC) industry was driven by the need to address the changing industrial structure and the government's policy initiative.

We believe that launching VC business will enable us to secure new growth drivers and pave the way for sustainable growth while diversifying our revenue streams by developing and providing new investment products for innovative companies and upgrading our product line-up in the process.



Building upon Kyobo Group's double-track strategy, we will drive digital innovation while promoting collaboration and growth by matching group affiliates with small/mid-sized venture firms and startups and assisting group affiliates in accelerating their digital innovation.

Organization for New Technology Project Financing Business

To support Kyobo Group with collaboration with and investment in startups, we created the Venture Capital Business Department in October 2020 to register as a new technology project financing business and build CVC. In August 2021, we completed the registration process through the Financial Service Commission. The Venture Capital Business Department is under the direct leadership of the CEO and is responsible for discovering startups, coordinating synergy and collaboration plans, reviewing and executing investments, and engaging in follow-up management.

New Technology Project Financing Business Operation Strategy

To successfully advance the new technology project financing business, we have established and are implementing our new technology project financing business operation strategy.

Strategic Framework for New Technology Project Financing Operations



Support the growth of new technology business

- Identify promising new technology businesses through our own network and alignment with Kyobo Life Insurance's open innovation
- Support management innovation based on management know-how
- Provide services for sustainable growth including management consulting and corporate financing advisory



Establish and operate investment funds

- Establish and operate funds in a phased-in manner in line with the investment operation roadmap
- Diversify and scale-up funds based on early-phase know-how and build track records to recruit more investors



Make Equity Capital investments

- Identify new technology businesses with high growth potential early on and proactively invest in new technology businesses in their early phase
- Invest in line with the company's growth cycle by aligning with corporate financing operations



Investment Exit Strategy

- Design a variety of investment exit structures
- Analyze the optimal timing of the sale in consideration of the increasing corporate value of investee companies and market conditions



Kyobo New Technology Investment Fund No. 1 Development Strategy



Strengthening Kyobo Group's Competitiveness

Laying the basis for sustainable growth by driving Kyobo Group's digital innovation

KYOBO 교보생명

lifeplanet

KYOBO 교보문고

KYOBO 교보증권



KYOBO

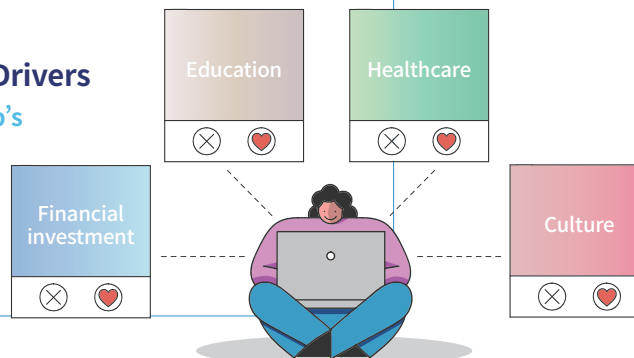
Kyobo Securities' Venture Capital Business Department

- Identify investment opportunities – Discover and screen deals
- Identify collaboration models for synergy generation
- Follow-up management, decision-making, etc.



Securing New Growth Drivers

4 Key Themes for Kyobo Group's Digital Strategy Tasks



KRW **200** billion

Creating the Kyobo New Technology Investment Fund No. 1

In November 2021, we raised the KRW 200 billion Kyobo New Technology Investment Fund No. 1, joined by Kyobo Securities as the General Partner (GP) and Kyobo Life Insurance as a Limited Partner (LP) to fully initiate investment operations.





Customer-centric Management

Protection for Financial Consumers

Financial Consumer Protection System

The scandals involving DLF (Derivatives-Linked Funds) and Lime Asset Investment have raised the issue of the adequacy of protections extended to financial consumers. The enactment of the Financial Consumer Protection Act has underscored the importance of preemptive protection to safeguard the rights and interests of financial consumers, and financial product sellers face obligations and disciplinary actions that are increasing both in terms of scope and intensity. To take a precautionary approach to financial consumer protection, Kyobo Securities is improving its overall process to plan, select, sell and follow up on financial products as well as related internal controls.

Appointing an Independent CCO

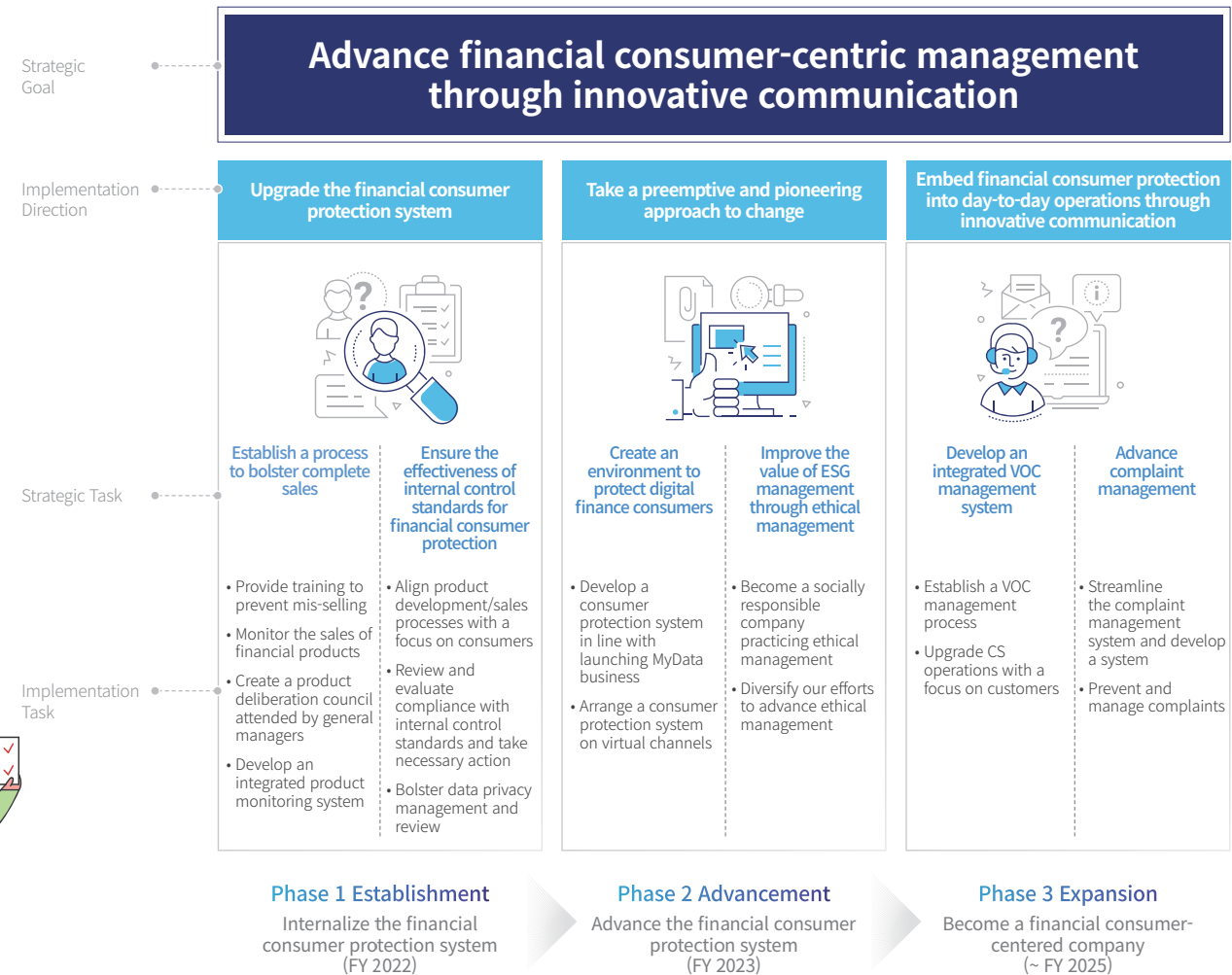
To ensure that consumer protection operations are managed independently, we appointed an independent Chief Consumer Officer (CCO) under the direct leadership of the CEO. We also created a financial product supervision organization to stipulate our financial investment product control regulations and product committee guidelines while specifying internal control standards and financial consumer protection standards pursuant to the Financial Consumer Protection Act. Furthermore, we are developing an integrated financial investment product management system, and are operating this system through the creation of the Internal Control Committee for Financial Consumer Protection.

Mid/Long-term Strategic Framework for Financial Consumer Protection

Our financial consumer protection strategy was guided by our strategic goal of advancing financial consumer-centric management through innovative communication, and consists of the three implementation directions of upgrading our financial consumer protection system, taking a preemptive and pioneering approach to change, and embedding financial consumer protection into our day-to-day operations through innovative communication. We are implementing six strategic tasks and 15 implementation tasks with the goal of becoming a financial consumer-centered company by 2025.



Strategic Framework for Financial Consumer Protection



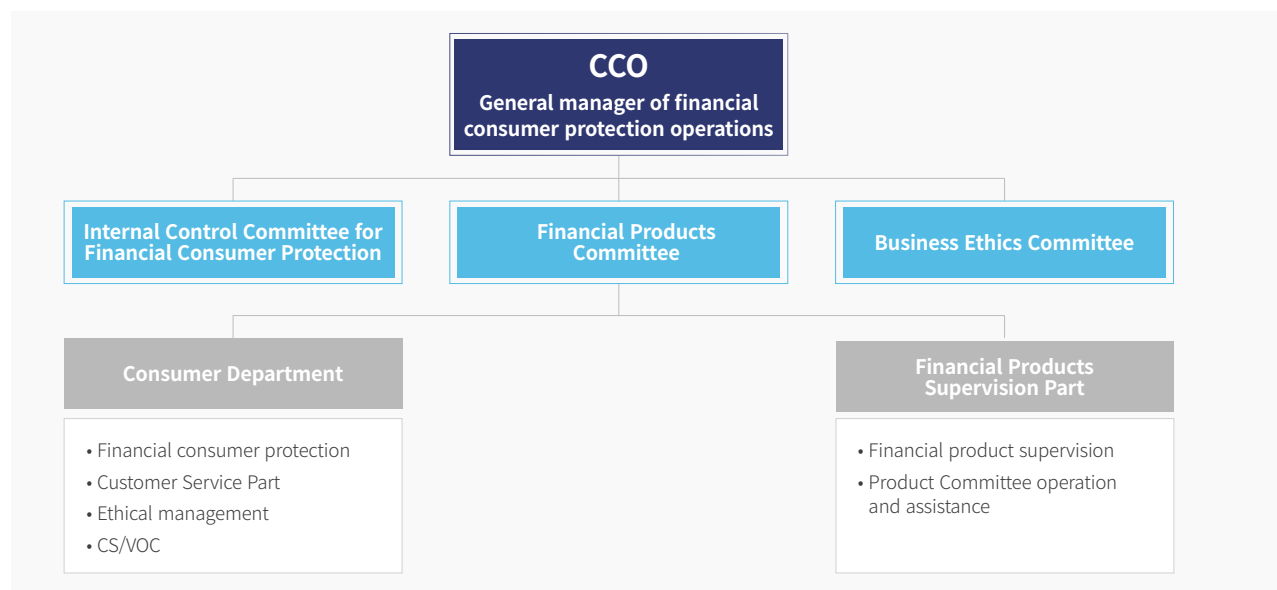
Aligning Our Process in Relation to Financial Consumer Rights

To strengthen our compliance with the set sales process, we have established our product sales process in reflection of the sales principles associated with the Financial Consumer Protection Act.

Besides, provisions governing financial consumers' right to withdraw their subscription, terminate illegal contracts, and request access to data were integrated into our process as we prepare to develop our financial consumer protection system.



Governance for Financial Consumer Protection



Implementation Tasks in Relation to Financial Consumer Rights

Task	Progress
Categorize financial products by type	<ul style="list-style-type: none"> - Categorize loan-type products as well as investment-type products - Categorize products subject to the principle of suitability
Principle of suitability/adequacy	<ul style="list-style-type: none"> - Established product classification criteria by the working-level department and reflected them into the system - Reflected into the system in line with the amendment of investment recommendations - Revised respective product manuals in reflection of the additions made
Duty to explain	<ul style="list-style-type: none"> - Establish verification processes for each financial product - Verify consumer data (provide suitability/adequacy evaluation reports) - Reflected into the system in line with the amendment of investment recommendations - Aligned processes for respective issues - Arranged a process to provide manuals
Right to withdraw the subscription	<ul style="list-style-type: none"> - Make additions in line with the amendment of investment recommendations - Confirm the duty to explain (product details, investment risks, early redemption conditions, etc.) - Verify the process to observe the duty to explain - Improved the process (cooling-off period for 2 days + subscription withdrawal for 7 days) and reflected this into the system - Reflected into the manuals of each financial product
Right to terminate illegal contracts	<ul style="list-style-type: none"> - Implement the existing 'cooling-off period' system and expand products subject to this system - Establish processes for investment/loan-type products - Reflect in manuals and guidelines - Improved the existing 'mis-selling compensation service' and its system - Aligned the illegal contract termination process
Right to request access to data	<ul style="list-style-type: none"> - Clarify criteria including on refunds - Establish the illegal contract termination process - Developed guidelines regarding the data storage period - Partially improved 'investment recommendations' and reflected them into the system
Develop internal control standards for consumer protection	<ul style="list-style-type: none"> - Record and retain data - Align processes related to data access rights - Implemented internal control standards
Develop internal control standards for consumer protection	<ul style="list-style-type: none"> - Review financial consumer protection standards and internal control standards - Use standards and guidelines in line with the plan to develop standard for Internal Control of Financial Investment Companies

Providing Training to Prevent Mis-selling

For our employees to develop awareness of financial consumer protection, we provide training to prevent mis-selling through diverse formats including offline training, online courses, Youtube-assisted role-playing training, and training for branch employees dedicated to financial product sales.

When offline training was made impossible amid COVID-19, we strengthened our training through online courses provided by external lecturers and other virtual means. We also conduct an independent Mystery Shopping program regularly in accordance with the applicable guidelines set by the Financial Supervisory Service.

For branches whose Mystery Shopping evaluation results are substandard, we reinforce role-playing training and checks to prevent mis-selling from ever occurring. In 2022, our internal Mystery Shopping training will be expanded to three times per year, our sales process will be reviewed and the results will be reflected in our computer system in preparation for the virtual Mystery Shopping program.

Mis-selling Monitoring and Reporting

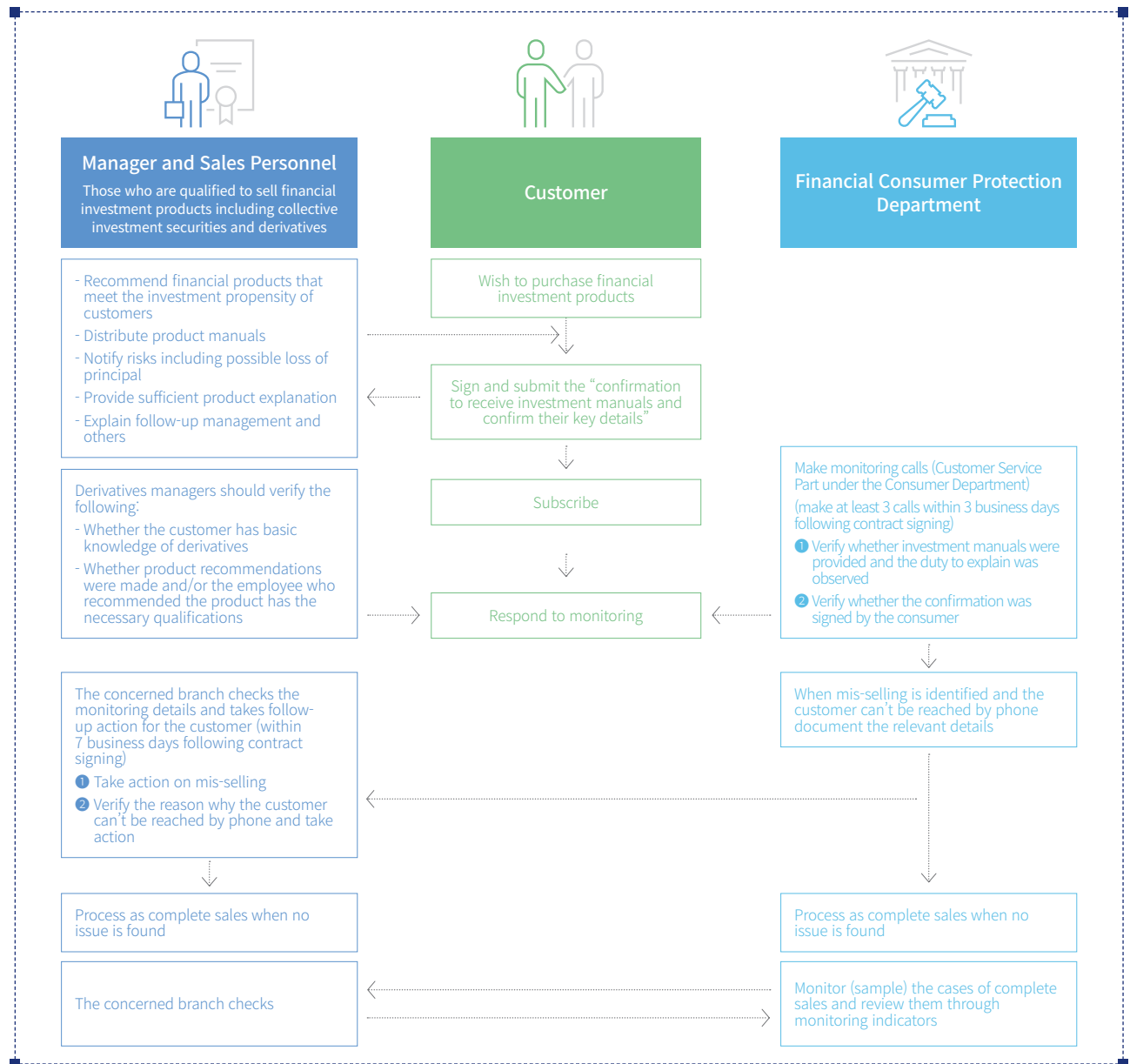
We operate a follow-up management process for financial investment product sales in conformity with the Happy Call guidelines of the Korea Financial Investment Association.

For products falling into the grade 4 investment risk category, the Customer Service Part under the Consumer Department makes happy calls primarily to customers whose investment propensity is not aligned with such products as well as senior customers. Each month, employees at sales branches are required to gain approval from their branch manager through mis-selling monitoring indicators. When approval is given, the Consumer Department reviews these indicators and regularly reports to the CCO.

Our regular mis-selling review and reporting process forms the basis of our full-fledged efforts to eliminate any and all mis-selling practices.

* Grade 4 products: Graded 4 and/or above when the 5-grade product risk classifications were applied

Monitoring Process to Eliminate Mis-selling



Customer-centric Service Innovation

Improving the Product Development/Sales/ Follow-up Management Process

Protecting Financial Consumers in the Product Planning/Development Process

In establishing new product development and marketing policies, the financial consumer protection department makes preliminary reviews from the viewpoint of financial consumer protection, and the issues identified are addressed through consultation with relevant departments.

Our track records in implementing this preliminary consultation process and performance management allowed us to develop measures to prevent the omission of preliminary consultations and the reoccurrence of such omissions. We also use a checklist associated with product development to evaluate terms & conditions for their containment of any disadvantages for consumers in developing financial products.

In conformity with this process, departments working in relation to product development are required to perform reviews against the checklist and submit the results to the financial consumer protection department. Only those products proved to be appropriate as a result of such reviews are made available for sales.

Product Sales Process Management

We have set and apply product-specific sales qualifications to financial product sales personnel, and have established a product-based training system.

Our management process and a feedback system are up and running including texting and e-mailing in each phase of the sales process to bolster controls over any possible mis-selling practices. In addition, investment recommendations are provided for employees as procedures and methods to follow in selling financial investment products to customers.

Follow-up Product Management Services

Collective Investment Securities

Service	Description
Balance notice	<ul style="list-style-type: none"> • Method: e-mail / LMS / post • Cycle: Monthly • Content: End-of-month value evaluated before tax and rate of returns • Target: All funds <ul style="list-style-type: none"> * Exclusions: Refusal to receive fund notices, under KRW 100,000 in evaluated amount on the date of evaluation, PEF, ETF, MMF, discretionary investment, professional investors, accounts for which notices were returned 3 times * Exclude accounts for which monthly transaction data is sent from the fund balance notice service
Fund return notice	<ul style="list-style-type: none"> • Target: Retail customers who applied for the 'Fund Return LMS Notice' service • Cycle: Monthly • Content: End-of-month current yield • Application: Visit the fund sales counter or make a call (online registration is not possible)
Asset management report	<ul style="list-style-type: none"> • Method: Post/e-mail • Cycle: Quarterly • Content: Type of fund operations and status reports • Target: All public funds
Happy Call	<ul style="list-style-type: none"> • Make Happy Calls within 7 business days following the sale of funds
Individual inquiry	<ul style="list-style-type: none"> • When inquiries are made on the product later on, provide counseling



Derivatives-Linked Securities

Service	Description
Balance notice	<ul style="list-style-type: none"> • Method: e-mail / post • Cycle: Monthly • Content: Monthly transaction data and balance • Target: Customers who made transactions in the concerned month <ul style="list-style-type: none"> * When transactions were not made for 6 months, provide half year-end balance notice
Risk notice (knock-in)	<ul style="list-style-type: none"> • Method: Method chosen at the time of subscription, including direct notice by the manager, LMS, e-mail, or refusal • Cycle: When conditions for principal loss were met for the first time before maturity • Content: Notification that conditions for principal loss were met, conditions for early redemption and expected returns in the event of early redemption, matters concerning redemption, etc. • Target: Derivatives-linked securities (excluding ELW) <ul style="list-style-type: none"> * Refusal is not granted to customers aged 65 or older
Happy Call	<ul style="list-style-type: none"> • Make Happy Calls within 7 business days following the sales of derivatives-linked securities
Individual inquiry	<ul style="list-style-type: none"> • When inquiries are made on the product later on, provide counseling

Customer-centric Financial Service

Non-face-to-face Account Opening and Remote Service

We added a non-face-to-face account opening functionality to our Mobile Trading System (MTS) named Win.K to make it more convenient for customers to use our services from account opening and financial transactions to additional services.

Our ‘Untact Direct’ service was designed to swiftly respond to shifting investment practices in line with ‘contactless’ culture established in the wake of COVID-19. This virtual remote service for international futures products provides basic education on these products in a virtual format to customers who applied for the service. Our remote HTS support service dubbed Online Doctor also offers easy-to-understand instructions on the screen page showing international futures and its application, and types of orders available for each exchange, along with in-depth one-on-one education.

Renewal and Opening of HTS/MTS for International Stocks

Our international stock trading system Kyobo PROVEST K GLOBAL (HTS) and Win.K (MTS) were renewed to improve the speed and convenience of international stock investing and to cater to investor needs from the viewpoint of customer trading.

This enables investors to trade shares on stock exchanges in the US, China, Hong Kong, and Japan. These systems were upgraded to allow investors to trade in Korean won without the need for money exchange and to engage in over-the-counter trading.

International Service Improvement

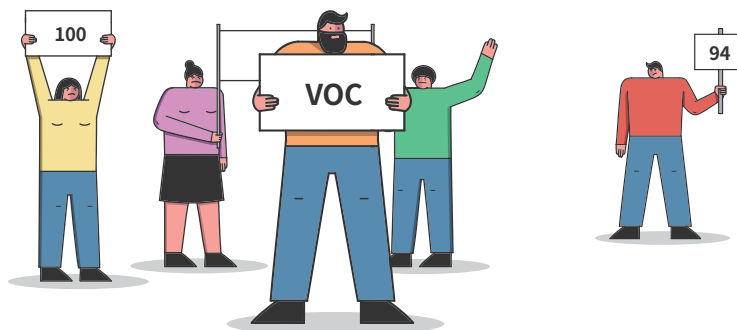
As we took note of the mounting interest in dollar-denominated assets, we launched a new MTS service to conveniently trade international bonds available in the exchange of New York and London. Our MTS was upgraded to cover international bond products across nearly 30 countries including the US, Russia and China, from their real-time brokerage and trading to money exchange.

Our ‘in-person counseling service for customers who directly purchase international bonds’ brings a range of services within the reach of these customers with a single click, from counseling and account opening to HTS/MTS installation and training, to help investors further pinpoint the optimal timing of trading. Furthermore, we added an automated stock trading functionality to better serve customers investing in the US stock market: this new functionality enables investors to set the number and price of shares to purchase for their desired stock on a daily, weekly and monthly basis so that automated investments could be made when their set conditions are met.

Launching Fractional Share Trading Service for International Stocks

We launched a fractional share trading service for international stocks to enable retail investors, who were previously hesitant about investing in such shares for their high per-share prices, to become more proactive in investing in international stocks. This service allows investors to buy fractional shares rather than on a one-full-share basis without investing a large sum of money, and is increasingly garnering attention from millennial and Gen Z investors.

Launching this service enabled us to help customers conveniently invest in international stocks with convenience without heavy up-front investments. From the second half of 2022, it is expected that such fractional share investing would be made possible for domestic stocks.



Upgrading the Customer Satisfaction System


CS Call Monitoring

We measure the quality of phone-based customer service provided by our branch employees who directly interact with our customers to identify areas with substandard performance and top priority areas requiring improvement. This informs our development of improvement measures and sets the direction in making institutional improvements to increase the quality of customer service. Through the monitoring of phone-based service quality, we reward top performers each year, and provide employees with training to develop customer satisfaction capabilities and professionalism in customer service to improve their customer service mindset.

Customer Complaint Management


We operate an integrated complaint management system to improve customers’ trust in and satisfaction with our complaint handling process and its specifics. To prevent the occurrence of similar complaints and better protect consumers, we use complaint handling results to improve our systems with a focus on consumers. We also designate quarterly Financial Consumer Protection Day to engage in complaint prevention training and review activities while communicating dispute cases twice a month to help employees learn from actual cases to accurately understand the causes of complaints, applicable laws and regulations, and viable responses and to raise their awareness on the prevention of complaints.

► **Complaint Handling Process**




Complaint counseling/submission

- Complaints are submitted through wide-ranging channels – website, HTS (PROVET K), phone, fax, post and visit.



Investigation

- Factual grounds are identified based on transaction data and relevant details/recordings.



Feedback

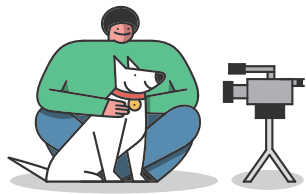
- A decision is made on whether to accept or dismiss the complaints raised, and handling outcomes are communicated within 14 days following the submission of the complaint.

Expanding Customer Engagement

Voice of Customers (VOC)

Our integrated VOC management system serves to collect customer suggestions and review them to identify customer needs. Such needs are then integrated into our operations and systems to advance customer-engaging management. Our customers are informed of the handling of their suggestions and their results through mobile phone text messages, and the improvements made accordingly are publicized through our cyber media announcements or VOC improvements posted on our website. The Q&A and e-mail sections of our website also help receive diverse customer opinions and provide swift feedback. For customers who contributed to the betterment of our services, we present gift certificates to express our gratitude.

We operate an online customer panel system to integrate the VOCs collected into our products, services and business operations. To establish our VOC management process, we studied and examined data on customer suggestions, and take action when necessary improvements are identified. Going forward, we will regularly report customer suggestions to senior management so that they are reflected in our actual operations and any inconveniences on the part of customers are properly addressed.



Customer Satisfaction Survey

We conduct customer satisfaction surveys by making calls to the customer who received stock investment counseling or purchased financial products at our branches within the past year. In so doing, we measure their satisfaction level and identify service areas in need of improvement. Analyzing specific vulnerabilities by type of work and focus areas requiring improvement, we develop improvement plans and make improvements accordingly to elevate our service quality. Monitoring evaluation results inform our feedback and action plan (training approach) development to standardize customer service quality and deliver differentiated services at customer touchpoints.

This feedback process earned us 94.2 points on the Customer Satisfaction Index in 2021, and our customer satisfaction score has been at 90 points and above level. We will continue to check customer satisfaction scores by type of counseling to improve on identified vulnerabilities and provide high-quality service to deliver greater customer satisfaction as part of our efforts to establish a customer-centric system and elevate our corporate reputation.



Customer Satisfaction Index

94.2

Kyobo Securities scored 94.2 points in the 2021 CSI, and its CSI scores have consistently been in the 90 points and above range.

Information Security and Data Privacy

Information Security Management System

Information Security Organization

We have established an information security organization under the Chief Information Security Officer (CISO). Our information security organization is responsible for developing information security strategies and policies, creating and operating an information security system, conducting information security training and engaging in overall activities to bolster our information security. We operate the Information Protection Committee as an organization to build company-wide consensus and make decisions on major information security issues.

ISMS Certification

We remain committed to systemic information security operations to provide customers with secure financial services. Such efforts allowed us to achieve the ISMS* certification in 2014 in recognition of our customer information security and the safety of financial transactions. We have since received annual audits on our information security management system to keep our operations secure.

* ISMS(Information Security Management System): Certification for a comprehensive information security management system spanning technical and physical protection measures up and running to ensure the safety of information and communications networks



ISMS certificate

Raising Awareness of Information Security

Information Security Training

To raise employees' awareness of information security, we provide information security training* by job position each year in accordance with applicable law. As a result of such efforts, the number of personal data breaches has been zero for the past three years.

* Executives: 3 hours or more, CISO: 6 hours or more, general personnel: 6 hours or more
IT personnel: 9 hours or more, information security personnel: 12 hours or more

Security Check Day

Kyobo Securities has designated the last Thursday of each month as Security Check Day. On this day, self-checks are conducted on PC security and the office environment, and our current security status and necessary improvements are reported to the CEO to elevate company-wide information security.

Exercise to Respond to Malicious e-Mails

One recent trend is that critical data breaches are triggered by malicious e-mails. To prevent such breaches from ever occurring, we conduct exercises twice a year for employees to build preparedness against malicious e-mails.

Bolstering Cyber Security

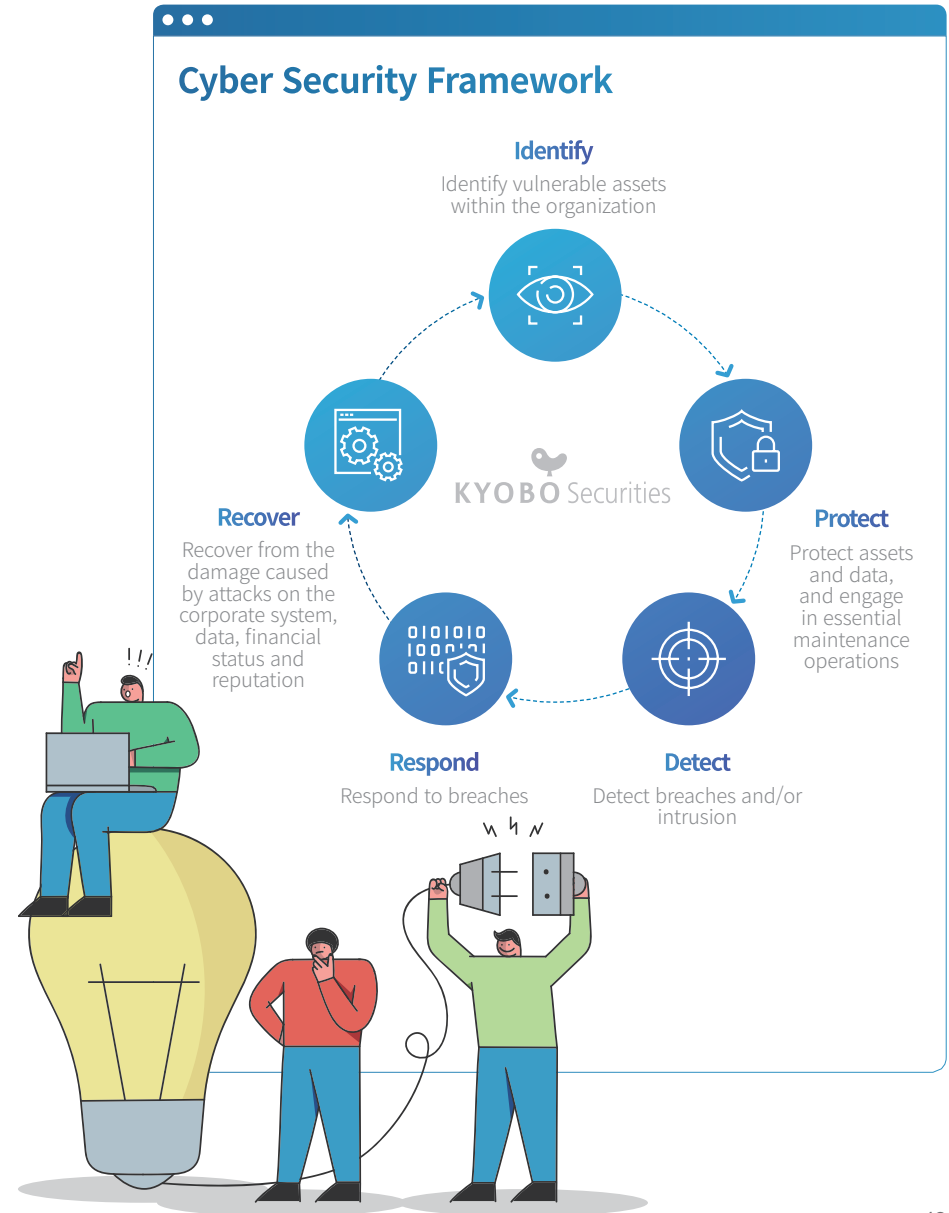
Information Security Infrastructure Improvement and Security Control

We keep our information security infrastructure up-to-date to promptly respond to emerging cyber threats. To effectively operate our security infrastructure, we partner with the Financial Security Institute and information security companies while systematically responding to cyber threats with the help of security control professionals stationed permanently.

Vulnerability Checks and Exercises

Cybersecurity refers to overall activities focused on protecting computers, networks, data and other assets from ill-intentioned electronic attacks.

We perform regular cyber security checks on our programs and systems serving customers to ensure our customers safely use our financial services. In particular, vulnerability analyses and assessments and simulation hacking exercises are conducted to meet protection standards on our electronic financial infrastructure. Exercises to respond to server hacking and DDoS attacks are held at least once a year to address cyber threats that occur in real-world settings.



PRINCIPLES OF GOVERNANCE

Corporate Governance

Governance Principles and Policies

Governance is gaining ever greater importance across the financial industry for its role in making strategic decisions on environmental stewardship and social responsibility along with protecting the rights and interests of stakeholders and promoting sustainable corporate growth. As such, Kyobo Securities established its governance on the three pillars of stability, efficiency and transparency.

Stable Governance

To ensure checks and balances among members of governance, we delegated decision-making and business execution to the Board of Directors (BOD) and senior management respectively, and organized a management system for the BOD to oversee senior management for its execution of business conduct.

Our BOD includes non-executive director to establish its independence of top management, and its governance was designed to promote mutual checks and balances among the BOD, senior management and non-executive directors.

Efficient Governance

To ensure efficient decision-making, our BOD is composed of directors who bring their diverse expertise to promote representation across different sectors and professions. The BOD holds regular and ad-hoc meetings when the need arises so that directors generate synergy through their expertise and help the company efficiently resolve a wide array of tasks and challenges.

Transparent Governance

We make our Articles of Incorporation, BOD regulations and other key internal regulations available on our website to disclose BOD's operational standards, procedures and performance, and regularly share the details of its key operations to ensure transparency.



BOD and Its Committees



BOD Operations

Composition of the BOD

The Board of Directors (BOD) is our highest standing decision-making body mandated to decide on important management matters delegated by the annual general meeting of shareholders and to appoint and dismiss the CEO in full compliance with the provisions stipulated in applicable laws and regulations as well as our Articles of Incorporation. As of the end of March 2022, our BOD consisted of a total of six directors, including two executive directors and four non-executive directors. To ensure that the BOD faithfully fulfills its check and balance function, its members are appointed among experts recognized for their expertise and experience across wide-ranging areas – finance, management, economy and accounting among others – and the Chair of the BOD is appointed among non-executive directors each year.

Director Appointment Process

To establish fairness and transparency in appointing executive and non-executive directors as well as auditors, we operate the Executive Candidate Recommendation Committee under the BOD. The Committee nominates director candidates by assessing their expertise, work-related impartiality, ethics and independence, and nominated candidates are proposed, through the decisions made by the BOD, to the annual general meeting of shareholders for approval and appointment.

Tenure of Directors

Executive director (CEO) may serve two years, and non-executive director may serve two years for their first appointment and another one year when reappointed. The tenure of non-executive directors can't exceed nine years: they may serve up to six years as a non-executive director at Kyobo Securities, and another three years as a non-executive director at one of the group affiliates. Such a tenure limit was set based on our reasoning that a short tenure could direct the company to pursue short-term profitability while an extended tenure could weaken the BOD's function to hold senior management in check.

Composition of the BOD

(as of the end of Mar. 2022)



Park Bong-kwon Executive Director
(60, male)

CEO (head of IB/WM operations)
(Former) Head of fund operations, National Pension Service



Lee Seok-ki Executive Director
(58, male)

CEO (head of management support/business operations)
(Former) Head of management support, Kyobo Life Insurance



Lee Joong-hyo Non-executive Director
(77, male)

Chair of the BOD
(Former) Non-executive director, Kyobo Life Insurance



Kim Dong-hwan Non-executive Director
(63, male)

Chair of the Audit Committee, the Executive Candidate Recommendation Committee, and the ESG Committee
(Former) Senior research fellow, Korea Institute of Finance



Lee Chan-woo Non-executive Director
(69, male)

Chair of the Remuneration Committee
(Current) Auditor, TIMEFOLIO Asset Management



Yoon Ye-joon Non-executive Director
(69, male)

Chair of the Risk Management Committee
(Former) CEO, The 2nd Youngdong Highway Co., Ltd.

Operation of the BOD and Its Committees

Operation of the BOD and Its Committees

Our Board of Directors (BOD) met 15 times in total in 2021, and all enrolled directors attended all of these meetings, with their attendance rate reaching 100%. Directors are notified of the agenda items prior to meetings to review these items in advance, and further information is provided by responsible executives when necessary to help our directors better understand the agenda items to be discussed. To promote the speed and expertise of decision-making and improve the efficiency of BOD operations, we operate the Audit Committee, the Executive Candidate Recommendation Committee, the Remuneration Committee, the Risk Management Committee, and the ESG Committee.

BOD Assessment and Remuneration

Operational Assessment of the BOD and Its Committees

We perform regular reviews on whether the BOD and its committees properly fulfill their roles and responsibilities as stipulated by law and internal regulations. At the beginning of each year, the BOD and its committees are examined on their composition and operational status for the previous year to ensure that the BOD duly satisfies its mandate to make important corporate decisions and hold management in check. Such operational reviews span the composition of the BOD and its committees, their roles and responsibilities, and operations in general, and are performed through various methods by examining BOD meeting minutes and other relevant documents and by surveying all directors. BOD assessment results are compiled by the BOD Office and reported to the BOD to improve its operations.

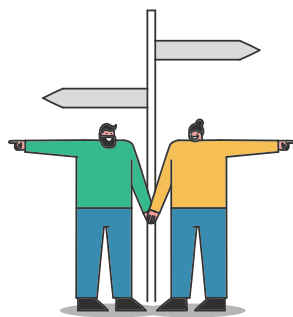
Executive Assessment and Remuneration

We operate an independent Remuneration Committee to decide on matters concerning performance appraisal and remuneration for senior management and the BOD. The Committee deliberates on the design of our remuneration system for its alignment with the risk structure and reviews its linkage with our financial status and risk factors. Performance appraisal for executive directors is conducted through the decisions made at the Compensation Committee in consideration of annual management goals and their attainment of KPIs, and the remuneration limit of directors is determined at the annual general meeting of shareholders.

Stock Ownership and Shareholder Value Improvement

As of the end of 2021, the number of shares outstanding amounted to 64,653,296 shares, and our largest shareholder is Kyobo Life Insurance with 73.06% ownership.

We grant equal voting rights depending on the type and number of shares, and hold annual IR events to guarantee equal access to corporate information for all shareholders. As a major tool for improving shareholder value, we pay dividends to shareholders. The amount of dividends is determined in consideration of our business performance, capital adequacy and market conditions, and we have been increasing our per share cash dividends for eight consecutive years (differential dividends paid for two consecutive years) to deliver greater shareholder value.



Committees under the BOD

(as of the end of Mar. 2022)

Committee	Role	Composition	No. of meetings held in 2021
Audit Committee	Audit the adequacy of the company's internal control system as well as accounting operations	3 non-executive directors (Kim Dong-hwan, Lee Chan-woo, Yoon Ye-joon)	7
Remuneration Committee	the alignment between the remuneration system and risks	2 non-executive directors, 1 CEO (Lee Chan-woo, Yoon Ye-Joon, Lee Seok-ki)	7
Management Committee	Develop basic guidelines on risk management and make assessments	2 non-executive directors, 1 CEO (Yoon Ye-joon, Kim Dong-hwan, Park Bong-kwon)	14
Executive Candidate Recommendation Committee	Identify and nominate executive candidates (executive/non-executive directors, Audit Committee members, etc.)	3 non-executive directors (Kim Dong-hwan, Lee Chan-woo, Yoon Ye-joon)	2
ESG Committee	Approve ESG-related implementation plans and major policies	2 non-executive directors, 1 CEO (Kim Dong-hwan, Lee Chan-woo, Lee Seok-ki)	2

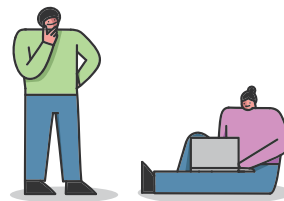
Operational Status of the BOD

Category	2019	2020	2021
Agenda items (No. of items)	63	88	114
BOD meetings held (No. of meetings)	14	13	15
Attendance (%)	Executive director	100	100
	Non-executive director	100	100

Stock Ownership of the Largest Shareholder and Related Parties

Shareholder	Relationship	No. of Shares	Ownership (%)
Kyobo Life Insurance Co., Ltd.	Largest shareholder	47,238,769	73.06
Kyobo Securities	Treasury shares	1,093,598	1.69
Park Bong-kwon	CEO	12,383	0.02
Total		48,344,750	74.77

Ethical Management



Ethical Management

Ethical Management Policy and Organization

We improved our governance by creating the Audit Committee while stipulating and implementing internal control standards in 2000 and then established the Business Ethics Committee in 2013, reaching meaningful milestones in building a culture of ethical management at all levels.

Code of Ethics and Ethical Rules for Business Conduct

We have stipulated the Code of Ethics to act on ethical values in business conduct and become a trusted company in so doing. To promote investor protection and the development of the capital market, we established ethical rules for business conduct to ensure Kyobo Securities and its employees selling financial investment products follow these rules and encourage our existing and potential investors to comply with these rules. Going forward, we will disseminate our anti-corruption and ethical management policies that are based on the Code of Ethics to business partners to announce our firm commitment to ethical management.

Ethical Management Implementation System



Code of Ethics

We remain faithful and sincere as professionals engaging in the securities business, and abide by overall laws and internal control standards to make Kyobo Securities a top-tier securities firm of integrity that pursues co-prosperity for all, including customers, shareholders, and employees. As a member of Kyobo Securities, we vow to fully comply with the standards set for our actions and value judgements.

- ☺ We perform the given work faithfully and impartially to establish the virtues of integrity and respect expected of professionals in the securities business.
- ☺ We recognize the value of customers and shareholders, and do our utmost to maximize customer and shareholder value.
- ☺ We provide best-in-class services to customers, and doubly make sure that we protect investors by fulfilling our fiduciary duty in managing customer assets.
- ☺ We do not engage in unfair trading practices, such as market-making in the securities market, and take the lead in establishing the practices of making financial transactions under one's real name and upholding the principles of fair trade.
- ☺ We eliminate the practice of providing or requesting unjustified work-related benefits and/or unjustifiably using information obtained, and aspire to become a top-tier securities company recognized for its transparency.
- ☺ We put the reputation of the company and public interest first in conducting public activities, and maintain our dignity as workers engaging in the securities business.
- ☺ We do not engage in any practices including sexual harassment in the workplace as well as discrimination and human rights violations that undermine the workplace atmosphere, and respect individuals' self-development and its resulting autonomy and creativity.

Ethical Rules for Business Conduct

- Verify compliance with the ethical rules
- Provide information on the sales process
- Prepare contract documents, etc.
- Principles of suitability and adequacy
- Sales principles
- Investment advertising
- Prevent conflicts of interest
- Inform details of trading
- Data privacy for investors, etc.

Ethical Management Activities

Ethics Training for Employees

Each year, we provide ethical management training through visits, online training and other diverse methods to disseminate a culture of ethical management. On Ethical Management Day that we designate every quarter, departments and branches conduct their independent ethical management training to encourage employees to make appropriate decisions in the course of their business conduct. Our plan is to expand ethical management training to the BOD level to raise the ethical management mindset for our highest decision-making body.

Ethical Management Programs

In addition to ethics training, we also operate programs to help embed ethics awareness into the day-to-day routine. As part of such efforts, all employees sign the ethics pledge and commit themselves to ethical management each year.

Under our ethical management promotion campaign, we ensure that our employees are reminded of ethical behavioral guidelines on the log-in page of their PC prior to starting work every day, and publish monthly ethical management briefs to share relevant issues and news.

Our employees write in relay about their commitment to ethical management, and join multiple action programs through the Ethical Plaza menu on our intranet – self-learning, video ethics training, sharing of ethical practices, etc. - to develop their ethical mindset.

We also operate the ethics mileage program to reward employees for implementing our ethical programs to encourage employees' participation in ethical management.



Ethical Management Monitoring

On Ethical Management Day, self-assessments on ethical management are made for employees to evaluate their ethical awareness by themselves and explore necessary improvements. We perform annual ethical awareness surveys on all employees to assess our level of ethical management and use assessment results to identify improvement plans as part of our regular monitoring to raise ethical awareness.

To establish our systemic short/long-term roadmap and strategy for ethical management, we engage external organizations to perform assessments every five years. In so doing, our external and internal conditions for ethical management are analyzed from an objective viewpoint, and ethical management strategies and implementation tasks that meet our needs are identified and implemented.


Whistleblowing Channel: Red Whistle

The Red Whistle program intends to swiftly respond to reports and counseling requests in relation to unethical business conduct (practices) on the part of Kyobo Securities or its employees, including unfair, unjustified, or corruptive behaviors that run counter to its Code of Ethics.


We have integrated our whistleblowing channels for improved user convenience and speed for internal/external stakeholders, and to ensure anonymity and technical security through outsourcing. When a report is submitted through Red Whistle, its details are verified rigorously and investigations are initiated. Then we take swift action on the report to minimize any psychological burden on the whistleblower and thoroughly protect their identity.




Diverse Ethical Training Provided to Become a Socially Responsible Company




Conduct training on the code of conduct for ethical management



Conduct training on ethical rules for business conduct



Conduct training on ethical management training by job category and at the BOD level



Conduct department/branch-specific ethical management training on quarterly Ethical Management Day and report the results

Ethical Management Training Provided

(unit: No. of persons, %)

Category	Training Target	Training Participant		
		2019	2020	2021*
On-site training	Headquarters, branches, and some departments	365	60	-
Department/branch-specific internal training	All employees	-	-	945
Training participants		365	60	945
Training participation		39.6	6.5	94.6

* While our 2021 business plan set a goal of providing training to 44 departments and 32 branches, training was conducted on seven departments in Q4 of 2021 amid COVID-19.

Compliance Management

Internal Control System

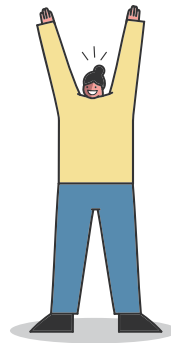
To establish compliance management, we have designated a compliance organization and compliance managers at each branch to systematically manage our compliance operations and strengthen our internal control system. Our internal control system is effectively managed along with the prevention, monitoring and follow-up management phases for preemptive prevention and swift follow-up management, and necessary system improvements are identified to reinforce internal controls.

In the prevention phase, internal control manuals are developed and provided to employees so that they can immediately refer to manuals in performing work. We identify and share regulatory trends for compliance while conducting annual internal control training for all employees based on internal control standards to strengthen our prevention system.

In the monitoring phase, each branch fills out the internal control checklist on a daily and monthly basis, and the compliance department reviews non-compliance issues on a daily, weekly and monthly basis. Red Whistle is under operation as our whistleblowing mechanism, and the principle of anonymity is strictly observed to facilitate the use of this system and protect whistleblowers.

In the follow-up management phase, we check any amendments made to applicable regulations and review their proper integration into our system to develop measures to prevent the reoccurrence of non-compliance. When regulatory violations occur, proper actions such as disciplinary measures and training are taken swiftly in accordance with internal standards.

Major issues that arose across the prevention, monitoring and follow-up management phases are reported to the CEO on a quarterly basis, and relevant details are shared with the BOD twice a year to improve on compliance issues.



Compliance Management Operations

Strengthened Prevention of Money Laundering

Kyobo Securities has stipulated and is operating its 'anti-money laundering operational guidelines' and manuals to establish an assessment system in conformity with Financial Action Task Force (FATF) recommendations and the Financial Intelligence Unit (FIU) Act. We classify customers and financial transactions according to their risk level, and separately validate customer identification by type. For high-risk groups, the Enhanced Due Diligence (EDD) process is implemented to ensure the efficiency of internal controls.

Furthermore, we perform simulations and reflect their results to increase the extraction accuracy of Suspicious Transaction Report (STR) rules, and conduct on/offline training and external expert development training each year to increase employees' interest in and competency for anti-money laundering operations.

Going forward, we will continue to implement risk assessments and improvement tasks to take the Risk-Based Approach (RBA) to risk identification, evaluation measurement, and risk-aligned management so that we could reduce operational risks by 30% by June 2022 from the March 2021 baseline.



Set a goal of making a 30% improvement in taking the Risk-Based Approach (RBA) to risk identification, assessment measurement, and risk-aligned management by June 2022

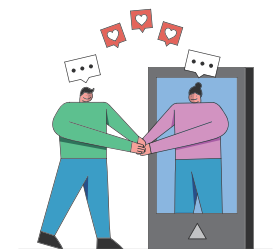
Improving Compliance Awareness

We provide all our employees with training on 11 courses each year to reinforce their internal control competencies including continued compliance management, elimination of unsound business conduct, prevention of conflicts of interest, investor protection, and strengthened risk management. Following the end of each quarter, results from such training are included in our internal control reports and provided to the CEO.

To ensure our customers safely engage in financial transactions, we operate a range of programs to prevent financial incidents from occurring, including the VOC program, complaint management, and Red Whistle (whistleblowing mechanism), to maintain integrity on the part of our employees.

Eradication of Employees' Self-account Transactions

To ensure conflict of interest does not occur in relation to customers and prevent financial incidents from occurring, we stipulated regulations on the eradication of unsound self-account transactions made by employees (Internal Control Standards Chapter 3 Paragraph 1 Employees' trading of financial investment products) and manuals (internal control guidelines on employees' trading of financial investment products) in 2015 and have since applied them to our business operations. In tandem with this, we provide internal control training to compliance managers once a year and year-round training to new hires with/without previous work experience to help them better understand relevant regulations and manuals.



Risk Management

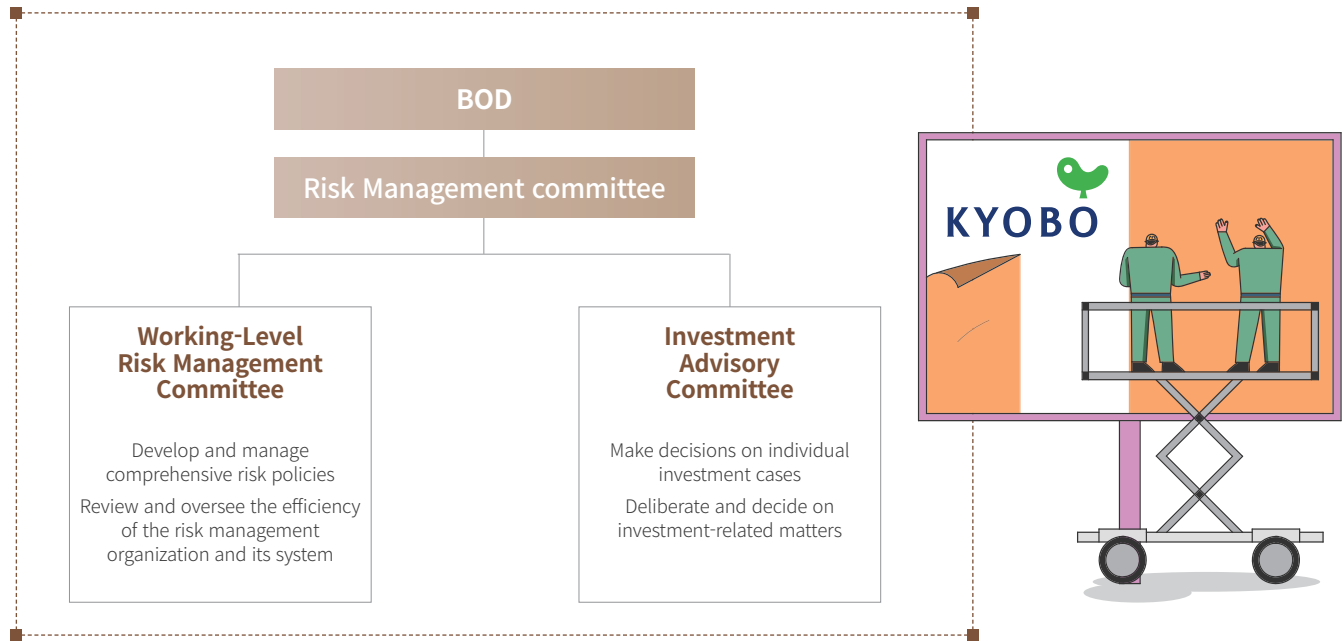
Integrated Risk Management System

Risk Management System

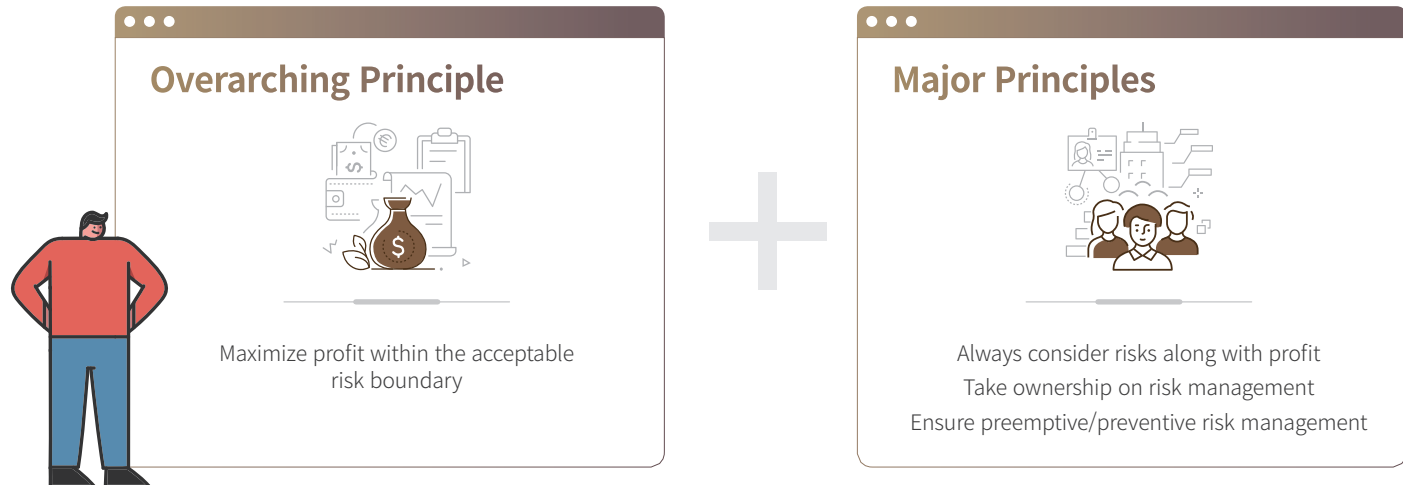
We systematically manage financial and non-financial risks to promptly respond to the rapidly-shifting business landscape and attain our set management goals.

The Risk Management Committee serves to stipulate risk management principles, and under the Committee are the Working-Level Risk Management Committee and the Investment Advisory Committee for efficient risk management to review our overall risk system and manage investment risks.

Risk Management Governance



Risk Management Principles



Financial Risk Management

We categorize financial risks into market risks, credit risks and liquidity risks, and stipulate management guidelines in reflection of the characteristics of respective risk categories to manage these risks.

Whenever we invest in new products, we review their impact on our financial soundness as a way to manage such financial soundness indicators as NCR (net capital ratio), leverage ratio, and liquidity ratio so that we detect crisis situations early on, analyze their impact based on scenarios, and effectively respond to them.

Non-financial Risk Management

Kyobo Securities operates a risk management framework on a company-wide level by considering non-financial risks as well as financial ones.

We understand and assess social and environmental risks in the areas of climate change, human rights, reputation, and law while keeping track of relevant policies in search of opportunities and performing risk due diligence to identify and monitor new risks. Non-financial risks form an essential part of the risk review process, and we are developing internal procedures to prevent ESG risks and other non-financial risks from ever occurring in the course of our business conduct.



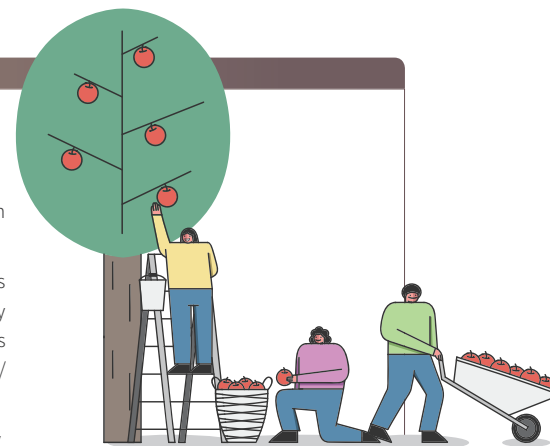
Climate Risk

Climate risks that arise when the value of financial assets invested in carbon-intensive industries may impact our financial status.

The impact of climate risks may vary depending on region, business area, customer characteristics and other factors, and these risks may also vary in terms of their relevance and impact on business strategies and activities. Climate risks could transfer to credit/market/liquidity/insurance risks in various ways.

As such, we plan to consider the impact of climate risks and regularly review such risks in developing and executing our business strategies.

We are establishing a management system to identify significant climate risks by customer and portfolio level and proactively monitor such risks. We give in-depth consideration to climate risks in extending loans to customers and making investments to manage reputational risks while contributing to setting the condition for green finance.



Human Rights Risk

We endeavor to respect and uphold the human rights of stakeholders in our business conduct, and follow the human rights approach presented by the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact.

As specified in our human rights policy, we strictly prohibit compulsory labor and child labor, and consider protecting the rights of our stakeholders – employees, customers, and business partners – as our top priority. For business operations including investments that may give rise to human rights risks, we conduct enhanced due diligence while arranging and operating human rights-related procedures and training.

Our Response to Financial Risks by Type

Type of Risk	Definition	Management plan
Market risk	Fluctuations in market factors may cause losses in our owned position.	- Set risk values/position caps to limit the number of risks - Calculate and manage potential losses that may occur in current owned positions in the event of market shocks through risk situation analyses
Credit risk	Debtors going bankrupt or failing to fulfill the contract may give rise to risks.	- Set and manage Net Credit Exposure (NCE) by industry and transaction party
Liquidity risk	Mismatch between fund operations and financing periods may force the company into insolvency or disadvantageous financing conditions.	- Monitor the status of liquidity conditions on an ongoing basis - Develop and implement emergency financing plans to prevent the concentration of financing and respond to emergencies

Response to Potential Risks

We witness increases in risk factors that may impact the volatility of the financial market, from climate change to the global pandemic and wars. To prepare for such volatility, we perform regular risk situation analyses on our current position based on precedents, and preview factors that may impact investment products to ensure any events may have only minimal impact on our business operations.

Preemptive Risk Prevention

Reinforcement of Risk Management Capabilities

To strengthen our risk management capabilities, we provide training to employees working at risk-related departments on risk management in general, including types of risk, management measures, and measurement techniques.

BCP Management

Our Business Continuity Plan (BCP) is developed and operated to protect our key assets, swiftly recover main operations, and maintain business continuity in the event of emergencies – crisis on the Korean Peninsula (North Korean risks) and man-made/natural disasters – that may cause damages to our critical assets.

We have developed key actions across the three phases of scenarios, and the Emergency Countermeasure Council chaired by the CEO provides support to expedite the process of making important decisions for crisis management in the event of an emergency.

We defined core functions that should be performed even in emergency situations at the company-wide level, and ensure that our computer databases are managed through the disaster recovery center. These action plans are updated and simulation exercises are conducted at least once a year, and are immediately modified and reported to senior management when any significant change occurs in the business environment.

BCP Management amid COVID-19

Amid the continued spread of COVID-19, we have developed and are operating COVID-19 Business Continuity Plan (BCP) to protect our key assets – employees and customers/investors – and ensure our business continuity.

We continue to update our BCP in line with the policies adopted by public health authorities and the mainstreaming of vaccinations, and regularly monitor suspicious/confirmed cases and promptly respond to them. To raise the bar on our disease control operations and keep our employees healthy and safe, we develop and operate a wide array of measures, including essential personnel designated by department, dualization of IT department operations, dualization of workspaces for our call center/financing/settlement departments, flexible work-at-home, distribution of disease prevention/self-test kits, and disinfections.

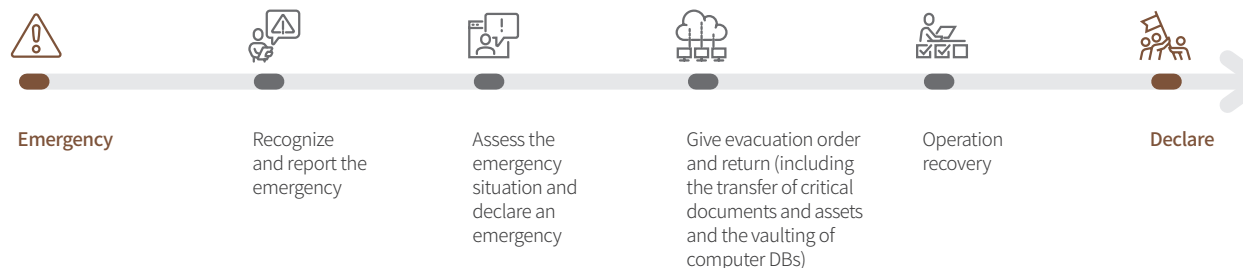
We aim to keep an eye on the COVID-19 situation and swiftly reflect on government policies to maintain a healthy and safe work environment.



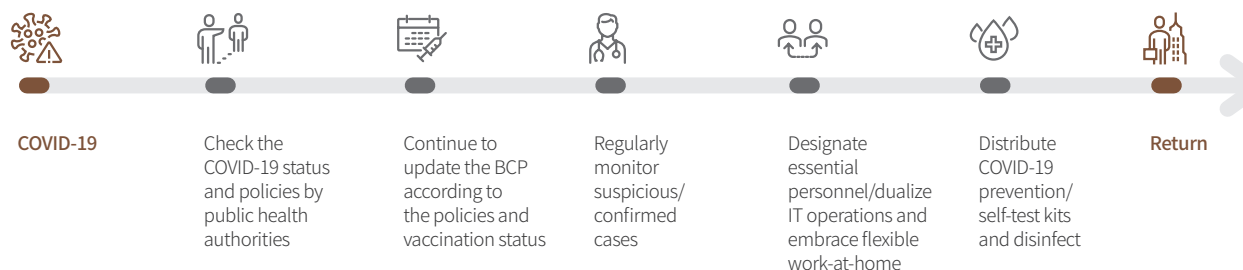
Risk Management Training Provided

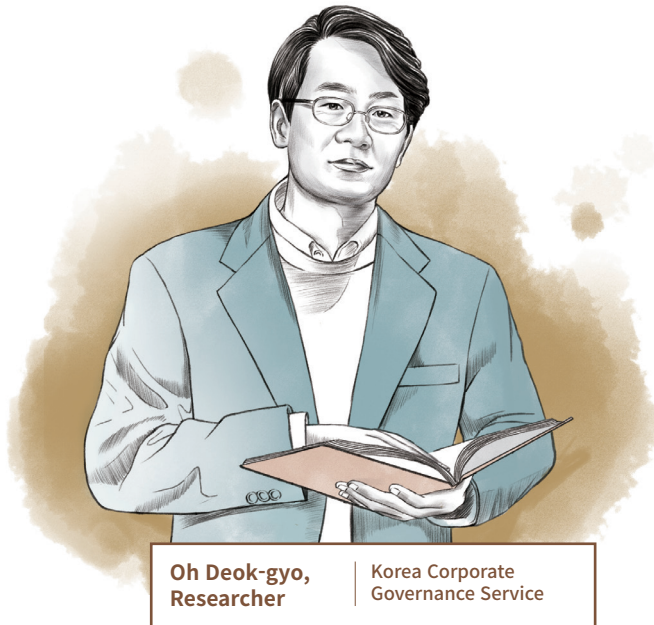
Year	Training Participants	Completion	Training Hours	Training Topic
2019	880 persons	97%	2 hours	- Soundness oversight systems for securities firms - Risk management and performance assessment - Risk management and asset allocation
2020	871 persons	99%	3 hours	- Types of risk and measurement techniques - Operations and risk management for financial investment businesses (securities firms)
2021	Replaced with performance assessments			- Management methods by type of risk - Financial soundness ratio management (NCR and leverage ratio)

Emergency Response Process



Activate the BCP to Respond to COVID-19





Oh Deok-gyo,
Researcher

Korea Corporate
Governance Service

“

The Board of Directors (BOD) is the most representative body capable of performing internal controls. As to committees under the BOD, non-executive directors play a critical role, and as the number of committees increases, their composition would remain largely identical. As such, the company is strongly recommended to increase the number of executive and non-executive directors. ”

Q. What are the sustainability management trends that Kyobo Securities needs to take note of and keep an eye on?

First of all, the financial industry needs to prepare for the Sustainable Finance Disclosure Regulation (SFDR) implemented in the EU zone. Presently, its scope of application is limited but this presents the ultimate way forward for financial institutions and ESG management. There is an urgent call made by the global community to introduce TCFD recommendations mainly in the financial industry, and this prompts Kyobo Securities to seriously ponder upon how the company should contribute to reducing carbon emissions and achieving carbon neutrality. In addition, the company is obligated to disclose its environmental data from this year onwards, and thus needs to strengthen its management of environmental performance. While the company does not bear any obligation to verify its carbon emissions, disclosing data calculated in accordance with IPCC guidelines will help the company establish a more systemic management system and preemptively respond to the demand of the global community. From 2024 onwards, listed companies in the securities market with KRW 2 trillion or more in assets are mandated to disclose their ESG data, which requires overall preparations and makes the publication of Kyobo Securities' first integrated report even more timely.

Q. What are the changes required for Kyobo Securities to strengthen its Governance performance across the ESG areas?

Financial institutions have governance that is more robust legally compared to that of other industries, and their governance system

is relatively well established in line with institutional reinforcement. Still yet, there are possible improvements from the viewpoint of global standards. This highlights the need to establish a well-functioning internal control system. Specifically, the BOD is the most representative body which is capable of performing internal controls. Kyobo Securities' BOD consists of two executive directors and three non-executive directors. Under the BOD are five committees, which is considered relatively overwhelming given the number of non-executive directors. As to committees under the BOD, non-executive directors play a critical role, and as the number of committees increases, their composition would remain largely identical. If the Audit Committee or the Risk Management Committee is identical to the ESG Committee in terms of composition, this means that either of the two committees is mandated to review ESG issues. As such, the company is strongly recommended to increase the number of executive and non-executive directors.

Q. What are the consideration and recommendations that would help Kyobo Securities fulfill its social responsibility and advance sustainability management?

We are living in the era of sustainable finance. Financial institutions need to pay attention to this agenda of our time as they are in an important position to impact other companies in improving their sustainability management through the financial services that they deliver. In other words, Kyobo Securities needs to preemptively make ESG investments. Presently, financial institutions in Europe are required to disclose data on the sustainability of their investment and loan assets through the SFDR. This means that financial institutions should understand the ESG performance of their entire investment assets, which may pose a tremendous burden on these companies. As this is the way forward, however, companies need to make preparations step by step. The company would benefit from looking into the ESG performance of its investment assets from now on and induce improvements if necessary to properly prepare for the introduction of such regulations later on. This is why we expect that Kyobo Securities' first integrated report would present high-quality content in accordance with clearer standards.

PEOPLE

Human Resources Development

Nurturing Diverse Financial Talent

Fair Recruitment

To secure talented individuals in line with our core values of challenge & creativity, customer-centeredness, and honesty & sincerity, we recruit employees based on their individual competency and potential, without discriminating against them on the grounds of educational level or gender. In an effort to improve fairness and transparency, members from diverse departments collaborate to engage in paper screening and interviews, and both open and year-round recruitment is conducted to hire competent employees on an ongoing basis. Since the open recruitment conducted in the second half of 2019, we have introduced AI-enabled personality and aptitude tests to leverage AI analytics technology to objectively and scientifically assess the competency of applicants, which significantly contributed to the fairness and efficiency of our recruitment process.

Diversity of Employees

We do not discriminate against our employees on the grounds of gender, age, or educational level, and respect the diversity of our employees. We follow this principle in the composition of our workforce: as of the end of December 2021, the ratio of female employees amounted to 36.2% out of total 999 employees. Our effort will continue to ensure diversity in our recruitment process without discrimination on the grounds of gender or educational level.

Training Programs for Employees

Program	Training Target	Training Participants (No. of persons)		
		2019	2020	2021
Introductory training for new hires	New hires	28	12	40
Executive candidate training	Selected executive candidates in their 1 st -3 rd year of nurturing	8	1 *	14
External training by job category	Employees who applied for job-related external training	82	44	52

* Offline training was canceled amid the spread of COVID-19.

Systematically Nurturing Talent to Bolster Financial Expertise

With the advent of the 4th Industrial Revolution and the contactless economy, Kyobo Securities pursues the digital transformation of the financial industry and nurture talented individuals to play a pivotal role in the digital finance sector. With a goal of developing creative and enterprising talent, we operate systemic talent development programs by job level and category. New hires are required to complete training for their swift settlement and assimilation into the company. Such training consists of introductory training provided upon their joining the company and follow-up training to help them explore self-development paths to grow as a member of the organization while maintaining their enthusiasm.

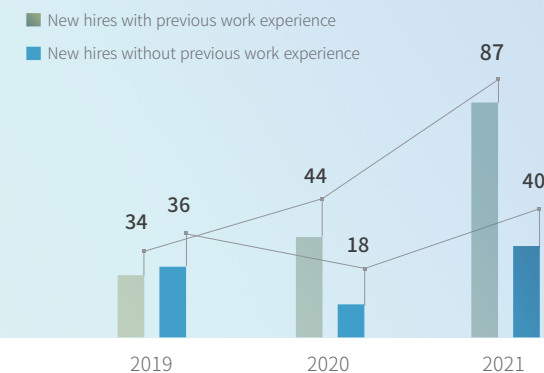
Candidates for organizational heads and current organizational heads attend leadership development training. Such courses support them to fulfil their role as financial leaders by providing required leadership skills and solutions.

Executive candidates are provided with training to deepen their understanding on the overall organizational operation and grow as strategic leaders by resolving working-level difficulties. For exceptional talent, we operate phased leadership development training to aid in their growth into next-generation leaders.

In line with the contactless era, our job training is conducted through Youtube-based financial training and year-round online training provided through the cyber training center. Such training is offered by a key theme to strengthen employees' expertise in each of the thematic areas.

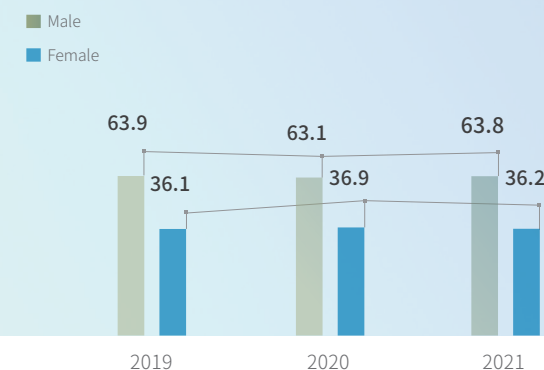
Recruitment

(unit: No. of persons)



Employees by Gender

(unit: %)



Global Talent Development Project

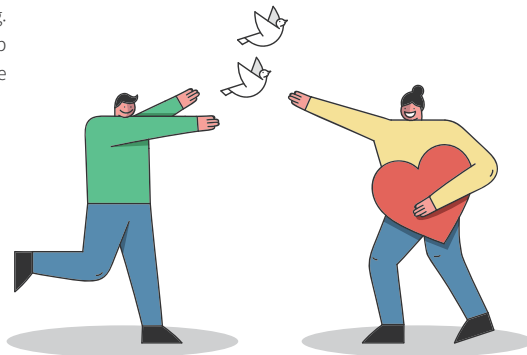
We operate a range of programs to nurture global financial professionals in accordance with global standards, including overseas training for top performers, self-initiated training to experience overseas culture, sector-specific short-term overseas professional training, and the overseas MBA courses. Work is underway to continuously identify innovative training courses to nurture global core talent capable of responding to the volatility, uncertainty, complexity and ambiguity of external conditions.

Book Learning

Our book learning program intends to encourage employees to autonomously learn and develop their knowledge through books specialized in business administration, management books that reflect the latest trends, learning materials developed to improve businesses' working-level competency, and literature/cultural books while creating a reading culture within our organization. Each year, 100,000 points are granted to employees to help purchase books in the essential book category and the self-chosen book category. By facilitating such book learning, we plan to meet employees' need for self-development and improve their satisfaction while bolstering their job competency through reading.

Operating Programs to Support Employees Nearing Retirement

We support employees nearing their retirement to properly design a new chapter in their life and stably settle into society following retirement. Paid leave is provided one month prior to retirement so that they use the time as they wish for job seeking, health management, leisure, start-up and financial planning. We also provide them with a retirement bonus to help them with change management and preparation for the next phase of their lifecycle.



Protection of Human Rights

Establishing Our Human Rights Management Policy

Our HR operations are centered around human rights. We ensure our recruitment process does not give rise to any discrimination on the grounds of educational level, gender, or age, and proactively support employees to bolster their core competencies. We operate a well-organized training system to help employees attain their set goals, and reasonably assign and manage human resources so that our employees fully enjoy their rights to equality and pursue happiness.

In establishing our ESG management strategy in 2021, we set the strategic direction to become a company creating value with a focus on people, and identified creating a culture that respects employees as our strategic task. To respect diversity and bolster human rights management, we have implemented a variety of plans to stipulate and internalize our human rights management policy.

Human Rights Training Programs for Employees

We operate various training programs to uphold the human rights of our employees. Company-wide cyber training is provided to prevent sexual and workplace harassment, and such training is designated as mandatory as part of our introductory training for new hires to prevent human rights violations from occurring. In addition, cyber training on improving perceptions on disability is conducted at all levels to raise employees' human rights awareness of socially-underprivileged groups.

Handling of Employees' Grievances

We operate Red Whistle as an anonymous grievance handling mechanism. Grievances can be submitted both on computers and smartphones, and the entire process remains anonymous. The system is designed in a way to enable real-time communication and immediate processing when grievances on human rights violations are submitted.

Whistleblowing and Its Handling

We have established internal/external whistleblowing channels to report on any issues that may give rise to human rights violations, including inhumane and demeaning treatment and the violation of rights to non-discrimination. Once reports are submitted, their details are accurately identified and response measures are developed to protect the rights of affected employees in accordance with impartial procedures.

Reported Issues of Human Rights Violation

- Inhumane or demeaning treatment and/or punishment
- Violation of rights to non-discrimination
- Violation of freedom of thought, conscience and religion
- Violation of the right to freedom of opinion, information and expression
- Violation of right of self-determination and minorities
- Other issues of human rights violation



Corporate Culture of Communication and Trust

Employee Communication Channel

Kyobo Narae

Kyobo Securities publishes Kyobo Narae, its quarterly newsletter, to communicate corporate news and diverse cultural news. This is made available as an electronic webzine in line with the digital age. As a source of all corporate news, Kyobo Narae is organized across diverse themes, from introducing the latest trends to Go, Dreami which conveys our CSR news and Kyobostagram which recounts cherished moments shared by employees. In addition, our HR Journal is being established as our leading internal communication channel by communicating a range of corporate news, including improvements made to our HR system and benefits-related news.

Open Board

Operating internal communication channels is critical in ensuring free-flowing communication among employees. This prompted us to operate Open Board as an internal bulletin board to notify important corporate news or share a variety of information. This serves as a venue to post notices for internal gatherings or hobby clubs to promote relationships and to share work-related useful information, and is easily accessible by all our employees.



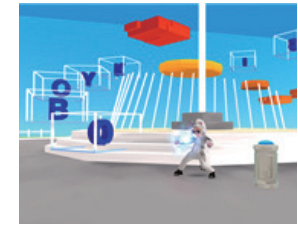
Kyobo Securities webzine

CASE STUDY

Hosting an Employee Sports Event on a Metaverse



A screenshot from the metaverse sports event



The metaverse is a three-dimensional virtual world where social, economic, and cultural activities take place just as they do in the real world. Kyobo Securities hosted an online sports event for all employees on a metaverse. This was designed to provide employees fatigued amid the COVID-19 pandemic with a metaverse venue for communication and solidarity, and was hosted on the Kyobo Securities digital branch that opened on the Zepeto metaverse platform for nearly four weeks in November of 2021.

A variety of mission games – maize relay, jump mater, finding executives, treasure hunt, and musical chairs – were hosted to select representatives from each department, who then competed through preliminary and final tournaments until the final winner branch is decided. The Settlement Support Department finished first in the tournament, followed by the Research Department.

The sports event promoted unity among department members through communication and collaboration in addition to offering an opportunity to experience a metaverse digital culture. This also served to cheer up employees exhausted amid the pandemic and facilitated inter-generational communication.

We will expand our metaverse-assisted programs that engage all employees to strengthen our digital communication capabilities.

Innovative Work Methods

PC Off / Flexible Hours

Since July 2019, we have implemented the PC Off program and flexible hours (selective work hours) to pursue innovation in our work methods and create a wholesome corporate culture that supports work-life balance. These programs help employees improve their work-life balance, workplace satisfaction and work efficiency, which in turn generates profits and brings greater customer satisfaction to establish a virtuous cycle in the process.

Introducing Casual Work Outfits

To create a flexible work environment and a horizontal corporate culture, we have allowed employees to wear casual work outfits since April 2021. They no longer need to wear uniform suits but rather choose their own workplace attires which helps create a corporate culture conducive to unleashing creativity.

Trust-based Labor Relations

As of the end of 2021, a total of 638 employees were unionized. Each year, wage negotiations are made based on labor relations of win-win partnership and cooperation. We have created the labor-management council which consists of labor and management representatives, and hold regular meetings to promote the welfare of employees and the sound development of Kyobo Securities so that labor and management take a joint journey towards corporate growth. In 2021, the council met only once in April due to COVID-19.

Improving Health and Safety for Employees

We set annual health and safety plans to manage the health and safety of our employees and comply with the Labor Standards Act and the Occupational Safety and Health Act.

To promote employees' health, we provide them with annual health check-ups and psychological counseling for job-related stress to keep their minds and body healthy.

COVID-19 Prevention Management

In conformity with COVID-19 guidelines, we flexibly operated our work arrangements by allowing for vaccination leave and work-at-home while supporting employees with KF94 face masks, PCR (Polymerase Chain Reaction) test expenses, and rapid antigen test kits to prevent the spread of COVID-19.

Performance Appraisal

Performance Appraisal Principles and System

Our competency assessment system evaluates employees' competency levels and individual performance based on our job category/level-specific competency model. Each year, we set individual performance goals aligned with the organization's business goals through the performance management system, and manage employee performance in a way to ensure enterprising, strategic, and purpose-driven business conduct.

Fair Compensation

We operate a fair compensation system to improve employees' competency and organizational performance. The performance-based pay system applies to both sales and support operations to compensate our employees in proportion to their performance.



Welfare & Benefits Program



Residential stability

- Housing purchase and housing deposit loans
- Housing rental



Livelihood stability

- Tuition
- Life insurance subscription and injury compensation
- Financial support for family events
- Operation of the employee association



Health and cultural life

- Health check-ups and management
- Medical expenses
- Resort (condominium)
- Hobby clubs
- Fitness center



Selective welfare programs

- Grant points to individual employees who can then freely choose their desired welfare & benefits according to their needs

Employee Performance Management System

To ensure the objectivity and fairness of performance management, we set annual goals once a year and perform assessments three times a year (half-yearly, interim, and final assessments) under our employee performance management system.

The assessment process consists of the following four phases:

- 1) Goal setting: Set quantifiable performance goals in alignment with organizational KPIs from the viewpoint of generating profit and laying the basis for future operations
- 2) Organizational heads' communication: Conduct year-round coaching in relation to setting and attaining performance goals
- 3) Input detailed progress made by the assessment period and offer feedback from organizational heads
- 4) Perform final assessments on the attainment of the set goals and the detailed progress made (by general managers)

Compensation System for Sales and Support Operations

- 1) Base pay: Determine whether to increase in line with the base-up of each fiscal year and the results of collective wage negotiations
- 2) Collective and supportive performance pay: Apply different annual salary criteria according to the company's performance for each fiscal year
- 3) Headquarters sales performance pay and WM business performance pay: Compensate employees for organizational sales performance according to their organizational/individual performance

CSR Program

CSR System

CSR Implementation System

Kyobo Securities' Corporate Social Responsibility (CSR) initiative started in 2004 mainly through the donation of briquettes and the activities led by in-house hobby clubs. In 2009, we established a company-wide CSR framework as an internal operating system to encourage all employees to participate in CSR activities. In 2012, we launched Dreami Social Volunteers with the motto of autonomy and sympathy and have since engaged in regular and continued volunteering by selecting five themes and more than 30 beneficiary organizations in each region across the nation, including childcare facilities and facilities for people with disabilities.

Our employees may individually choose their desired organization through the 'CSR activity' menu on our intranet and volunteer accordingly. In addition to providing labor, we also donate supplies required by beneficiary organizations to improve the effectiveness of our volunteer activities.

Strengthening Our CSR Strategic Framework

We established a new CSR strategic framework by setting the strategic directions of creating social value in reflection of our inherent business characteristics while aligning affiliates, customers, employees and other stakeholders and facilitating their participation.

Under the strategic goals of creating an eco-friendly corporate culture, engaging communities with a focus on future generations, and sharing rewarding experiences, we will implement tailored programs to move towards a flourishing society for future generations, undertake CSR programs in alignment with our eco-friendly management, and share the rewarding experience of giving back to society.



Milestones Reached in Our CSR Journey

2004~

- Beautiful Saturday (2004)
- Sharing of Briquettes of Love (2005)
- Launched activities by each internal hobby club (Christian Fellowship, etc.)

~2009

- Established a company-wide CSR system
- Initiated regular volunteering for designated welfare organizations
- Introduced special volunteering on the company's anniversary
- Operated the Kyobo 1% Sharing Club

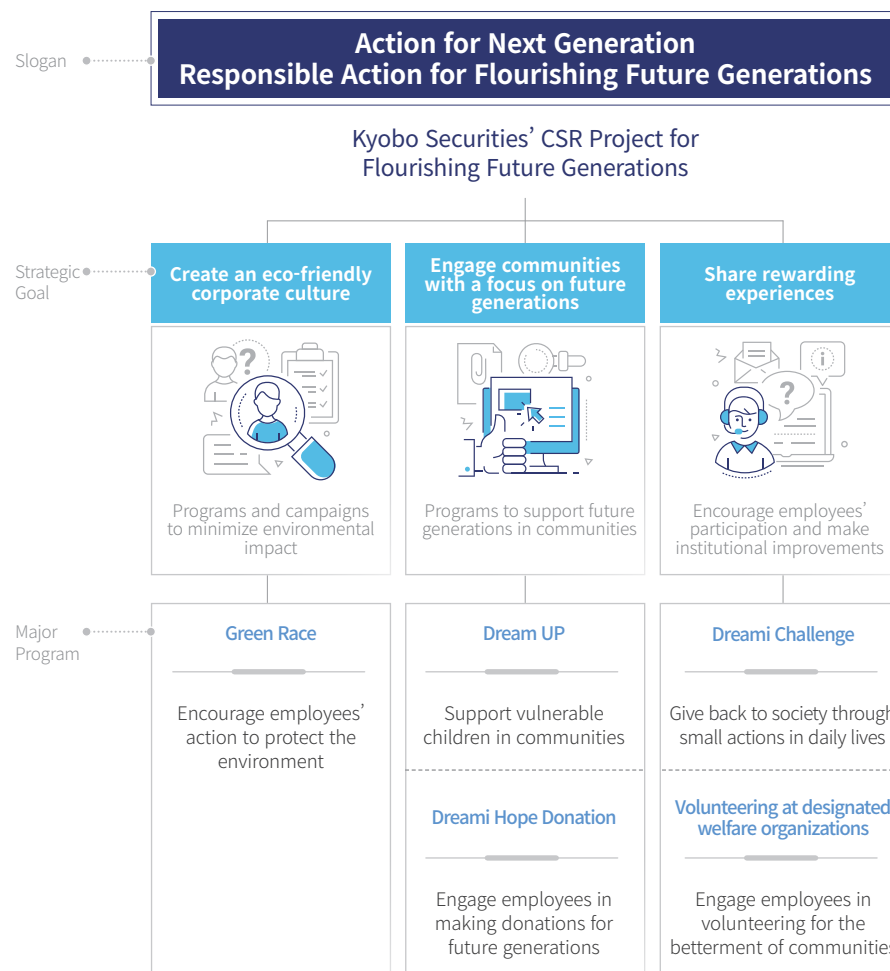
~2012

- Set the mid/long-term CSR strategy
- Launched Dreami Social Volunteers
- Developed an autonomous volunteering system and introduced a credit system
- Stipulated an organizational structure and a working-level department

~2021

- Introduced Kyobo Dreami Hope Donation (upgraded from the 1% Sharing Club)
- Expanded volunteer activities undertaken in celebration of the company anniversary
- Introduced programs engaging customers and families (Comfort Food, Make and Share)

CSR Strategic Framework



Promoting Implementation by Aligning with the ESG Management System

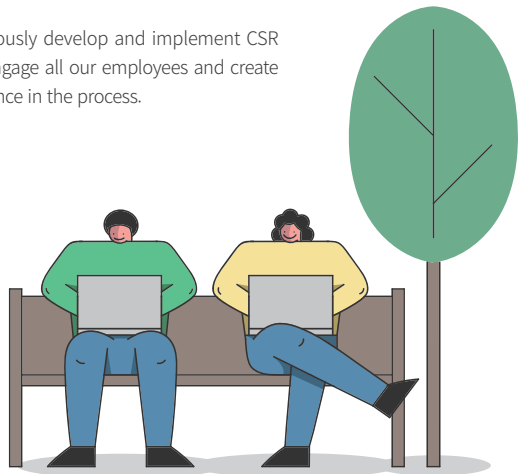
In alignment with our ESG management strategy 'Action for Positive Change (responsible action to bring positive change to society, the environment and the wider world)', we developed our CSR slogan of 'Action for Next Generation (responsible action for flourishing future generations)' in 2021.

For the betterment of our society, we align our ESG management strategic tasks with CSR projects to promote their implementation at all levels.

Over the past couple of years, social distancing rules have resulted in the suspension of in-person activities, and this reduced the scope of volunteer programs to engage employees.

From the second half of 2022, we will implement an annual reward program for employees, departments and branches for their outstanding volunteer performance to encourage employees' voluntary participation and facilitate our volunteering activities. To further motivate employees, we are considering plans to make it possible for employees to volunteer during their work hours and set compulsory volunteer hours on an annual basis.

We vow to continuously develop and implement CSR programs to fully engage all our employees and create a rewarding experience in the process.




Action for Next Generation

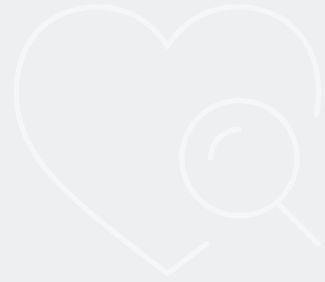
Developing the CSR slogan of 'Action for Next Generation' in 2021

Community Engagement

Major CSR Programs

Dreami Challenge

Dreami Challenge is our experience-based CSR program designed with the aim of 'making the world a better place through small daily challenges'. Rising to small yet meaningful challenges such as a jump-roping challenge and a walking & home training challenge, our employees feel a sense of achievement when they reach the set goal as well as satisfaction in contributing to the betterment of society. This program boosts the morale of our employees and helps create a corporate culture of creating social value.



Dreami jump roping challenge to donate to underprivileged children

Dreami Love for Cultural Properties program



Dreami Love for Cultural Properties

Our Dreami Love for Cultural Properties program is an experience-based CSR program whereby parents directly teach their children the importance of preserving cultural heritage located nationwide. This program engages all family members in the conservation of cultural heritage and provides diverse opportunities to recognize the value of cultural heritage.





Dreami Comfort Food

Dreami Special Weekly Volunteering on the Company Anniversary

Our <Dreami Special Weekly Volunteering> was initiated in 2010. This relay program is implemented between the week of our company anniversary and the end of each year: all our employees participate in making kimchi, donating briquettes, and sharing meals for vulnerable groups to disseminate the meaning of our company anniversary and practice a culture of sharing.

Dreami Comfort Food

Dreami Comfort Food provides meal kits to malnourished children from low-income households who are not well taken care of during school vacations. Our employees and their families participate in this program to recognize the value of family and the virtue of sharing.

Dreami Hope Donation

Under the Dreami Hope Donation program, Kyobo Securities has teamed up with Korea Food for the Hungry International since 2011. This grant-matching CSR program serves children in Korea and abroad, and 314 employees joined this program as of 2022 to sponsor a total of 364 children - 285 children in Korea and 79 children overseas - with nearly KRW 1 billion in cumulative sponsorships provided.



Dreami Hope Donation

COVID-19 Support

Hope Sharing Program

In 2021, we launched our Dreami Hope Sharing program for children whom we have forged ties with to make and donate 277 Dreami Gift Boxes to children suffering amid the global pandemic.

These boxes contained supplies customized to different age groups of children and teens - foods and beverages, hygiene items, winter items, clothing, school supplies, and toys chosen by our employees - and were delivered through one-on-one sponsorships between beneficiaries and individual employees, departments and branches. We will continue with such sharing-driven activities to promote harmonious co-existence in our society.

Sending Messages of Encouragement to Healthcare Professionals

In commemoration of our anniversary in November 2020, all our employees donated encouragement boxes containing the hope bracelets and postcards made by employees themselves to help overcome COVID-19, mask lanyards, hand creams, nutritional supplements, nuts, and cookies to express gratitude to healthcare professionals for their service working at the very forefront of combating this global pandemic.



Dreami Hope Sharing on Kyobo Securities' 72nd anniversary

We also donated thank-you kits to the COVID-19 test center in Yeouido specially created to respond to the rapid surge in COVID-19 tests in 2021 to bring a greater positive impact across society.

We donated KRW 100 million to the Hope Bridge Korea Disaster Relief Association to help weather the COVID-19 crisis. The funds donated were raised voluntarily by employees through our intranet, and the company matched their donation to create KRW 100 million in funds, which will go to purchase supplies to prevent the spread of COVID-19 and recover its damage.

Our Dreami Make & Share CSR program aimed to help vulnerable groups protect themselves from infection. Nearly 700 hand sanitizers made by our employees were donated to 10 child welfare organizations, including the Good House orphanage, Seongrown, and House of Angel of Joseph.

To help alleviate the burden of those who are facing hardships amid COVID-19, we joined the campaign to reduce rental charges. We provided a 30% cut in rental and maintenance fees for three months to the pharmacy, the tee café, restaurants, and the bookstore that are closely associated with people's daily lives and doing business in the underground shopping center of our headquarters in Yeouido. As all of us are facing an unprecedented challenge amid the spread of COVID-19, Kyobo Securities will extend a helping hand to bring back hope to people and help them return to normal.

Encouragement Kits for COVID-19 support





Lee Eun-gyeong,
Department head | UNGC Network Korea

Q. What are the sustainability management trends that Kyobo Securities needs to take note of and keep an eye on?

The Sustainable Financial Disclosure Regulation (SFDR) took effect in March 2021 in the EU. The SFDR imposes disclosure requirements for financial products designed to invest in alignment with sustainability to cover ESG metrics – their evaluation, measurement and monitoring methodologies – and the impact of sustainable investment. This intends to prevent greenwashing by demanding that all asset managers based in Europe who deliver fund products claiming to make ESG investments verify their alignment with ESG investment through disclosures. Meanwhile, the Net-zero Asset Owner Alliance and the Net-zero Banking Alliance were launched in 2019 and 2021 respectively. Kyobo Securities is recommended to take note of such global sustainable finance trends. The UNGC introduced the CFO Principles on Integrated SDG Investments and Finance and gathered together CFOs from the world's leading companies to launch a task force to attain the SDGs. Work is underway to introduce mandatory disclosures in line with these trends, and Kyobo Securities needs to recognize the increasing likelihood that these disclosures may expand further in terms of target, speed and scope.

Q. For Kyobo Securities to join the effort to attain the UN SDGs as a global corporate citizen, what are the goals that the company should focus on and what are the efforts that the company should pursue?

We welcome Kyobo Securities' joining the UNGC to become part of our global corporate citizenship campaign, and wish that the

company creates momentum in the securities industry to advance ESG management in a substantial and sincere manner. Investors across the globe are aware that ESG risks could turn into investment risks, and highlight the need to re-establish investment directions and methods. The international community and governments are also creating stringent laws on climate change, human rights, and corruption issues while introducing varying policies to this end. In return, leading businesses are embracing ESG as the key strategic pillar of their business operations, and are making full-scale efforts to embed ESG into their day-to-day work, including establishing BOD-led governance, integrated risk management and response, and goal setting and disclosure in line with global standards. We hope that Kyobo Securities will embed the values that we pursue at UNGC in the areas of human rights, labour, the environment and anti-corruption into its business operations, and conduct business more responsibly to attain the UN SDGs.

Q. What are the consideration and recommendations that would help Kyobo Securities fulfill its social responsibility and advance sustainability management?

It is critical that the company carefully identifies its greatest risk in business conduct through regular due diligence and works to make necessary improvements while consistently aligning its policies and systems to advance the ESG agenda. This is fundamental to risk management and strengthened competitiveness, and is also strongly demanded by governments and investors.

As the company publishes its first sustainability report, I hope this would serve to clearly communicate Kyobo Securities' journey and commitment towards sustainability to stakeholders. The company needs to collect and integrate the expectations and requirements of stakeholders through wide-ranging communication channels, and consistently align its ESG management goals and performance accordingly. In so doing, Kyobo Securities will surely position itself as a leader in sustainable finance.



We welcome Kyobo Securities' joining the UNGC to become part of our global corporate citizenship campaign, and wish that the company would create momentum in the securities industry to advance ESG management in a substantial and sincere manner. We hope that Kyobo Securities will embed the values that we pursue at UNGC in the areas of human rights, labour, the environment and anti-corruption into its business operations, and conduct business more responsibly to attain the UN SDGs. ”

PLANET

Green Management

Green Management Implementation System

Green Management Goal

There exist mounting interest in and concern over how global warming induced by carbon emissions may impact our lives. This leads to the emerging awareness that climate change risks are part of businesses' financial risks, and this prompted Kyobo Securities, Kyobo Life Insurance and other financial affiliates of Kyobo Group to publicly announce their commitment to 'end coal finance' in May 2021 and have decided to discontinue investment into the construction of new coal-fired power plants. We also disclose our environmental data as a leader in sustainability management, and advance green management to contribute to the transition into a low-carbon economy.

Green Management Organization

To advance green management, we regularly operate the environmental subcommittee under the ESG Management Council on a quarterly basis to identify and implement tasks in the environmental sector, discuss the progress made on ongoing tasks, and share ESG-related trends. Our Personnel & General Affairs Support Department and office building managers and Kyobo Realco are responsible for our green management operations, including eco-friendly repair and renovation of old buildings.

Building an Eco-friendly Corporate Culture

Launching Eco-friendly Campaigns and Creating an Eco-friendly Work Environment

We are reducing the unnecessary consumption of energy at our headquarters and branches to help lower GHG emissions and environmental pollution. The carrier bags that we use for business purposes (big and small sizes) have been manufactured

with recycled paper since 2011, and campaigns are launched to turn off the light and restrain from using cooling/heating devices and electronic heaters outside business hours.

We have replaced fluorescent lights with LED lights which consume less power at the headquarters and branches while switching to electronic documentation for meeting materials, adopting electronic media (e-mail or mobile alert talk, etc.) for notices previously sent through post, and developing RPA to reduce paper consumption to create an eco-friendly and efficient work environment.

Water and Waste Management

Waste generated from our office spaces is discharged and treated through licensed waste treatment vendors. As our headquarters is also occupied by multiple tenants, we fine-tune our methodology each year to analyze and identify our own waste generation data. We will launch campaigns to reduce the use of disposables and engage in other diverse improvement activities to gradually reduce our waste generation through systemic management. All domestic water that we consume at the office building is withdrawn from tap water, and the water treated through our sewage treatment facility within the building is discharged into the urban wastewater treatment facility for its integrated treatment. We stringently manage domestic waste and properly sort out waste to minimize the environmental impact generated by our water consumption and waste generation.

Future Plans for Green Management

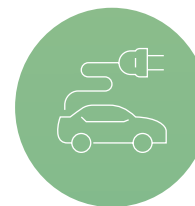
We will extend the scope of branches to switch to LED lighting for green management, and plan to create a centralized digital documentation system for all documents previously managed in their paper form to create a paperless office environment. Going forward, we will expand the scope of paperless transition to reduce our carbon footprint generated from paper manufacturing and transport while improving customer convenience and work efficiency through digital finance.

Our Roadmap to Respond to Climate Change and Advance Green Management



Lay the basis for green management (~ FY 2021)

- Establish an environmental data management system
- Prepare for ESG investment



Set major goals and tasks for climate response and green management (FY 2022)

- Set energy consumption/GHG emissions reduction targets
- Operate programs to minimize environmental impact
- Expand green means of transportation
- Issue ESG bonds and make ESG investments



Internalize and advance climate response and green management tasks (FY 2023 ~ FY 2024)

- Increase the procurement of green-certified products
- Improve energy efficiency
- Strengthen capabilities to arrange/underwrite ESG bonds



Expand the scope of eco-friendly operations and generate performance (~ FY 2025)

- Measure carbon emissions from each asset portfolio
- Verify GHG emissions
- Achieve international environmental management system certifications

Response to Climate Change

Long-term Response to Climate Change

The global community is fully aware of the importance of responding to climate change, and calls for diverse actions to reduce GHG emissions and transfer climate technology.

In supporting the transition into a low-carbon economy, Kyobo Securities recognizes its responsibility to respond to climate change as well as its role as a financial institution to direct the flow of funds into eco-friendly areas in accordance with the Paris Agreement.

We are planning a long-term project to contribute to the Korean government's 2050 carbon neutrality policy by setting our carbon emissions reduction targets in alignment with the Paris Agreement goal of limiting global warming well below 1.5°C and in accordance with the Science Based Target Initiative (SBTi). Developing phase-specific quantifiable GHG emissions reduction plans will surely help us chart our own distinctive course towards achieving carbon neutrality for investors and stakeholders.



Carbon neutrality goal

SBTi

Kyobo Securities plans to set its carbon emissions reduction plan in accordance with the Science Based Targets Initiative (SBTi).



Carbon Emissions Reduction Activities

GHG Emissions Management

A significant number of global financial institutions identify climate-related risks, and more and more financial institutions calculate their portfolio exposure to climate risks. For financial institutions which do not have a direct adverse impact on the environment, it is imperative that they measure and report indirect financed emissions (Scope 3 emissions) generated from their investment, loan and other financial operations.

Kyobo Securities will develop specific plans to measure its portfolio emissions in accordance with the PCAF* which presents standards for calculating portfolio emissions and reducing such emissions in a phased-in manner by 2025 and disclose relevant data through its integrated reports.

Expanding the Eco-friendly Means of Transportation

Following the development of plans to install ultra-fast EV chargers to reduce our carbon emissions and energy consumption, we established two EV chargers at the headquarters in March 2022. We will build on this to introduce low-emission vehicles for business purposes and consecutively shift from internal combustion engine cars to electric vehicles. As of May 2022, three of our 31 corporate vehicles (approximately 9.7%) were replaced with EVs.

* PCAF (Partnership for Carbon Accounting Financials): Disclosed in 2022 guidelines for financial institutions to calculate GHG emissions generated from their loans, investments, and financial assets by categorizing assets into six classes and providing GHG emissions calculation formula for each of these classes



Climate Finance

Implementing Climate Finance

ESG Investment Plan

The investment paradigm of today is shifting to reflect a company's non-financial performance in the areas of the environment, socially responsible management, and governance improvement as well as financial indicators into investment strategies and portfolios.

ESG investment considers profitability based on how ESG is aligned with a company's core operations and comprehensively assesses both financial and non-financial data so as to invest in competitive and sustainable companies. ESG investment is emerging as one of the main components of global funds mainly in Europe and the US, and ESG funds under operation have surged over the past two to three years.

In line with these ESG trends, we have established ESG investment principles and assessment criteria and applied them to advancing new businesses. We are planning investment into renewable power generation projects to keep pace with the latest trends of climate finance among international organizations as well as the US, EU and other major countries and with Korea's Green New Deal and green finance policy initiatives. Over the short and mid-term, we are considering waste landfill facility projects in addition to wind power and photovoltaics, and are also exploring ways to shift the focus of our existing bond portfolio into ESG while issuing ESG bonds.

To make responsible and meaningful ESG investments, we select projects in conformity with our ESG investment guides and plan to achieve certifications granted by external certification bodies prior to making an investment.

* P4G (Partnering for Green Growth and the Global Goals 2030): A global platform joined by 12 countries including the Republic of Korea, Denmark, and the Netherlands to facilitate public-private partnerships in the five green economy areas of water, energy, circular economy, cities, and food/agriculture and to accelerate the attainment of the UN SDGs and the implementation of the Paris Agreement



Commitment to End Coal Finance

Global endeavors to respond to climate change are giving rise to a stronger momentum to discontinue investment in coal power generation across the world. While it was primarily development banks and export credit agencies who announced their plan to suspend public financing support for overseas coal power generation, governments are also considering to follow suit at the multi-stakeholder gatherings held recently including the P4G*.

As a member of the P4G, the Republic of Korea also announced its commitment to suspending financing support for new overseas coal power generation projects and facilities and abide by the international agreements reached concerning any additional matters.

In our 'declaration to support climate finance to achieve the 2050 carbon neutrality goal' made in March 2021, we committed ourselves not to engage in any investment or financing to construct coal-fired power plants. In line with our ESG investment principles, we will develop coal-exit operational policy directions and investment restriction strategies to preemptively respond from the viewpoint of risk management. We will also actively join climate-related global initiatives such as the TCFD and the CDP to fulfill our responsibility towards the environment as a financial institution and play a leading role in the transition into a carbon-neutral society.



ESG-related Financial Products and Services

As investors are increasingly interested in sustainability management and social responsibility in the bond market, this is spurring increases in the launching of ESG-related financial products and bonds.

As such, we will bolster our climate finance capabilities and secure talent to participate as an arranger for ESG bonds and sustainability bonds for diverse companies. In so doing, we will raise our profile as a leading financial institution in the domestic ESG bond market and emerge as a company playing a leading role in ESG bond arrangement and underwriting.

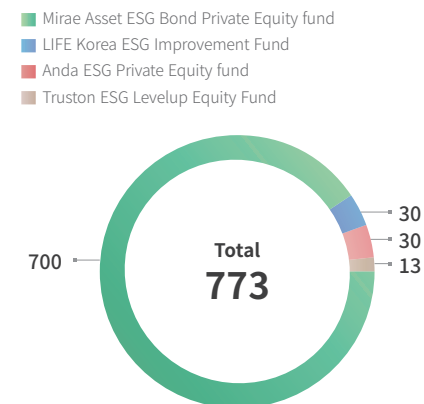
As more and more consumers including millennials and Gen Z recognize the value of ESG, we will source, develop and sell ESG-themed financial investment products that are both environmentally friendly and socially responsible to provide customers greater opportunity to participate in eco-friendly activities and the resolution of social issues.

In response to the growing consumer interest in and needs for sustainable investment strategies, we vow to deliver specific and transparent sustainable financing solutions that span the entire spectrum of ESG.



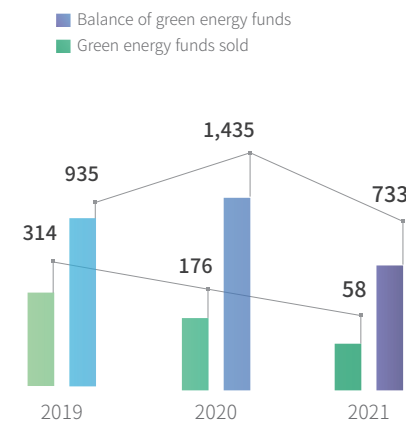
Socially Responsible Investment Funds Sold in 2021

(unit: KRW 100 million)



Eco-friendly Products Operated

(unit: KRW 100 million)





Lee Jong-oh,
Secretary-general | Korea Sustainability
Investing Forum

“

Kyobo Securities needs to calculate its GHG emissions and set carbon emissions reduction targets in line with the SBTi. As the company accelerates its efforts to develop plans to withdraw investments from existing coal power generation projects and reduce investments made in relation to fossil fuel while actively identifying renewable energy projects and expand ESG investment, this will help the company establish effective response to climate change. ”

Q. What are the sustainability management trends that Kyobo Securities needs to take note of and keep an eye on?

Sustainability management has now entered into the Great Transformation phase, and is changing based on the three pillars of ‘inclusive growth’, ‘stakeholder-centered capitalism’ and ‘transition into a carbon-free society’. One of the significant changes occurring globally is the launching of numerous financial initiatives associated with global carbon neutrality. In Korea, the government announced measures to expand ESG infrastructure and the Financial Supervisory Service its plan to reinforce the climate risk management of financial institutions. These all aim to establish institutional mechanisms for financial institutions to become alert to their obligations and responsibilities concerning climate-related issues, and the National Pension Service also strengthened its ESG investment policy.

The most important trend that warrants Kyobo Securities’ attention is ESG disclosure mandate, and there are increasing demands for climate-related disclosures in Korea in line with the TCFD framework and the CDP. In particular, the company also needs to take note of the fact that the RE100, the EV100 and other renewable energy initiatives are expanding. It is time that Kyobo Securities establishes its own system to swiftly respond to such global demands.

Q. What are the activities Kyobo Securities should implement in conducting its business and reducing customers’ carbon emissions with an aim to respond to the climate crisis?

In the financial industry, green management and green finance are no longer a mere option but an obligation that should be observed under any conditions. In particular, financed emissions should be considered as the top priority in relation to climate crisis response by securities firms as financial institutions. Financed emissions refer to portfolio-induced GHG emissions generated from financial institutions’ operations spanning investments, loans, and insurance. In particular, global initiatives consider the reduction of financed emissions as one of their key pillars. In response, Kyobo Securities needs to calculate its GHG emissions and set carbon emissions reduction targets in line with the SBTi. As the company accelerates its efforts to develop plans to withdraw investments from existing coal power generation projects and reduce investments made in relation to fossil fuels while actively identifying renewable energy projects and expanding ESG investment, this will help the company establish an effective response to climate change.

Q. What are the consideration and recommendations that would help Kyobo Securities fulfill its social responsibility and advance sustainability management?

As Kyobo Securities is in the introductory phase to establish and implement its ESG management system, it is imperative that the company carefully defines its stakeholders who form the fundamental principles of social responsibility as specified in ISO 26000. The company also needs to build regular and ongoing channels to continuously reach out to stakeholders to promote their active participation and accurately identify their needs in so doing.

Globally, we witness increasing litigations raised in relation to greenwashing and ESG-washing. This means that Kyobo Securities should beware of greenwashing that may occur in the process of attaining its sustainability management vision and policy as well as actionable goals.

APPENDIX

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01 | FINANCIAL DATA

Consolidated Statements of Financial Position

Kyobo Securities and Its Subsidiaries

2021 As of December 31, 2021 | 2020 As of December 31, 2020 | 2019 As of December 31, 2019

Item	2021	2020	2019
Assets			
1. Cash and deposits	1,200,847,699,950	869,788,646,261	658,672,664,756
2. Financial assets at fair value through profit or loss ("FVTPL")	7,410,016,591,314	6,321,918,164,098	5,572,056,453,400
3. Financial assets at fair value through other comprehensive income ("FVTOCI")	355,022,914,949	393,294,783,249	407,749,168,376
4. Investments in associates	15,928,280,000	881,708,423	848,656,661
5. Loans	1,666,458,730,556	1,508,108,771,627	705,988,023,209
6. Property and equipment	83,901,321,317	75,331,223,589	73,184,725,488
7. Right-of-use asset	9,166,653,130	9,181,450,387	8,855,501,940
8. Investment property	103,479,378,890	109,400,469,407	114,067,676,570
9. Intangible assets	8,136,267,917	7,450,086,817	6,592,993,717
10. Define benefit asset	874,127,588		
11. Other assets	629,992,528,341	815,789,957,743	375,875,307,542
Total assets	11,483,824,493,952	10,111,145,261,601	7,923,891,171,659
Liabilities			
1. Deposits	1,753,225,352,268	1,407,101,185,277	738,198,354,464
2. Financial liabilities at FVTPL	4,036,805,112,117	3,950,703,198,492	3,903,940,393,640
3. Borrowings	3,522,582,157,815	2,584,139,526,165	1,771,465,387,476
4. Lease liabilities	7,282,105,358	7,479,079,267	7,317,849,960
5. Employee benefits liabilities	-	4,236,369,275	5,196,025,422
6. Provisions	937,459,494	913,168,611	849,392,915
7. Deferred tax liabilities	44,578,773,352	42,251,105,385	50,041,587,222
8. Other liabilities	723,482,788,421	850,995,524,638	485,969,952,114

Item	2021	2020	2019
Total liabilities	10,088,893,748,825	8,847,819,157,110	6,962,978,943,213
Equity			
I . Equity attributable to owners	1,394,930,745,127	1,263,326,104,491	960,912,225,646
1. Capital stock	323,266,480,000	323,266,480,000	180,000,000,000
2. Capital surplus	86,898,558,293	86,898,558,293	30,858,267,313
3. Capital adjustments	(5,249,436,185)	(5,288,994,931)	(5,383,981,315)
4. Accumulated other comprehensive income	97,963,696,533	87,874,475,771	74,896,937,672
5. Retained earnings	892,051,446,486	770,575,585,358	680,541,001,976
(Regulatory reserve for credit losses)	(7,126,574,933)	(4,854,643,773)	(5,197,622,572)
(Planned regulatory reserve for credit losses)	(28,955,265)	(2,271,931,160)	(342,978,799)
II . Non-controlling interests	-	-	2,800
Total equity	1,394,930,745,127	1,263,326,104,491	960,912,228,446
Total liabilities and equity	11,483,824,493,952	10,111,145,261,601	7,923,891,171,659

Consolidated Statements of Comprehensive Income

Kyobo Securities and its Subsidiaries

2021 For the year ended December 31, 2021 | 2020 For the year ended December 31, 2020 | 2019 For the year ended December 31, 2019

Item	2021	2020	2019
I . Operating revenue	2,248,077,231,990	1,766,540,003,676	1,452,089,581,873
1. Fees and commission income	422,164,958,238	305,564,710,489	231,358,502,427
2. Gain on financial assets and liabilities at FVTPL	1,442,677,963,803	1,112,339,955,638	838,683,812,739
3. Gain on financial assets and liabilities at FVTOCI	254,943,242	1,379,935,247	497,583,008
4. Interest income	218,613,669,737	183,801,789,669	283,209,481,169
5. Gain on valuation and disposal of loans at amortized cost	516,566,431	-	42,671,781
6. Gain on foreign exchange transactions	158,548,898,053	161,063,995,296	94,161,099,740
7. Other operating income	5,300,232,486	2,389,617,337	4,136,431,009
II . Operating expenses	2,062,544,014,605	1,629,953,447,475	1,341,735,316,077
1. Fees and commission expenses	114,229,181,381	64,660,936,628	46,140,433,652
2. Loss on financial assets and liabilities at FVTPL	1,492,597,705,597	1,187,590,671,138	872,541,617,957

Item	2021	2020	2019
3. Loss on financial assets and liabilities at FVTOCI	103,507,028	53,316,371	-
4. Interest expense	33,849,305,147	26,635,534,156	157,164,744,770
5. Loss on valuation and disposal of loans at amortized cost	1,867,937,811	2,400,215,954	810,165,616
6. Loss on foreign exchange transactions	173,592,902,077	135,000,158,697	67,405,380,923
7. General and administrative expenses	245,712,313,914	212,788,434,577	196,037,532,780
8. Other operating expenses	591,161,650	824,179,954	1,635,440,379
III. Operating income	185,533,217,385	136,586,556,201	110,354,265,796
IV. Non-operating income	12,710,907,998	11,322,271,446	11,730,458,711
V. Non-operation expense	1,753,488,630	1,194,553,222	3,044,478,463
VI. Income before income tax	196,490,636,753	146,714,274,425	119,040,246,044
VII. Income tax expense	53,148,047,565	42,764,809,701	35,567,742,069
VIII. Profit for the year	143,342,589,188	103,949,464,724	83,472,503,975
1. Profit (loss) attributable to owners	143,342,589,188	103,949,464,724	83,472,503,975
Profit adjusted for regulatory reserve			
2. Profit (loss) attributable to non-controlling interests			-
IX. Other comprehensive income	10,089,220,762	12,977,538,099	7,907,123,305
1. Items that are or may be subsequently reclassified to profit or loss	(1,194,899,926)	424,458,664	115,695,988
Gain on valuation of financial assets at FVTOCI	(1,195,962,423)	401,077,544	143,773,355
Equity adjustments in equity method	1,062,497	23,381,120	(28,077,367)
2. Items that will not be reclassified to profit or loss	11,284,120,688	12,553,079,435	7,791,427,317
Loss on valuation of financial assets at FVTOCI	10,106,740,215	17,393,100,954	6,213,655,586
Loss on valuation of financial liabilities designated as at FVTPL	(879,486,040)	(3,678,715,581)	1,368,159,186
Remeasurement gain (loss) related to defined benefit plans	2,056,866,513	(1,161,305,938)	209,612,545
X. Total comprehensive income	153,431,809,950	116,927,002,823	91,379,627,280
1. Total comprehensive income attributable to owners	153,431,809,950	116,927,002,823	91,379,627,280
2. Total comprehensive income attributable to non-controlling interests	-	-	-
XI. Earnings per share			
1. Basic earnings per share	2,255	2,091	2,391

Financial Performance

Growth (consolidated basis)

Category		Unit	2019	2020	2021
Net operating income*	Value	KRW 100 million	3,064	3,494	4,313
	Increase	%	12.8	14.0	23.4
Total assets	Value	KRW 100 million	79,239	101,111	114,838
	Increase	%	7.9	27.6	13.6
Equity capital	Value	KRW 100 million	9,609	12,633	13,949
	Increase	%	9.0	31.5	10.4

* Net operating income: Operating income on the consolidated statements of comprehensive income (operating income – operating expenses) + general and administrative expenses

Profitability (consolidated)

Category		Unit	2019	2020	2021
Operating income	Value	KRW 100 million	1,104	1,366	1,855
	Increase	%	18.3	23.7	35.8
Profit for the year	Value	KRW 100 million	835	1,039	1,433
	Increase	%	8.0	24.4	37.9
ROE		%	9.1	9.3	10.8

Stability (consolidated)

Category		Unit	2019	2020	2021
BIS ratio			12.1	12.5	12.1
Debt-to-equity ratio		%	724.6	700.4	723.3
NCR			434.9	638.9	686.5

Economic Value Created and Distributed

Category		Unit	2019	2020	2021
Economic value created					
Operating income			111.1	138.6	185.0
Profit before tax		KRW billion	121.1	149.3	195.5
Profit for the year			85.0	105.8	143.7
Economic value distributed					
Shareholders/investors	Dividends and interest payments		7.2	7.2	10.6
Employees	Wages		118.7	133.0	156.3
	Welfare & benefits	KRW billion	21.7	23.6	25.9
Governments	Income taxes		36.1	43.4	52.8
Communities	CSR investments (donations only)		0.5	0.5	0.4
Business partners	Procurement and service expenses*		4.0	5.0	5.0

* Rough sum combining computer system development expenses (computer system service expenses) + consumable expenses + payment fees (general service labor expenses, etc.)

* On a non-consolidated basis

Company-wide Operational Systems in Relation to Policy Donations

Category		Unit	2019	2020	2021
Membership fees paid	Contributions to the Financial Supervisory Service		699	706	677
	Fees paid to the Korea Financial Investment Association	KRW million	464	687	693
	Special contributions		298	228	353
	Others		469	416	486

Domestic Income Tax Expenses Paid

Category		Unit	2019	2020	2021
Republic of Korea	Profit before tax		121,074	149,251	196,517
	Income tax	KRW million	36,060	43,379	52,825

* On a non-consolidated basis

Socially Responsible Finance

Responsible Investment

	Category	Unit	2019	2020	2021
Socially responsible investing funds sold	Mirae Asset ESG Bond Private Equity fund	KRW 100 million	-	-	700
	LIFE Korea ESG Improvement Fund		-	-	30
	Anda ESG Private Equity fund		-	-	30
	Truston ESG Levelup Equity Fund		-	-	13

Eco-friendly Products

	Category	Unit	2019	2020	2021
Balance of eco-friendly energy funds		KRW 100 million	935	1,435	733
Eco-friendly energy funds sold			314	176	58

Performance by Business Unit

Total Customer Asset Portfolio

	Category	Unit	2019	2020	2021
Deposits		KRW trillion (%)	65(100.0)	64(100.0)	71(100.0)
Equity assets			7(11.0)	10(16.0)	11(16.0)
Funds			12(19.0)	14(22.0)	17(24.0)
Bonds			1(2.0)	1(2.0)	1(2.0)
Trusts			26(40.0)	22(34.0)	22(32.0)
Derivatives-linked securities			3(5.0)	3(5.0)	4(5.0)
Wrap			11(16.0)	8(13.0)	11(15.0)
Private equity			4(6.0)	3(5.0)	3(4.0)
Others			1(1.0)	1(2.0)	2(2.0)

BROKERAGE

Category	Unit	2019	2020	2021
Net fees and commissions	KRW billion	70	114	141
No. of HNW customers (KRW 100 million or more)	No. of persons	6,729	9,367	10,364

IB

Category	Unit	2019	2020	2021
Underwriting and advisory fees	KRW billion	91	111	156
Underwriting arrangements (including real estate financing)		43,380	53,952	54,559

SALES & TRADING

Category	Unit	2019	2020	2021
Balance of ELS/ELB	KRW billion	771	825	1,197
Balance of DLS/DLB		2,371	2,368	2,433

WM

Category	Unit	2019	2020	2021
Balance of customer assets (company-wide)	KRW billion	65,097	64,263	70,828
Proceeds from the sale of financial products		41	31	32

Digital Asset Management

Category	Unit	2019	2020	2021
No. of non-face-to-face accounts	10,000 persons	1.0	2.8	5.4
Digital customer assets	KRW billion	62.0	14.9	14.1

Innovative Financing

Category	Unit	2019	2020	2021
Loans	KRW billion	-	-	-
Investments		1.0	1.0	20.5

02 | ESG DATA

Environmental

GHG Emissions

Category	Unit	2019	2020	2021	Note
Direct emissions (Scope 1)		83.72	87.47	95.23	
Indirect emissions (Scope 2)	tCO ₂ eq	1,579.37	1,527.71	1,510.55	* Scope of data calculation: Headquarters
Total emissions		1,663.09	1,615.18	1,605.78	

Energy Consumption

Category	Unit	2019	2020	2021	Note
Electricity		11.975	11.572	11.556	
City gas		0.282	0.268	0.218	
Diesel	TJ	0.008	0.008	0.008	* Scope of data calculation: Headquarters
Steam		0.805	0.831	0.995	
Gasoline (mobile combustion)		1.025	1.091	1.244	
Total energy consumption		14.094	13.770	14.021	

Water Consumption

Category	Unit	2019	2020	2021	Note
Tap water consumption	1,000 tons	14.11	12.76	11.96	* Scope of data calculation: Headquarters

* Environmental data: Calculated based on the gross floor areas occupied by Kyobo Securities (39.87%) out of total

Waste Generation

Category	Unit	2019	2020	2021	Note
General waste	Recycling	-	-	31.10	* Scope of data calculation: Headquarters
	Landfill	-	-	17.94	
	Total	-	-	49.04	

Environmental Investments

Category	Unit	2019	2020	2021	Note
LED lights purchased	KRW million	8.4	10.1	1.5	
Old facilities replaced		120	120	61	

Social



Customers

Consumer Protection

Category	Unit	2019	2020	2021	Note
Non-compliance with labeling and advertising regulations	No. of cases of non-compliance with labeling and advertising regulations	0	0	0	
	Actions taken for non-compliance with labeling and advertising regulations	0	0	0	
Complete sales process and financial consumer protection training	Training hours per person	7	5	12	
Mystery Shopping evaluation results	Q1	98.8	-	-	
	Q2	99.9	-	-	
	Q3	91.6	-	83.6	
	Q4	-	-	-	
Damages generated from electronic financial fraud	No. of cases	22	11	51	

Information Security Training

Category	Unit	2019	2020	2021	Note
Employees who completed information security training	No. of persons	891	899	953	
Information security training hours	No. of hours	5,772	5,700	5,883	

Customer Data Privacy

Category	Unit	2019	2020	2021	Note
Customer data management	No. of complaints raised concerning customer personal data breaches	0	0	0	
	No. of personal data breaches	0	0	0	

Customer Satisfaction

Category	Unit	2019	2020	2021	Note	
Operational status of VOC	No. of VOCs submitted	606	1,859	1,299		
	No. of VOCs handled	579	1,829	1,260		
	Handling rate	%	95.5	98.4	97.0	
Customer satisfaction	Customer satisfaction	Point	88.9	92.6	94.2	



Employee

Employment

Category		Unit	2019	2020	2021	Note
Total employment						
Total employees	Male	No. of persons	589(63.9)	586(63.1)	637(63.8)	
	Female	(%)	333(36.1)	343(36.9)	362(36.2)	
	Total	No. of persons	922	929	999	
Regular employees	Male	No. of persons	456(59.4)	447(57.8)	462(57.8)	
	Female	(%)	312(40.6)	327(42.2)	337(42.2)	
	Total	No. of persons	768	774	799	
Contract/temporary workers	Male	No. of persons	133(86.4)	139(89.7)	175(87.5)	
	Female	(%)	21(13.6)	16(10.3)	25(12.5)	
	Total	No. of persons	154	155	200	
Employees by age						
Under 30			121(13.1)	133(14.3)	155(15.5)	
30~49		No. of persons	630(68.3)	593(63.8)	614(61.5)	
50 and older		(%)	171(18.5)	203(21.9)	230(23.0)	

Diversity of Employees

Category		Unit	2019	2020	2021	Note
By job level	Ratio of females out of total employees		36.1	36.9	36.2	
	Ratio of females out of total managers		18.4	18.1	19.7	
By type of contract	Ratio of females out of contract workers		13.6	10.3	12.5	
	Ratio of females out of regular workers		40.6	42.2	42.2	
Female managers by age	Ratio of female managers in their 30's		2.9	2.6	1.8	* Managers: Employees in manager and above positions
	Ratio of female managers in their 40's	%	9.7	8.6	8.4	
	Ratio of female managers in their 50's		1.5	2.5	2.9	
	Ratio of female managers in their 60's		0.0	0.0	0.0	
Other diversity ratios	Ratio of high school graduates		9.6	8.9	8.3	
	Ratio of employees of national merit		2.9	2.9	2.8	
	Ratio of employees with disabilities		0.5	0.5	0.6	

Collective Agreement

Category		Unit	2019	2020	2021	Note
Employees eligible for labor union membership		No. of persons	613	629	638	* Introduced the Union Shop system
Employees who joined the labor union			613	629	638	
Ratio of unionized employees		%	100.0	100.0	100.0	
Ratio of employees subject to collective agreements	All employees excluding executives	%	98.5	98.5	98.5	

Recruitment and Turnover

Category		Unit	2019	2020	2021	Note	
Recruitment							
Total		No. of persons	70	62	127	* Recruitment and turnover: Including all contract workers	
New hires by age	Under 30		41	24	58		
	30~50		25	23	56		
	Over 50		4	15	13		
New hires by gender	Male		49	42	98		
	Female	21	20	29			
Turnover and retirement							
Total		No. of persons	73	54	57		
Turnover and retirement by age	Under 30		7	3	6		
	30~50		47	34	36		
	Over 50		19	17	15		
Turnover and retirement by gender	Male		49	42	45		
	Female		24	12	12		

Employees Subject to Regular Performance Appraisal

Category		Unit	2019	2020	2021	Note
Ratio of employees who received regular performance appraisal	Male	%	100	100	100	
	Female		100	100	100	

Employee Compensation and Retirement Pension

Category		Unit	2019	2020	2021	Note
Employee compensation						
Wage for new hires	Male (grade 5)	KRW	47,224,920	48,405,480	49,373,520	
	Female (grade 5)		47,224,920	48,405,480	49,373,520	
	Male (grade 6)		36,245,400	37,151,520	37,894,560	
	Female (grade 6)		36,245,400	37,151,520	37,894,560	
Average wage for managers	Managers (male)	KRW	70,663,490	78,505,613	78,739,358	* Managers: Employees in manager and above positions
	Managers (female)		79,021,455	77,470,153	80,183,992	
Operational status of retirement pension						
Retirement pension under operation		KRW 100 million	433	505	546	
No. of subscribers		No. of persons	849	878	919	

Parental Leave

Category		Unit	2019	2020	2021	Note
Employees eligible for parental leave	Male	No. of persons	201	187	169	
	Female		98	86	76	
	Total		299	273	245	
Employees who took parental leave	Male		0	2	0	
	Female		12	8	11	
Employees who returned to work after parental leave	Male	%	0.0	100.0	100.0	
	Female		76.9	77.8	100.0	
Employees who worked 12 months or longer after parental leave	Male		0.0	100.0	0.0	
	Female		50.0	55.5	90.0	

Employee Training

Category	Unit	2019	2020	2021	Note
Total training hours		63,713	48,077	40,754	
Training hours by job category	Sales	35,346	28,489	17,842	* Reasons for decreases in training hours and expenses: The spread of COVID-19 led to reduction in offline training while the cyber training credit system was abolished to result in decreases in training hours.
	Support	28,367	19,588	22,974	
Training hours per person	Sales	62.6	48.7	30.3	
	Support	79.5	56.9	56.0	
	Male	65	51	36	
	Female	76	53	49	
Total training expenses		332	252	264	
Training expenses per person	KRW million	0.36	0.27	0.28	

Workplace Human Rights Training

Category	Unit	2019	2020	2021	Note
Prevention of sexual harassment	No. of training sessions	1	1	1	* Workplace harassment training has been conducted since 2020 as legally-mandatory training.
	Employees subject to training	894	907	927	
	Employees who completed training	894	907	927	
Improvement in perceptions on disability	No. of training sessions	1	1	1	
	Employees subject to training	896	907	927	
	Employees who completed training	896	907	927	
Prevention of workplace harassment	No. of training sessions	Not implemented	1	1	
	Employees subject to training	Not implemented	907	927	
	Employees who completed training	Not implemented	907	927	

Anti-Discrimination

Category	Unit	2019	2020	2021	Note
No. of cases of discrimination and actions taken	No. of cases of discrimination No. of cases	0	0	0	

Support for Employee Health and Safety

Category	Unit	2019	2020	2021	Note
Support for employees' health check-ups	Employees who received health check-ups No. of persons	821	732	859	
Employee health and safety	Occupational injury rate %	0.0	0.0	0.0	
Employees who use psychological health programs	No. of cases of psychological counseling No. of cases	11	47	79	
	No. of employees who received counseling No. of persons	7	14	24	



Communities

CSR Activity

Category	Unit	2019	2020	2021	Note
CSR activities undertaken	Cash donations	4.64	5.00	3.45	
	In-kind donations	KRW 100 million 0.43	0.14	0.36	
	Total	5.07	5.14	3.81	

Employee Volunteering

Category	Unit	2019	2020	2021	Note
Volunteer hours	No. of hours	7,692	0	0	
Employees who participated in volunteering	No. of persons	1,923	0	0	* Volunteering not conducted between 2020 and 2021 amid COVID-19
Volunteer hours per person	No. of hours	4	0	0	
Participation rate	%	208.5	0.0	0.0	

Governance

Composition of the BOD

Category		Unit	2019	2020	2021	Note
Composition	Executive Director		1	2	2	
	Non-Executive Director		3	3	3	
By gender	Male	No. of persons	4	5	5	
	Female		0	0	0	
By age	Under 30		0	0	0	
	30~50		0	0	0	
	Over 50		4	5	5	

Operation of the BOD

Category		Unit	2019	2020	2021	Note
BOD operation	Total No. of BOD meetings held	No. of meetings	14	13	15	
	No. of agenda items discussed	No. of items	63	88	114	
BOD attendance	Attendance of executive directors	%	100	100	100	
	Attendance of non-executive directors		100	100	100	

Director Remuneration

Category		Unit	2019	2020	2021	Note
Registered directors	No. of directors	No. of persons	1	2	3	* Including directors who retired, and excluding non-executive directors and Audit Committee members
	Total remuneration	KRW million	1,125	2,035	5,000	
	Average remuneration per person		1,125	1,017	1,667	
Non-executive directors (Audit Committee members)	No. of directors	No. of persons	3	4	4	* Including Audit Committee members who retired. All our non-executive directors are members of the Audit Committee, and these non-executive directors are reported as Audit Committee members
	Total remuneration	KRW million	150	151	150	
	Average remuneration per person		50	38	37	

Committee Operations

Category		Unit	2019	2020	2021	Note
Executive Candidate Recommendation Committee	No. of persons	No. of persons	3	3	3	
	Ratio of non-executive directors	No. of persons (%)	3(100)	3(100)	3(100)	
	No. of meetings held	No. of meetings	2	2	2	
	Attendance	%	100	100	100	
Audit Committee	No. of persons	No. of persons	3	3	3	
	Ratio of non-executive directors	No. of persons (%)	3(100)	3(100)	3(100)	
	No. of meetings held	No. of meetings	8	7	7	
Risk Management Committee	No. of persons	No. of persons	3	3	3	
	Ratio of non-executive directors	No. of persons (%)	2(67)	2(67)	2(67)	
	No. of meetings held	No. of meetings	13	12	14	
	No. of persons	No. of persons	3	3	3	
Remuneration Committee	Ratio of non-executive directors	No. of persons (%)	2(67)	2(67)	2(67)	
	No. of meetings held	No. of meetings	5	7	7	
	No. of persons	No. of persons	-	-	3	
ESG Committee	Ratio of non-executive directors	No. of persons (%)	-	-	2(67)	
	No. of meetings held	No. of meetings	-	-	2	

Anti-corruption

Category		Unit	2019	2020	2021	Note
Anti-corruption training hours	Training hours per person	No. of hours	6.0	2.0	6.5	
Employees who received training on irregularities/corruption		No. of persons	857	910	908	
Irregularities/corruption	No. of cases investigated		0	0	0	
	No. of cases handled (disciplinary actions, etc.)		0	0	0	
Whistleblower reports on corruption submitted	Red Whistle	No. of cases	0	0	1	
Whistleblower reports on corruption handled	No. of cases		0	0	1(unsubstantiated)	
Existence of whistleblower protection mechanisms		Yes/No	Yes	Yes	Yes	

Ethical Management

Category	Unit	2019	2020	2021	Note
Employees who received ethical management training	No. of persons	365	60	945	
Ratio of employees who attended ethical management training	%	39.6	6.5	94.6	
Non-compliance with regulatory behavioral standards on the part of employees	Conflict of interest	0	0	0	
	Investment in securities and others	0	0	0	
	Acceptance of money & valuables, and entertainment	0	0	0	
	Non-compliance with public activity regulations	0	0	0	
Actions taken for non-compliance with regulatory behavioral standards on the part of employees	Non-compliance with anti-money laundering regulations	2	0	0	
	Wage cut	4	3	1	
	Reprimand	1	14	10	
	Warning	3	12	11	
	Others	8	21	14	

ESG Ratings*

Category	Unit	2019	2020	2021	Note
Environmental	Rating	D	D	D	
Social		B+	B+	B+	
Governance		B	B	B	
Overall ESG rating		B	B	B	

* Assessments made by the Korea Corporate Governance Service (KCGS)

Compliance

Category	Unit	2019	2020	2021	Note	
Non-compliance with laws and regulations from the social and economic aspects	Total fines for legal/regulatory non-compliance (excluding penalties)	KRW	0	0	0	* Sanctions by the Korea Exchange
	Total No. of non-monetary sanctions for legal/regulatory non-compliance	No. of cases	0	0	0	
	Total fines for legal/regulatory non-compliance (excluding penalties)	KRW	0	0	0	* Sanctions by the Financial Supervisory Service
	Total No. of non-monetary sanctions for legal/regulatory non-compliance	No. of cases	0	0	0	
	Total fines for legal/regulatory non-compliance (excluding penalties)	KRW	0	0	0	* Sanctions by the Fair Trade Commission
	Total No. of non-monetary sanctions for legal/regulatory non-compliance	No. of cases	0	1 (warning)	0	
Cases raised through dispute settlement mechanisms	No. of cases	0	0	0		

03 | Third-party Assurance Statement



Relating to Kyobo Securities Co., Ltd.'s Sustainability Report for the calendar year 2021

This Assurance Statement has been prepared for Kyobo Securities Co., Ltd. in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

LRQA was commissioned by Kyobo Securities Co., Ltd. (Kyobo Securities abbreviated) to provide independent assurance on its '2021 Kyobo Securities Integrated Report' ("the report") against the assurance criteria below to a "moderate level of assurance and materiality of professional judgement" using "Accountability's AA1000AS v3", where the scope was a Type 2 engagement.

Our assurance engagement covered Kyobo Securities' operations and activities in Korea and specifically the following requirements:

- Evaluating adherence to the AA1000 AccountAbility Principles¹ of Inclusivity, Materiality, Responsiveness and Impact
- Confirming that the report is in accordance with GRI Standards² and core option
- Evaluating the accuracy and reliability of data and information for only the selected indicators listed below:
 - GRI 200 (Economic): 201-1, 205-2, 205-3
 - GRI 300 (Environmental): 302-1, 303-1, 303-2, 303-3, 305-1, 305-2
 - GRI 400 (Social): 401-1, 401-2, 401-3, 404-1, 404-2, 404-3, 405-1, 406-1, 413-1, 417-3, 418-1, 419-1

Our assurance engagement excluded the data and information of Kyobo Securities' suppliers, contractors and any third-parties mentioned in the report.

LRQA's responsibility is only to Kyobo Securities. LRQA disclaims any liability or responsibility to others as explained in the end footnote. Kyobo Securities' responsibility is for collecting,

aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of Kyobo Securities.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that Kyobo Securities has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable performance data and information as all errors or omissions identified during the assurance engagement were corrected
- Covered all the issues that are important to the stakeholders and readers of this report.

The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a moderate assurance engagement is less than for a high assurance engagement. Moderate assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a moderate assurance engagement is substantially lower than the assurance that would have been obtained had a high assurance engagement been performed.

LRQA's approach

LRQA's assurance engagements are carried out in accordance with our verification procedure. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Assessing Kyobo Securities' approach to stakeholder engagement to confirm that issues raised by stakeholders were captured correctly. We did this through reviewing documents and associated records.

- Reviewing Kyobo Securities' process for identifying and determining material issues to confirm that the right issues were included in their Report. We did this by benchmarking reports written by Kyobo Securities and its peers to ensure that sector specific issues were included for comparability. We also tested the filters used in determining material issues to evaluate whether Kyobo Securities makes informed business decisions that may create opportunities that contribute towards sustainable development.
- Auditing Kyobo Securities' data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification. We also spoke with those key people responsible for compiling the data and drafting the report.
- Reviewing additional evidence made available by Kyobo Securities at its headquarters in Seoul.

Observations

Further observations and findings, made during the assurance engagement, are:

- **Inclusivity:**
We are not aware of any key stakeholder groups that have been excluded from Kyobo Securities' stakeholder engagement process.
- **Materiality:**
We are not aware of any material issues concerning Kyobo Securities' sustainability performance that have been excluded from the report. It should be noted that Kyobo Securities has established extensive criteria for determining which issue/aspect is material and that these criteria are not biased to the company's management.
- **Responsiveness:**
Kyobo Securities established ESG management strategies and made detailed action plans. We expect that Kyobo Securities will be able to report the progress of the action plans in the future.
- **Impact:**
Kyobo Securities should enhance its management approach to sustainability issues such as Scope 3 GHG emissions of which impacts occur outside of its organizational boundary.
- **Reliability:**
Kyobo Securities should establish documented data management process to ensure transparency and consistency of reporting sustainability performance data.

LRQA's standards, competence and independence

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and ISO/IEC 17021 Conformity assessment – Requirements for bodies providing audit and certification of management

systems that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This verification engagement is the only work undertaken by LRQA for Kyobo Securities and as such does not compromise our independence or impartiality.

Dated: 21 May 2022

Tae-Kyoung Kim

LRQA Lead Verifier

On behalf of LRQA

17th Floor, Sinsong Building, 67 Yeouinaru-ro, Yeongdeungpo-gu, Seoul, Korea

LRQA reference: SEO00001026



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1) <https://www.accountability.org>

2) <https://www.globalreporting.org>

04 | GRI Content Index

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	102-10	Significant changes to the organization and its supply chain	-	No significant change
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GRI 103: Management Approach 2016	103-1,2,3	Explanation of the material topic and its boundary. The management approach and its components. Evaluation of the management approach	26~27	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	53~55, 90~91	
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GRI 103: Management Approach 2016	103-1,2,3	Explanation of the material topic and its boundary. The management approach and its components. Evaluation of the management approach	26~27	
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GRI 103: Management Approach 2016	103-1,2,3	Explanation of the material topic and its boundary. The management approach and its components. Evaluation of the management approach	26~27	
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05 | SASB INDEX

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	RESPONSE
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Percentage (%)	FN-IB-330a.1	p.60, 84
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	Revenue from (1) underwriting, (2) advisory, and (3) securitization transactions incorporating integration of environmental, social, and governance (ESG) factors, by industry	Reporting currency(won)	FN-IB-410a.1	1. Underwriting_60 deals, value: KRW 4.4619 trillion / 2. Arrangement_38 deals, value: KRW 4.1629 trillion ※ As of 2021, concerning ESG bond performance only
	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry	Number, Reporting currency(won)	FN-IB-410a.2	1. Investment: 2021_2 deals, KRW 3 billion 2. Loan: N/A ※ As of 2021, invested as new technology business investment funds (investments made by the company)
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities	n/a	FN-IB-410a.3	p.18, 56~57
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Reporting currency(won)	FN-IB-510a.1	No such losses occurred during the reporting period.
	Description of whistleblower policies and procedures	n/a	FN-IB-510a.2	p. 54~55, 61
Professional Integrity	(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	Number, Percentage (%)	FN-IB-510b.1	No private civil litigations nor other medication and arbitration cases occurred during the reporting period.
	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Number	FN-IB-510b.2	No medication and arbitration cases associated with professional integrity occurred during the reporting period.
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care	Reporting currency(won)	FN-IB-510b.3	No medication and arbitration cases associated with professional integrity occurred during the reporting period.
	Description of approach to ensuring professional integrity, including duty of care	n/a	FN-IB-510b.4	p.53
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	Basis points (bps)	FN-IB-550a.1	N/A
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	n/a	FN-IB-550a.2	We analyze market, credit, and liquidity crisis situations at least every quarter on the company-wide level, and estimate our financial soundness indicators under such crisis situations. The analysis results are reported to our senior management and the Risk Management Committee, and are used as metrics to identify major risk factors to which the company is exposed and determine whether such crisis situations fall within acceptable risk levels, impacting the major decisions to be made later on.
Employee Incentives & Risk Taking	Percentage of total remuneration that is variable for Material Risk Takers (MRTs)	Percentage (%)	FN-IB-550b.1	Remuneration is provided according to our remuneration system, and MRTs are not applied.
	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied	Percentage (%)	FN-IB-550b.2	Remuneration is provided according to our remuneration system, and MRTs are not applied.

06 | UNGC – Communication on Progress

Subject	Principle	Page
Human Rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights; and	53, 57, 61
	Principle 2. Make sure that they are not complicit in human rights abuses.	18, 61, 87
Labour	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	63, 85
	Principle 4. The elimination of all forms of forced and compulsory labor;	63
	Principle 5. The effective abolition of child labor; and	N/A
	Principle 6. The elimination of discrimination in respect to employment.	87
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges; and	68
	Principle 8. Undertake initiatives to promote greater environmental responsibility; and	68~70
	Principle 9. Encourage the development and diffusion of environmentally friendly technologies.	68~70
Anti-Corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	53~55, 90



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals. We welcome feedback on its contents.

Kyobo Securities joined the UN Global Compact (UNGC) in 2021, and has since abided by its 10 principles in the areas of human rights, labour, the environment, and anti-corruption. We plan to submit our Communication on Progress (COP) reports each year.

07 Awards and Memberships

Awards

Date	Host	Award
Jan. 21, 2022	Korea Exchange	Named an excellent IB in the KOSDAQ market in 2021
Feb. 08, 2022	DNEWS	Awarded at the DNEWS Real Estate IB Awards 2022
Dec. 09, 2021	eToday	Received the Excellence Award in the consumer protection category at the Market Leader Awards 2021
Nov. 18, 2021	Korea Investors Service	Korea Investors Service gave Kyobo Securities an upgrade to AA- in long-term credit rating
Oct. 13, 2021	LACP	Received the Gold Prize in the Annual Report category at the LACP 2020 Vision Awards
Dec. 17, 2019	Aju News	Received the overall Grand Prize (Financial Services Commission Chairman Award) at the Aju News Financial Securities Awards 2019
Dec. 11, 2019	eToday	Awarded in the customer asset management category at the Market Leader Awards 2019
Jun. 23, 2019	Dong-A Daily News	Awarded in the CSR/support for the underprivileged category at the Korea Innovation Awards 2019
Mar. 18, 2019	Korea Teachers' Credit Union	Selected as the Fund Management Partner of the Year in 2018 (financial product sales unit)
Dec. 13, 2018	Aju News	Received the Korea Financial Investment Association Chairman Award in the investment financing category at the Aju News Financial Securities Awards
Oct. 22, 2018	Asia Mobile Trading System	Received the Top Prize in the innovation category of the Asia Mobile Trading System Awards
Jul. 17, 2018	MaeKyung Economy	Awarded the Best Model Portfolio category in 2018
Apr. 23, 2018	Dong-A Daily News	Received the Grand Prize in the 'underprivileged category' at the Korea CSR Management Awards 2018
Dec. 20, 2017	eToday	Received the Excellence Award in the structured financing category at the Market Leader of the Year Awards 2017
Dec. 14, 2017	Aju News	Received the Grand Prize in the customer asset management category at the Aju News Financial Securities Awards 2017
Nov. 24, 2017	Sedaily	Received the Top Prize in the management innovation category of the Korea Securities Awards 2017
Oct. 26, 2017	Asia Mobile Trading System	Received the Top Prize in the innovation category at the Asia Mobile Trading System Awards 2017
Sep. 27, 2017	Herald Business	Received the Best Return Award at the Best Report Awards 2017
Jul. 20, 2017	Dong-A Daily News	Received the Grand Prize in the 'underprivileged category' at the Korea CSR Management Awards 2017
May 29, 2017	Money Today	'Namu Tech' issued by Kyobo Securities working as an arranger awarded at the Korea KONEX Awards 2017
Feb. 09, 2017	MaeKyung Economy	Received the Company Analysis Gold Prize' at the MaeKyung Securities Awards 2017
Jan. 24, 2017	the bell	Awarded in the Best Innovative Bond House DCM category

Memberships

Primary Dealer Council
Korea Financial Telecommunications & Clearing Institute
Financial Security Institute
Financial Information Protection Council
Brokerage member of the Emissions Trading System
UN Global Compact (UNGC)
Association of Compliance Officers
Securities Friday Group
Korea Financial Investment Association
Korea Enterprises Federation
Korea Listed Companies Association
Korea Securities Law Association

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