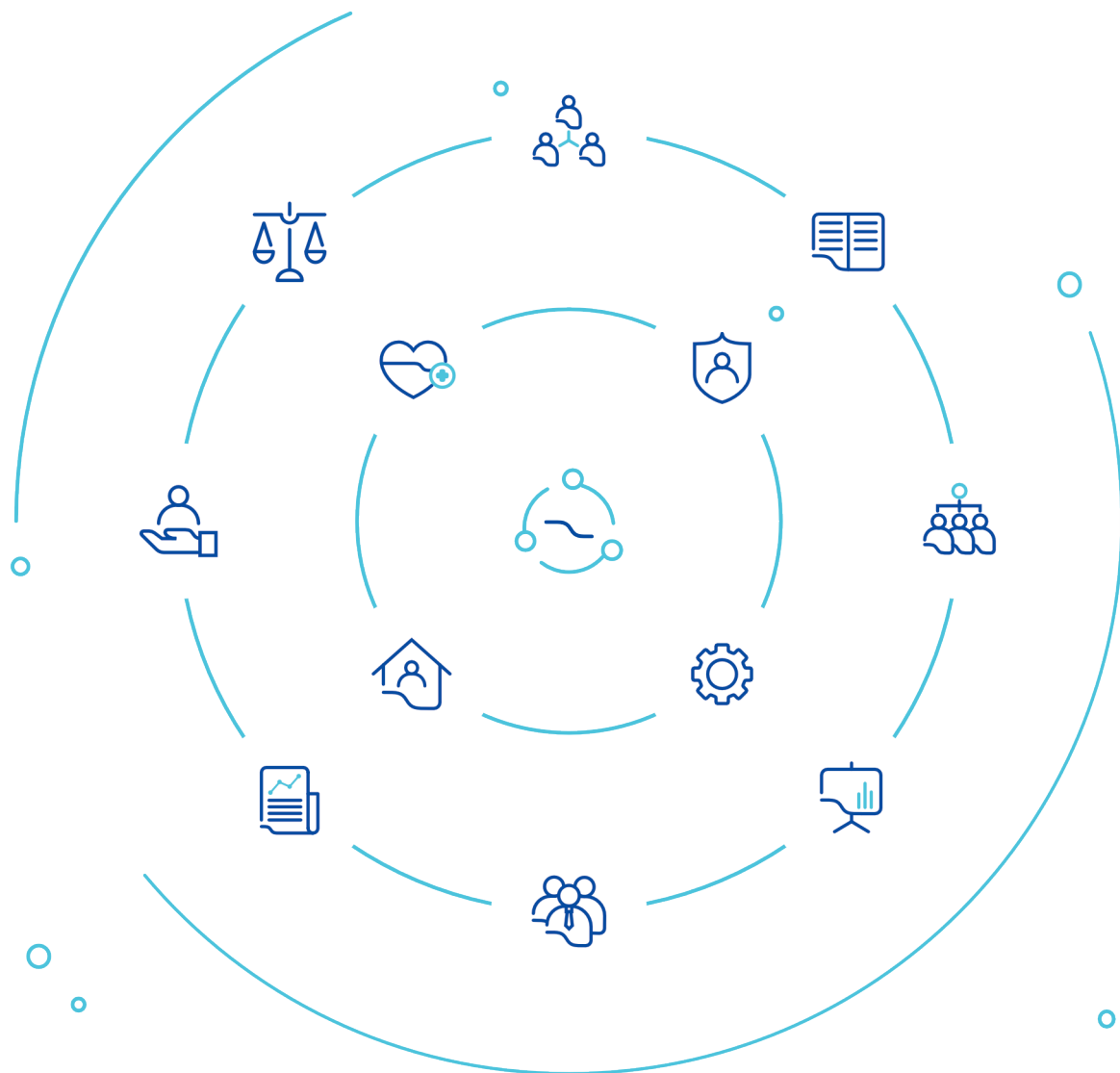


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Samsung Fire & Marine Insurance Sustainability Report

Good Insurance Company
for Better Life



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About This Report

SFMI(Samsung Fire & Marine Insurance) annually publishes a Sustainability Report to share activities, performances and future objectives of sustainability management with customers, shareholders / investors, employees, business partners and communities.

This report, which is now in its eighth year, has been published as a PDF file in an effort to reduce the use of paper.

Reporting Period	From Jan. 1 to Dec. 31, 2017(Partly including the activities in the first half of 2018)
Scope of Reporting	Head office, local branches, overseas subsidiaries / branches / offices
Indexes of Reporting	GRI(Global Reporting Initiative) Standards - Core
Assurance of Reporting	KoSIF(Korea Sustainability Investing Forum)
Further Information	Sustainable Management Office, Corporate Planning Division of SFMI Tel +82-2-758-4903 E-mail yogarp.song@samsung.com

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Samsung
Fire & Marine Insurance
Sustainability Report

Good Insurance Company
for Better Life



C E O M E S S A G E



Young Moo Choi | CEO

Dear Stakeholders,
I would like to share
a word of sincere gratitude for
appreciating and showing care to
SFMI up to date.

Although the global financial market in 2017 expected economic recovery, protectionism among the major developed countries along with financial instability from emerging markets posed volatility to Korean financial market. From the management perspective, proliferation of new IT technologies and reinforced regulations required us to achieve constant changes and innovations for survival.

In such environments, SFMI's RBC ratio in 2017 marked 324% to lead the industry with great financial health while recording all-time high total asset of KRW 76.152 trillion and the net income of KRW 1,553 trillion. In addition, SFMI has maintained AA- Stable rating for three consecutive years by S&P, which is the highest level for a private company, and A++ Superior for seven consecutive years from AM Best, a global rating agency specialized in insurance.

Besides its economic performance, SFMI respects values of diverse stakeholders and strives to fulfill its environmental and social responsibilities. In 2017, SFMI conducted various activities, including selling socially contributable products and services, operating green and energy management system and charity projects.

To recognize the efforts, SFMI was listed in DJSI World(Global index for sustainable management by Dow Jones) for four consecutive years. SFMI was also listed in Top 5 global insurance company in environmental sector by DJSI evaluation and nominated as a sustainable partner for PyeongChang 2018.

Especially, SFMI set 'Vision 2023 : Good Insurance Company for Better Life' as a new vision in June 2018. SFMI seeks to make positive impacts on various stakeholders such as customers, shareholders, investors, employees, local community and partners in addition to better economic performance.

SFMI will aim to achieve the below values in 2018 to be a better company.

First of all, SFMI will always be with customers.

SFMI prioritizes the customer's value and will be a companion that offers true relief and touches the customers.

Second, SFMI will become a top-tier global insurance company that creates new values with endless challenges and innovations.

SFMI will develop new products and services essential to the customers, while leading the insurance business by discovering new growth momentums in future.

Third, SFMI will be a social friendly company that mutually grows with the partners and society centered on the value of co-existence.

SFMI will mutually grow with the partners centered on mutual trust and co-existence, while sharing with the underprivileged to give them hope and dream.

Finally, SFMI will spread shared values by implementing strategic sustainable management.

SFMI will link its sustainable management activities to 17 sustainable development goals by UN and strive to spread environmentally and socially shared values to every stakeholder by taking advantage of its capacity as an insurance company.

Dear Stakeholders,

This is our 8th sustainability report and I hope that this will be a communication channel that delivers SFMI's performance in sustainable management and willingness towards commitment.

SFMI will continuously endeavor to become a better company that enriches the future of the stakeholders.

Thank you.

Jun, 2018

CEO

Young Moo Choi



COMPANY PROFILE

SFMI is the leading non-life insurance company in Korea, offering a variety of non-life insurance and pension products such as fire, marine, damage, liability, long-term non-life insurance, and private pension fund, and operates business in overseas, including U.S., Indonesia, Vietnam, Singapore, and UK, to provide general and auto insurance and re-insurance.

In addition, SFMI utilizes the capital accumulated from its insurance business to invest in national fundamental industries and general corporate activities, contributing to accomplish balanced economic development and better welfare.

Company Overview

Company Name	Samsung Fire & Marine Insurance Co., Ltd.
Business Type	Non-life insurance
Established Date	January 26, 1952
CEO	Young moo Choi
Headquarter	14 Seocho-daero 74-gil, Seocho-gu, Seoul, Korea
Number of Employees	5,730(Male : 3,267, Female : 2,463 / As of December 31, 2017)
Company Website	www.samsungfire.com

Vision 2023

Customer

Life Care Platform
that satisfies customers
with the best product
and service

Employee

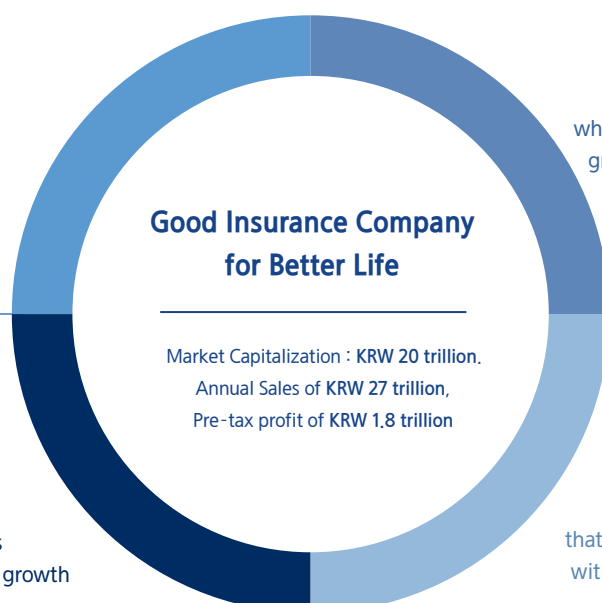
Good workplace
where the company and its employees
grow together by being self-initiated
while promoting active
communication and challenge

Shareholder / Investor

Company which creates
shareholders value that exceeds
the market through sustainable growth

Local Community / Partner

Community friendly company
that communicates and grows together
with the local community and partners



Subsidiaries

Name	Location	Established Date	Main Business	Share Ownership
P.T.Asuransi Samsung Tugu	Jakarta, Indonesia	1996.11.07	Non-life insurance	70%
SAMSUNG VINA INSURANCE CO., LTD.	Ho Chi Min, Vietnam	2002.11.14	Non-life insurance	75%
Samsung Property & Casualty Insurance Company(China), LTD	Shanghai, China	2005.04.25	Non-life insurance	100%
Samsung Fire & Marine Insurance Company of Europe	London, UK	2011.03.30	Non-life insurance	100%
Samsung Reinsurance PTE. LTD.	Singapore	2011.12.09	Non-life insurance	100%
Samsung Fire & Marine Consultoria em Seguros Ltda	Sao Paulo, Brazil	2009.09.15	Insurance consulting	100%
Samsung Fire & Marine management Corporation	New Jersey, U.S.	2011.06.23	Insurance consulting	100%
Samsung Fire & Marine Insurance ME and Africa Agency	Dubai, UAE	2016.02.04	Agency	100%
Samsung Fire & Marine Insurance Service Co., Ltd.	Seoul, Korea	1996.01.30	Claim adjustment service	100%
Samsung Claim Adjustment Service Co., Ltd.	Seoul, Korea	1998.10.15	Claim adjustment service	100%
Samsung Fire & Marine Financial Service Insurance Agency	Seoul, Korea	2016.03.16	Agency	100%

* Overseas operations : 6 Corporations, 8 Branches, 7 Representative offices in 11 countries

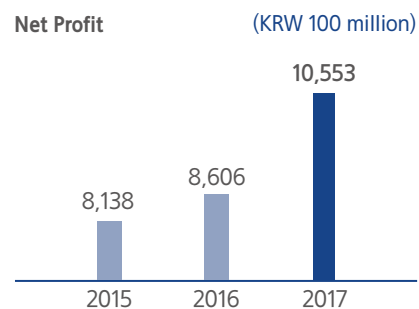
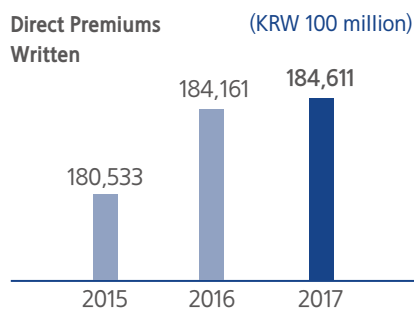
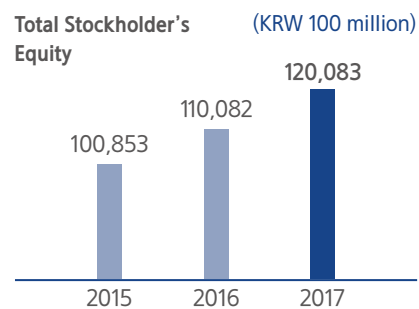
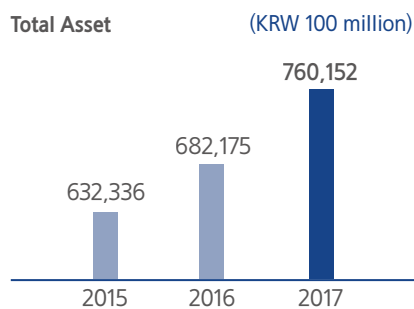
Organizational Chart

5 Headquarters, 3 Divisions, 19 Business Teams, 33 Teams

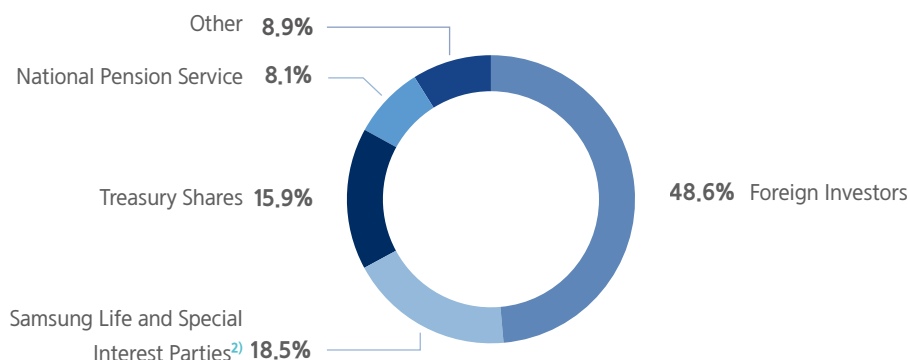
Personal Lines HQ, Commercial Lines HQ, Automobile Insurance HQ, Asset Management HQ, Strategic Channel HQ, Corporate Planning Div., Corporate Management Support Div., CPC^{Note)} Strategy Div., HR Team, Auditing Team, Compliance Management Dept., CISO, etc.

Note) CPC : Customer — Product — Channel

Major Financial Performance



Shareholder Status



The total number of issued SFMI common shares is 47,374,837 as of March 31st 2018. The shareholders with more than 5% ownership as of March 31st 2018 are Samsung Life Insurance(7,099,088 shares, 14.98%) and the National Pension Service(3,838,008 shares, 8.10%) operated by the Ministry of Health and Welfare.¹⁾ There is no specially related person owning SFMI shares more than 5%. In addition, SFMI objects short-term performance, and strives to build the environment to enhance value of the shareholders and enterprise by pursuing long-term performance.

Note1) State-owned companies and public agencies in Korea invest their reserves in stocks, bonds and deposits etc. to stably increase respective assets.

Note2) Min-soo An, the former CEO(Resigned in March 2018), owns 2,000 shares with the voting rights.

Key Products & Services

Categories		Key Products
General Insurance	Fire	House, building, factory, general fire insurance
	Marine, Aviation	Hull, airplane, cargo insurance
	Casualty	Engineering, Casualty, Liability Insurance, etc.
Long-term Insurance	Health/ Medical Service/Dental	Peaceful Three Generations, New Generation Health Insurance, Medical Cost Insurance, Dental Partner(Dental insurance), Diabetes care for health etc.
	Bundled	NEW Super Plus(Bundled type health insurance)
	Driver/Injury	Safe Drive Partner, Relieved Companion
	Property	Everyday Life Insurance, Household Property Insurance
	Saving / Annuity	Super Save, Wonderful life II
Auto Insurance		Anycar, Anycar Direct
Loan		Insurance loan, Auto loan, Direct secured loan etc.
Other Services		SFMI membership, Anycar, Children care, Health care etc.

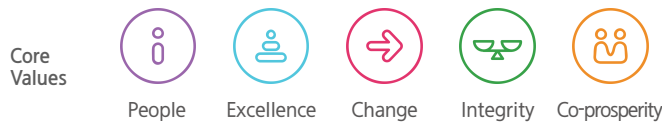
Major Awards in 2017

Month	Details	Host
1	Silver Class - two consecutive years at 2017 sustainable management yearbook	RobecoSAM
7	Top ranked for 16 consecutive years for auto insurance and 4 consecutive years for long-term insurance by KS-SQI	KSA
9	Awarded DJSI Word Index for four consecutive years	RobecoSAM
10	Top ranked for 20 consecutive years at auto insurance and 7 consecutive years for long-term insurance by KCSI	KMAC
12	Top ranked for 8 consecutive years at auto insurance and 7 consecutive years for long-term insurance by KNPS	KMAC
12	Top ranked for 17 consecutive years at non-life insurance by NCSI	KPC

S A M S U N G V A L U E S Y S T E M

SFMI aspires to become a respected and responsible leading global insurance company by developing the finest products and services backed by our superior talents and expertise. To achieve our ambition, we are committed to five core values : People, Excellence, Change, Integrity and Co-Prosperity.

Samsung Philosophy We will dedicate our human resources and expertise to develop superior products and services, thereby contributing to the society.



Business Principles

01. We will comply with the laws and ethics.

- 1-1 We respect the dignity and diversity of individuals.
- 1-2 We compete fairly, complying with laws and business ethics.
- 1-3 We maintain accounting transparency by keeping accurate records.
- 1-4 We do not intervene in politics and we maintain a neutral stance on all political issues.

02. We will maintain a clean organizational culture.

- 2-1 We draw a strict line between public and private affairs in all business activities.
- 2-2 We protect and respect the intellectual property of the company and others.
- 2-3 We create a healthy organizational atmosphere.

03. We will respect customers, shareholders and employees.

- 3-1 We value customer satisfaction as the top priority in our business activities.
- 3-2 We focus on shareholder value.
- 3-3 We endeavor to improve employees' quality of life.

04. We will care for the environment, health and safety.

- 4-1 We engage in environmentally friendly management practices.
- 4-2 We value human health and safety.

05. We are a socially responsible as a corporate citizen.

- 5-1 We actively perform our duty as a corporate citizen.
- 5-2 We respect the characteristics of local custom, culture and society, and strive to prosper together with local communities.
- 5-3 We build win-win relationships with business partners.

Application range

- This Business Principles shall be applied to "SFMI(including overseas subsidiaries)" and "its all employees".
- This content has to be understood by partner companies and sales organizations(insurance agencies, Risk Consultant) so that they may follow this Principles willingly.

Application of this Principles

- Should the criteria of interpreting be unclear while applying this Principles in work, employees should discuss with their directors. Important issues have to be referred to Chief Compliance Officer and Business Principles Practice Committee for authoritative interpretation.
- All employees should comply with this Principles and be responsible and punished for any violation.
- Any employee who has detected the violation of this Principles by others should immediately report to their managers and if they judge that those violations may either cause serious legal problems to the company or have an adverse impact on the company, they should immediately report to their directors and Compliance Officer.

B U S I N E S S R E S U L T

Notwithstanding unfavorable business conditions, SFMI saw significant improvements in financial results including operating revenues, operating income, and investment income on the back of excellent business channels and differentiated risk and asset management. The company will further strengthen sound and reliable management practices to maximize future value.

Overview

During FY 2017, although macro indicators improved as major developed countries such as U.S. and Japan fastened their economic recovery followed by interest hikes. In this business environment, SFMI continued to improve the profitability and ensure operational stability and achieved solid management performance. FY 2017 revenue increased to KRW 18,230.3 billion, a 0.3 percent increase year-over-year. Despite investments in projects such as IT systems to enhance profitability in future, the net income increased by 24.0% to record KRW 1,402.9 billion due to better performance. In addition, Risk Based Capital(RBC), which represents financial health of the insurance companies, recorded the industry high 324.5%, in spite of recent regulations on the capital, to maintain supreme capital. SFMI's financial health is endorsed by S&P and A.M.Best, the world's leading credit rating agencies, with ratings of 'AA- Stable', 'A++ Superior', respectively.

Accounts of Profit & Loss

Direct premiums written rose to KRW 18,230.3 billion, a 0.3 percent increase yoy. Net premiums earned grew to KRW 17,690.1 billion, or up 1.6 percent from the previous year. Operating loss from insurance sales significantly decreased to -KRW 510.9 billion. Investment profit marked KRW 2,001.5 billion, a 18.6 percent yoy increase. As a result, SFMI's net profit for FY2017 recorded KRW 1,042.9 billion, up 24.0 percent yoy. In addition, SFMI strives to give continuous returns to the shareholders and determined to pay KRW 10,000 per share as cash dividend and the dividend payout ratio increased to 40.4%, 10.2%p increase yoy. SFMI plans to increase its dividend payout ratio in stable but projectable manner while striving to enhance long-term value of its shareholders.

Summarized Profit and Loss Statement

(Unit : KRW 100 million)

Category	2016	2017	Rate of increase(%)
Direct premiums written	181,830	182,303	0.3
Net premiums earned	174,058	176,901	1.6
Insurance operating profit	-5,679	-5,109	N/A
Investment profit	16,883	20,015	18.6
Operating profit	11,205	14,906	33.0
Non-operating profit	-268	-788	N/A
Earnings before tax	10,937	14,117	29.1
Net profit	8,409	10,429	24.0

* Figures are based on the K-IFRS separate financial statements(hereafter the same shall apply)

Results by Business Lines

Long-term insurance premiums recorded KRW 12,973 billion, 0.2% up from the previous year. This is due to better profit-based sales activities, including the increase in sales of new coverage premiums, saving contracts, de-marketing and improvements in retention ratio. Although online channel experienced high growth and strengthened its position as the key channel, auto insurance premium recorded KRW 4,803.6 billion, similar to the previous year, due to sluggish growth in face-to-face channel. Earned premium, which practically affects P/L, increased 5.2% to record KRW 4,591.6 billion and improved the profitability. General insurance premium recorded KRW 1,329.4 billion, 2% increase yoy, which is due to the increase in retention ratio of 70.1%, 0.8%p yoy, as a result of profitability based strategy, and the retention ratio of earned premium increased by 5.9% as well.

Direct Premiums written by Business Line

(Unit : KRW 100 million)

Category	2016		2017		Rate of increase(%)
	Amount	Percentage	Amount	Percentage	
Long-term	120,768	66.4	120,973	66.4	0.2
New premiums ^{Note)}	2,491	1.4	1,960	1.1	-21.3
Recurring premiums	118,277	65.0	119,013	65.3	0.6
Auto	48,035	26.4	48,036	26.3	0.002
General	13,027	7.2	13,294	7.3	2.0
Total	181,830	100.0	182,303	100.0	0.3

Note) New premiums : First month premium of new contracts, excluding lump-sum premium

The total combined ratio recorded 102.9%, a 0.1%p decrease yoy, due to improved loss ratio. The loss ratio of general insurance improved by 2%p to 71.7%. The loss ratio of long-term premium improved by 1.2%p to 85.1% as well. Despite improved loss ratio, net risk loss ratio, the indicator of practical underwriting(Judging whether to take over insurance contract), recorded 80.2%, a 1.2%p increase from the previous year, due to high value accidents etc. The loss ratio in auto insurance recorded 80.6%, a 0.3%p decrease from the previous year, due to better performance in underwriting and hosting premium customers via on-line.

Underwriting Efficiency - IFRS

(Unit : %)

Category	2016	2017	Change(%p)
Loss ratio	84.0	82.9	-1.1
General	73.7	71.7	-2.0
Long-term ¹⁾	86.3	85.1	-1.2
Auto	80.9	80.6	-0.3
Expense ratio ²⁾	19.0	20.0	1.0
General	24.1	24.5	0.4
Long-term	18.9	20.3	1.4
Auto	17.9	18.1	0.2
Combined ratio	103.0	102.9	-0.1

Note1) Long-term loss ratio = (incurred operating losses from long-term insurance + losses from savings) / Overall net premium earned

Note2) Expense ratio = (actual expenses - deferred expenses - reinsurance commission recovered) / Overall retention premium

The expense ratio for fiscal 2017 recorded 20.0 percent, up by 1.0 percentage points from the previous year. Such growth resulted from a 0.4 percentage point year-on-year increase in selling expenses, including additional amortization of acquisition costs of new or renewal contracts, in accordance with protection type-centered growth strategy. In addition, expenses recovered, which is an item excluded from expenses, fell by 0.1 percentage points from the previous year, partially due to the reduction in reinsurance commissions recovered, which was caused by the increase in profitable general insurance accounts.

Expense Ratio by Item - IFRS

(Unit : %)

Category	2016	2017	Change(%p)
Personnel expenses	3.3	3.6	0.3
Selling expenses ¹⁾	10.5	10.9	0.4
Maintenance expenses	5.9	6.2	0.3
Expenses recovered ²⁾	-0.8	-0.7	0.1
Total	19.0	20.0	1.0

Note1) Acquisition expenses, collection expenses, agency commission, and amortization of deferred acquisition cost

Note2) Reinsurance commission recovered and reinsurance profit commission recovered

Investment profit recorded KRW 2,001.5 billion, 18.6% increase yoy. As global interest rate started to increase, the interest income slightly increased. Dividend income increased as well as Samsung Electronics improved its dividend payout ratio. Gains from disposal of real estate increased by KRW 162.1 billion by selling Euljiro building. As a result, return on investment recorded 3.3%, 0.2%p increase yoy.

Investment Profit

(Unit : KRW 100 million, %)

Category	2016		2017		Change	
	Profit	Rate of Return	Profit	Rate of Return	Profit	Rate of Return
Cash / Deposits	91	0.8	117	1.0	28.6	0.2
Stocks	820	1.7	1,887	3.0	130.1	1.3
Bonds	9,487	3.3	8,947	3.0	-5.7	-0.3
Loans	5,901	3.7	6,678	3.5	13.2	-0.2
Securities in Foreign Currency	830	2.8	1,050	3.9	26.5	1.1
Real Estate	1,083	9.0	2,704	31.3	149.7	22.3
Investment Administration Expenses	1,330	-	1,367	-	-	-
Total	16,883	3.1	20,015	3.3	18.6	0.2

Increase Shareholder Value

Fair Disclosure

SFMI makes public crucial business information, regularly and voluntarily. Among key information, the company fairly announces future business plans, profit and loss outlook, and tentative monthly sales figures under the disclosure system of the Korean securities market. In addition, insurance business-related information is being made public quarterly through the disclosure system run by the General Insurance Association of Korea.

Communication with Shareholders / Investors

SFMI holds investor relations(IR) meetings, including NDRs(non-deal roadshows) and conferences, to enhance the understanding and trust of shareholders and investors and to publicize the company's competitiveness. In addition, the company also post updated financial information and earnings reports through the official website and the Financial Supervisory Service's electronic disclosure system. Furthermore, we work hard to reflect opinions of shareholders and investors, collected from the company's IR activities, in management by sharing them with the management and employees.

Global Credit Ratings

SFMI was recognized for its superb financial strength, solid business performance, and reliable risk management capability, consequently receiving the highest rating of 'A++ Superior' for seven straight years from A.M. Best, a leading global credit rating agency for insurers, and 'AA- Stable', the highest grade among the nation's private businesses, by S&P, a global credit rating provider.

Dividends Information

Category	Type of Shares	2015	2016	2017
Face value per share(KRW)		500	500	500
(Consolidated)net income(in KRW millions)		811,245	857,962	1,052,737
(Separate)net income(in KRW millions)		782,714	840,911	1,042,872
(Consolidated)EPS(KRW)		18,384	20,175	24,764
Total cash dividends(in KRW millions)		221,446	259,322	425,109
Total share dividends(in KRW millions)		-	-	-
(Consolidated)Cash dividend payout ratio(%)		27.3	30.2	40.4
Cash dividend yield(%)	Common	1.6	2.2	3.7
	Preferred	2.7	3.3	5.5
Cash dividend per share(KRW)	Common	5,150	6,100	10,000
	Preferred	5,155	6,105	10,005

* EPS is based on the commons shares, (Consolidated)net income refers to net income to the dominant shareholder's equity.

S U S T A I N A B I L I T Y M A N A G E M E N T

Vision

competing with globally leading insurers, building on superexcellent 'core capabilities'

Global No.1 Non-Life Insurance Company




Category	Sustainability Management Strategy	Major Communication Channels	Major Issue	Result
Customers	Provide security with leading insurance services and Excellent Network	<ul style="list-style-type: none"> Customer panel system, Satisfaction survey Voice of Customer (Customer feedback channel) SNS 	<ul style="list-style-type: none"> Customer oriented management Strengthened customer protection Customer information protection 	<ul style="list-style-type: none"> SFMI membership Expand imported car cost estimate center Customer protection center and customer protection council Strengthen security management by isolating IT system
Shareholders & Investors	Protect shareholder interest through sustained growth incorporate value	<ul style="list-style-type: none"> General Meeting Of Shareholders, Conference Non-Deal Roadshow Regular Investor Meetings Public Announcement 	<ul style="list-style-type: none"> Enhance shareholder value, Improve communication, Fair value allocation 	<ul style="list-style-type: none"> Increase dividend payout ratio (30.2% → 40.4%) Closing meeting IR meeting Value allocation by stakeholder
Employees	Offer opportunities to develop into global financial Experts	<ul style="list-style-type: none"> Employee Council Satisfaction survey Employee distress assistance program 'SoTongHaeBom' (company intranet) 	<ul style="list-style-type: none"> Work-Life balance Talent development Strengthen employee communications 	<ul style="list-style-type: none"> IT shutdown on Wed and Fri (PC off) SFMI university and certificate support CEO on-site visit Extensive communication (e.g. meeting)
Business Partners	Promote mutual prosperity based on mutual trust	<ul style="list-style-type: none"> Discussion, meetings In-house bulletin board Partner's Day Events 	<ul style="list-style-type: none"> Support to enhance RC competency Strengthen communication Minimize incomplete sales 	<ul style="list-style-type: none"> Pride club Mobile support system CEO-RC meeting Customer satisfaction ceremony Compliance manager deployment and monthly monitoring
Communities	Fulfill social and environmental responsibilities as a global corporate citizen	<ul style="list-style-type: none"> NGO meetings Social Responsibility Committee Satisfaction survey 	<ul style="list-style-type: none"> Support unprivileged class Advanced transportation safety culture Minimize environmental impacts 	<ul style="list-style-type: none"> Continuous social contribution project Transportation safety seminar Eco-office Participate in Earth Hour campaign

Operation of Sustainability Management Committee

Sustainability Management Committee, headed by our CEO, was established in 2012 to reinforce the foundation of sustainability management. The Committee is composed of seven members : CEO, CFO, Director of the Planning Office, Director of the CPC Strategy Office, Head of Human Resources and Executive Director of Sustainable Management Office. The Committee was held once in 2017 and discussed major issues including sustainability management status and achievements, recent sustainability management trends, future directions and tasks and UN SDGs.

International Initiatives

The world is now facing greater environmental, social and governance challenges than ever. SFMI will continue to cooperate with the global initiatives to establish a more socially engaged and sustainable insurance industry.

Initiative	Major Activities
 UNEP Finance Initiative Changing finance, financing change	UNEP FI is a public-private partnership between UNEP and the financial sector. SFMI became a member of UNEP FI in 2010 and we aim to advance the global initiative in incorporating sustainability in the financial industry.
 PSI Principles for Sustainable Insurance	SFMI is the first Korean insurer to become a signatory of the PSI in January 2015, is exerting all effort to spread the principles of sustainable insurance through the insurance industry.
 CDP DISCLOSURE INSIGHT ACTION	The Carbon Disclosure Project is a not-for-profit organization that evaluates response of major listed companies around the world to greenhouse gas reduction and publishes reports to provide information for corporate investment. SFMI has actively participated as an institutional investor and information provider since 2010.

UN SDGs(UN Sustainable Development Goals)

In September 2015, the UN General Assembly adopted the Sustainable Development Goals 2016-2030 (SDGs), which build on the Millennium Development Goals 2000-2015. A new set of goals that the UN member states agreed to achieve by 2030 to promote sustainable development, the SDGs consist of 17 goals, which guide the role of governments, businesses, and civil society to ensure the world will proceed towards sustainable development, and their 169 targets. SFMI, as a global corporate citizen, will carry out its own sustainability management activities in accord with the universal goals of the SDGs.

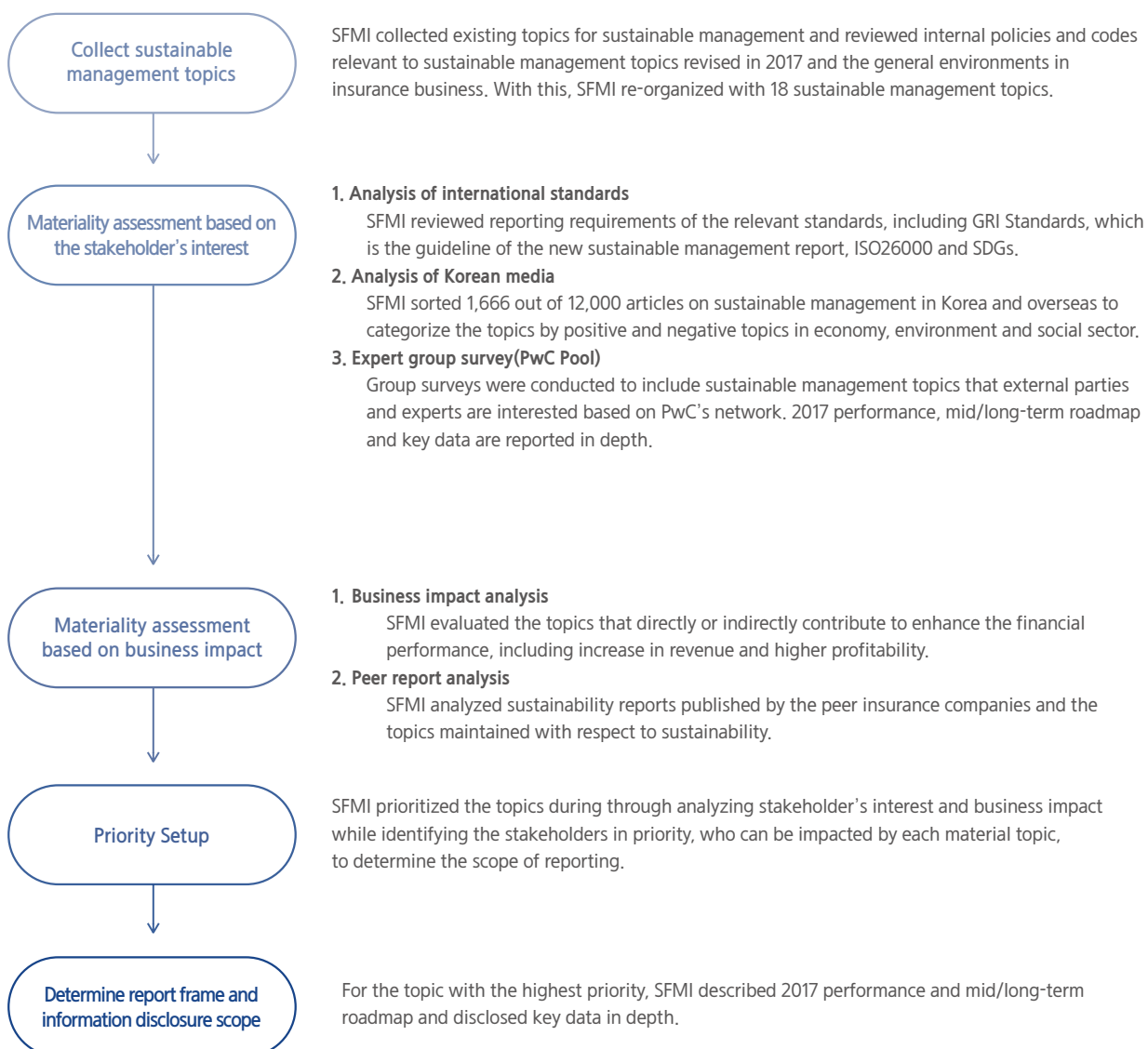


- | | | |
|--|--|--|
| 1. End poverty in all its forms everywhere | 7. Ensure access to affordable and sustainable energy for all | 12. Ensure sustainable production and consumption patterns |
| 2. Zero hunger | 8. Promote sustainable economic growth, full employment, and decent work | 13. Combat climate change |
| 3. Ensure healthy lives and promote well-being | 9. Build resilient infrastructure | 14. Conserve marine resources |
| 4. Ensure quality education | 10. Reduced inequality | 15. Protect eco-systems |
| 5. Achieve gender equality | 11. Build sustainable cities and human settlements | 16. Establish accountable and inclusive institutions |
| 6. Ensure sustainable management and sanitation of water | | 17. Strengthen the means of implementation and revitalize the global partnership |

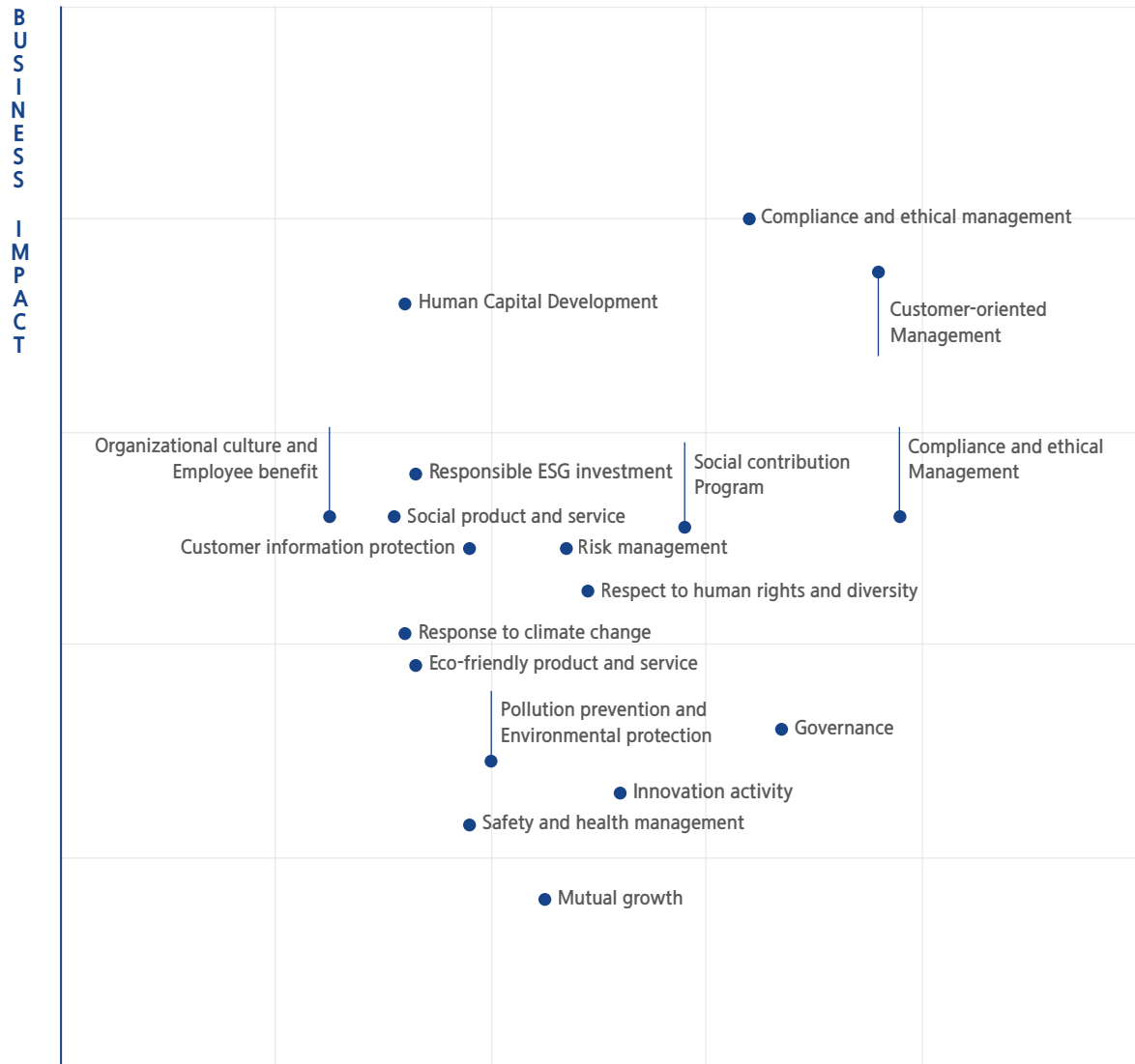
M A T E R I A L I T Y M A T T E R S

SFMI's Sustainability Report focuses on key material topics, both internal and external, which we have determined as material to corporate management and to our stakeholders according to GRI Standards guidelines. In addition, we have selected critical topics based on global benchmark indexes including the GRI Standards, SDGs, and ISO 26000, domestic and overseas insurance firms, media analyses, initiatives, and expert opinions. In regard to these selected topics, a materiality test was carried out and subsequent results obtained after internal review by the Sustainable Management Office and the final decision of the management.

Materiality Matters Procedures



Materiality Matters Result



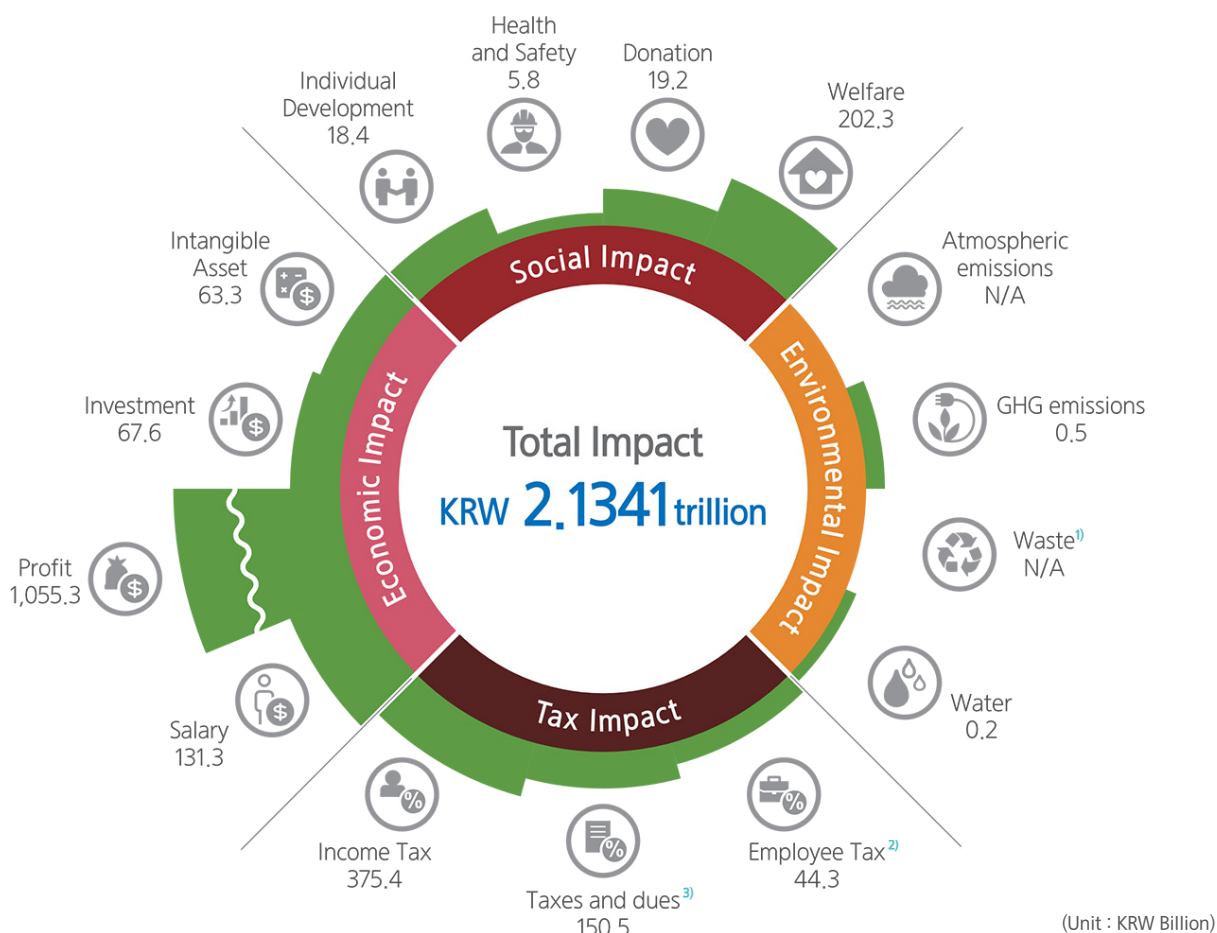
STAKEHOLDER'S INTEREST

Key Topics

Five major topics	Inside	Outside				Page
	Employees	Customers	Shareholders / Investors	Partners	Local community	
Customer oriented management		●				37~43
Business Result			●			5, 8~11, 76~87
Compliance and ethical management	●	●	●	●	●	31~35
Social contribution program					●	54~60
Human Capital Development	●					44~48

INTEGRATED VALUE CREATION

In establishing management strategies, SMFI recognizes that it is necessary not only to consider financial performance but also to consider various factors such as contributing to national economic development, meeting the expectations of civil society on social maturity, protecting the environment, and so on. SFMI pursues sustainability management and aims to be a good insurance company for better life. So SFMI proactively try to manage various positive and negative impacts on society. SMFI, as part of the society that grows and develops hand-in-hand with stakeholders, has measured its impact on the economy, taxes, society and the environment during 2017 by applying PwC Korea's TIMM methodology. We hereby present these results in our Sustainability Report.



Note1) Limited to waste which is incinerated or land filled by the company itself (Not Applicable)

Note2) The sum of employees' health insurance, pension insurance, employment insurance, and industrial accident compensation insurance

Note3) The sum of various taxes and utility bills related to sales activities, except corporate taxes

Aspect

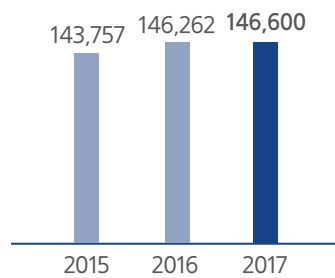
Economic	Impact on the current or future GDP
Tax	Impact on public finance through tax
Social	Impact on life for the member of society
Environmental	Impact on the environment

* Other references : SFMI Business Report(68th), Statistics of South Korea(Statistics Korea), industry inducement coefficient Bank of Korea, Value of Statistical Life(VS)

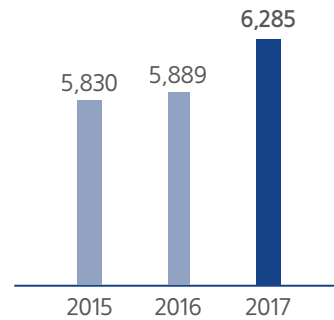
ECONOMIC VALUE CREATION

In 2017, SFMI distributed economic value of KRW 19,003 trillion in total to various stakeholders.

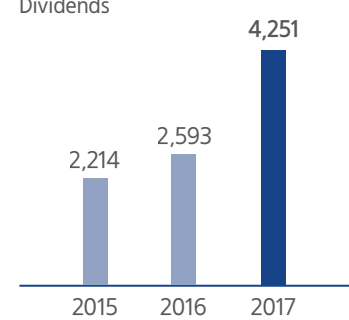
Customers (KRW 100 million)
Insurance benefit payment



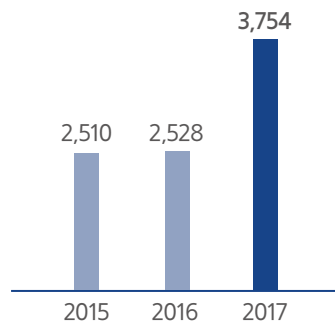
Employees (KRW 100 million)
Wages, Severance, Benefits



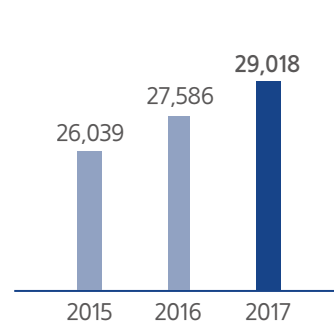
Shareholders & Investors (KRW 100 million)
Dividends



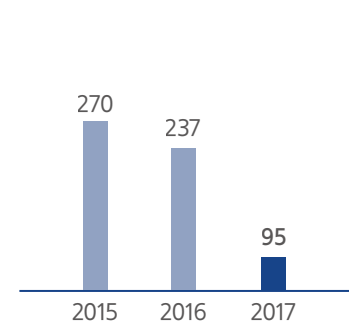
Government (KRW 100 million)
Corporate tax



Business Partners (KRW 100 million)
Insurance sales commission





















Donations (KRW 100 million)
Donations for local communities



S F M I & U N S D G s

SFMI strives to achieve UN Sustainable Development Goals(SDGs). UN SDGs refer to an international agreement by UN member countries on Sep 2015 to encourage each country to build sustainable society by 2030 and consist of 17 goals and 169 sub-goals. SFMI's key activities and performances contribute to achieve these goals as described in below and will continue to be involved with activities to further accomplish UN SDGs.

Materiality Topic	SDGs Detailed Goal	Key Activity and Performance in 2017	Page
Governance	 (16.6) Develop effective, accountable and transparent institutions at all levels.	<ul style="list-style-type: none"> • 57% of the BOD are non-executive directors • The chairperson of the BOD and the CEO are separated 	21
Risk Management	 (17.14) Enhance policy coherence for sustainable development.	<ul style="list-style-type: none"> • Acquired ISO 22301(Jan, 2018), an international standard of sustainability management 	29
Ethical Management	 (16.5) Substantially reduce corruption and bribery in all their forms.	<ul style="list-style-type: none"> • Monthly on-site compliance training and inspection with 245 compliance officers • Compliance manager are sent on-site for real-time monitoring. No sanction by external authorities in 2017 	32~35
Customer Satisfaction	 (8.10) Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	<ul style="list-style-type: none"> • Introduced 'Customer Panel' for the first time in insurance industry, performing 710 tasks in 2005-2017 • Customer Rights Projection Committee review 89 agendas in 2009-2017 • 3 additional imported car cost estimate centers are open in Cheonan, Cheongju, Ulsan • Renewed 'Certificate of Excellence for Web Access' by The Human Rights Forum of Persons with Disabilities in Korea • Added mobile VOC reception channel without 'personal authentication' • Implemented ERP-based next generation IT system • Insurance Fraud Detection System(IFDS) • Top ranked for customer satisfaction by NCSI, KCSI, KS-SQI • Rated excellent the most among the insurance companies for financial customer protection evaluation 	38~43
Human Capital Development	 (4.4) By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	<ul style="list-style-type: none"> • SFMI University and IDP to train global talents for insurance finance • Job experts training programs such as industry-academic linked big data academy and actuary academy • Dispatched 10 regional experts to six countries. Dispatched four GFP excellent employees to three corporations. Dispatched five employees to four GEP global corporations • Job transfer program for 72 to-be retired employees. 22 of them are re-hired 	47, 48, 53
	 (4.7)By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.	<ul style="list-style-type: none"> • Human rights and sexual harassment prevention training for every employee more than once a year • Processed 80 claims regarding HR, sexual harassment, language abuse and drinking 	49
	 (5.4) Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.	<ul style="list-style-type: none"> • Newly established counter for maternity protection • Three nursing rooms(Secho 1, Secho 2, Seosomoon) 	52
Social Responsibility	 (16.2) End abuse, exploitation, trafficking and all forms of violence against and torture of children.	<ul style="list-style-type: none"> • Received an award by the minister of Health and Welfare at '11th Missing Children Day' through finding missing children campaigns via SNS 	41
	 (3.6) By 2020, halve the number of global deaths and injuries from road traffic accidents.	<ul style="list-style-type: none"> • 'Samsung Transportation Safety Culture Center', the first private transportation safety center in Korea • 'SFMI Transportation Museum', the first vehicle museum in Korea, to provide transportation safety trainings to children 	55

		(10.2) By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	<ul style="list-style-type: none">Supported to match 11 guide dogs for the blindsHost regular concert for disabled youth with musical talents. Two master classes for specialized trainingSponsored 'Bling Bling Sound', an educational drama to understand disability. Hosted an essay contest for elementary, middle and high school students to revise their awareness on disabilityCreated five eco-friendly safe play grounds for underprivileged classInstalled 129 emergent fireplugs in islands or condensed residential area for low-income class with trainingSponsor bereaved children from car accidents. Sponsor bereaved children of police and firefighter died in duty. Study room for low-income students. Micro-finance to help open business for low-income classSFMI volunteer group participated in 247 activitiesReceived excellence award by Financial Supervisory Service as a part of one company providing financial education to one school with volunteers from the employees255 nation-wide departments participated 'One department sponsor one child' campaign	55~59
		(8.9) By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.	<ul style="list-style-type: none">Each department sponsors one country village such as giving helping hands to farming and fishing villages and online agricultural products market for the employeesGyeongbok Palace guardian since 2005 via '1 guardian for 1 cultural asset' projectProvide monthly stipend for cultural heritage to pass down 'tightrope walking', which was nominated as a world cultural heritage in 2011	57, 59
		(8.10) Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	<ul style="list-style-type: none">Develop insurance products and services that socially contributes to low-income class, disabled and foreigners such as special auto insurance contracts for ordinary people, general insurance preferred at welfare facilities for disabled	60
Co-prosperity		(8.3) Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.	<ul style="list-style-type: none">Establish training programs customized to experience level of sales partner and various sales support systemHold annual meeting for sales and compensation partners to listen and process the complaints38.4% of excellent certified planners are from SFMI42.9% of the planners who received Blue Ribbon ^{Note)} award are from SFMI	63~65
Environmental · Safe · Health Management		(13.3) Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	<ul style="list-style-type: none">Developed Global Risk Map(GRM), a natural disaster risk assessment tool, which will be used to manage accumulated risk and foreign flood damage projectsProvide environmental insurance products in relation to climate changes such as storm and flood insurance, weather insurance, and renewable energy insurance etc.Constantly renew international standard on AC in regards to build green energy management systemDJSI(Dow Jones Sustainability Index) : Listed Top 5 in environment sector for global insurance company	68~69
		(7.2) By 2030, increase substantially the share of renewable energy in the global energy mix.	<ul style="list-style-type: none">Out of KRW 1,493.1 billion invested for social responsibility in 2017, the portion invested in renewable energy and clean water processing projects is increasing	69
		(11.6) By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	<ul style="list-style-type: none">Reduced GHG emission by 49.3%(29% per unit area) compared with the base yearGHG emission due to business travel was reduced by 26.3% after encouraging to use public transportation	70~71
		(9.4) By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	<ul style="list-style-type: none">Reduced copying and printing paper by 6.2% and 34.0%, respectively, compared with the previous yearPaperless insurance application system(Insurance Application Immediate Confirmation) received 'Smart Finance Grand Prize' by Newspim and 'Insurance Tech Innovation Award' by Herald Biz	72~73
		(8.8) Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	<ul style="list-style-type: none">Newly established industrial disaster processing policyRegular inspections on structures, electric facilities, fire facilities, elevator, air, and water quality'Maumnuri' psychological consulting service for mental health of the employeesEmployee health check-up, fitness facilities and nursing room	73~74

Note) Blue Ribbon award is conferred to excellent certified planner who passed different evaluation criteria such as number of contracts, continuous service year, retention ratio, free of violation in finding new subscribers for 5 consecutive years.

C O R P O R A T E G O V E R N A N C E

Corporate Governance

Risk Management

Ethical Management



C O R P O R A T E G O V E R N A N C E

Principle & Policy

Stable Governance

To maintain mutual checks and balances between the corporate bodies, roles of the Board of Directors and company executive are separated. The BOD is responsible for company management oversight, while the executives are responsible for managing operations. All operational results are announced and approved by the BOD. Additionally, to ensure appropriate checks and balances, the BOD retains the right to the selection, succession and dismissal of the CEO as prescribed by relevant laws. Also, the number of directors at BOD should range from three to nine and the number of non-executive directors should be more than 50% of the directors, yet minimum three directors. As of writing in 2018, the majority of the BOD is composed of independent non-executive directors(three executive and four non-executive directors) in order to facilitate the BOD's function to check on the management and to prevent coalition with the management during operation.

Efficient Governance

SFMI's BOD members are from diverse professional background, allowing them to combine a broad spectrum of experience and expertise in the decision making. Also, regular and irregular meetings between members are frequently held to ensure maximum convergence of each other's expertise and to complement the gaps in various tasks and challenges facing the company.

Transparent Governance

SFMI's Articles of Association are disclosed in SFMI's Business Report and Annual Report of Corporate Governance and Remuneration, with the aim of making public the guidelines, process, and outcomes of work. In addition, the major activities of the BOD and its committees are published in the Business Report and Annual Report of Corporate Governance and Remuneration.

Business Report	DART(Data Analysis, Retrieval & Transfer) system of Financial Supervisory Service http://dart.fss.or.kr
Annual Report of Corporate Governance and Remuneration	SFMI Management Disclosure > On Demand Management Disclosure https://www.samsungfire.com/CnCo_Bbs.do?method=getBbsList&BBS_ID=00000022&section=Inb
Report on Disclosure of management unification	SFMI Management Disclosure > Regular Management Disclosure https://www.samsungfire.com/publication/management/policy_01.html?section=Inb

Characteristics of Governance

SFMI's BOD, which is the company's highest standing decision making body, nominates the non-executive officers in accordance with the article 6 of the law on Financial Company Governance and the article 8 of the enforcement ordinance of the same law and all of the current non-executive directors meet the independence requirement. In particular, SFMI has separated the chairperson of the BOD from the CEO since 2006 to ensure independence of the BOD. The article 5 of the bylaw on governance(BOD Chairperson) states that ① The chairperson of the BOD is nominated among the non-executive directors based on the BOD resolution. The term is one year and subject to extension.

In addition, as the non-executive directors with expertise and independence consist of the majority of the BOD, the BOD can check on the management and have a total of six sub-committees(Management, Executive nomination, Internal transaction, Risk management, Remuneration, Audit)

B O A R D O F D I R E C T O R S

: Composition and Operation

Members of the BOD

Name/Position	Role / Major Career	Gender	Term
Young Moo Choi, Executive director	CEO Former) Head of auto insurance	Male	Mar 23, 2018-Mar 22, 2021
Beom Lee, Executive director	Head of general insurance Former) Corporate business supervisor	Male	Mar 23, 2018-Mar 22, 2021
Teh Young Beh, Executive director	Head of management support Former) SFMI manager of management support	Male	Mar 23, 2018-Mar 22, 2021
Dae Dong Park, Non-executive director	Chairman of the BOD Current) Advisor at Yulchon LLC. Current) Non-executive director of CellMech International Inc. Former) CEO of Korea Deposit Insurance Corporation	Male	Mar 24, 2017-Mar 23, 2020
Dong Keun Cho, Non-executive director	Chairman of Internal Transaction Committee President of Korea Hayek Society Current) Professor at the Department of Economics, Myongji University	Male	Mar 11, 2016-Mar 10, 2019
Se Min Park, Non-executive director	Chairman of Risk Management Committee Current) Member of the Third Party Insurance Subcommittee of the Insurance Product Committee Current) Professor at the School of Law, Korea University Former) Associate Professor at the School of Law, Hanyang University	Male	Mar 24, 2017-Mar 23, 2020
Sung Jin Kim, Non-executive director	Non-executive director Former) Advisor and member of Korea Capital Market Institute Current) Advisor, Yoon & Yang Current) Non-executive director, Hanyang Securities	Male	Mar 23, 2018-Mar 22, 2021

* As of March 31, 2018

Management Committee

To enhance professionalism and efficiency of the Board of Directors, Management Committee deliberates and decides on general management and other important company management matters that are either delegated by the BOD, or specified in the Articles of Incorporation or other regulations.

Executive Nomination Committee

The committee undertakes tasks regarding the entire nomination process for executives and reports results to the Board of Directors. First, the committee reviews whether persons recommended through various channels meet the requirements for outside directors, CEO, and audit committee members against relevant regulations and bylaws including the Financial Corporate Governance Act, and then form a group of candidates. The Executive Nomination Committee is also responsible for managing, verifying, and filtering the selected candidates.

Internal Transaction Committee

The Committee, entirely composed of non-executive directors, reviews, deliberates and addresses internal transaction issues to enhance corporate transparency and fair trade between the affiliated companies.

Risk Management Committee

The Committee, established to formulate and revise risk management policies, establish basic policies and measures for risk management, defines tolerable risk levels and establishes risk management strategies.

Remuneration Committee

The committee perform various tasks such as designing, operating, and making payment decisions for the performance compensation system for management.

Audit Committee

The Committee, entirely composed of non-executive directors, performs internal audit function and assists management to make rational business decisions.

BOD Committees

Organization	Major Role	Composition(No. of Non-Executivedirectors /Total Directors)	Name of Chairman(Internal/ External, Executive/Non-Executive)
Board of Directors	Top decision-making body	4/7	Dae Dong Park (External, Non-executive)
Management Committee	Decides on important company management matters	0/2	Young Moo Choi (Internal, Executive)
Executive Nomination Committee	Recommend candidates for CEO, non-executive director ,and auditors	2/3	Dae Dong Park (External, Non-executive)
Internal Transaction Committee	Reviews and decides on inter-affiliate inside transactions	3/3	Dong Keun Cho (External, Non-executive)
Risk Management Committee	Reviews and decides on risk management issues	2/3	Se Min Park (External, Non-executive)
Remuneration Committee	Reviews adequacy of the executive management remuneration	2/3	Dae Dong Park (External, Non-executive)
Audit Committee	Evaluates internal control system	3/3	Dong Keun Cho (External, Non-executive)

* As of Mar. 23, 2018

Role of BOD

SFMI's BOD provides full support for the management to ensure responsible management based on a sound management philosophy. When issues arise regarding guidelines, procedures, and methods of the business activities of management, the company's BOD points out relevant issues and call for redress to ensure that reasonable business decisions are made. To that end, SFMI's BOD is comprised of experts from different fields and every possible effort is made to ensure active communication among the members ; it also makes use of independent experts, if necessary.

Activities

In 2017, Board of Directors meetings were convened nine times for the discussion and resolution of proposed agenda items. The average attendance rate of board members stood at 100 percent. At the regular general meeting of shareholders held in March 2017, Dae Dong Park and Se Min Park were appointed as an outside director to replace the incumbent outside directors Byeon Jo Sohn and Yeong Cheol Yoon, whose term was to expire at the end of the month. Directors equipped with professional knowledge of different fields actively exchanged opinions during the board meetings. In 2017 alone, 50 agenda items were discussed and approved by the Board of Directors.

BOD meetings in 2017

Date	Major Agenda	Attendance (No. of attendants / members)	Result
2017. 01. 25	6 agendas(e.g. Financing Korea Inclusive Finance Agency)	7/7	Approved
2017. 02. 24	11 agendas(e.g. Internal control standard revision)	7/7	Approved
2017. 03. 24	9 agendas(e.g. BOD chairperson election)	7/7	Approved
2017. 04. 03	Equity investment in Vietnamese non-life insurance company	7/7	Approved
2017. 04. 28	Revision on ERP system implementation	7/7	Approved
2017. 06. 08	4 agendas(e.g. Purchase of beneficiary securities owned by Samsung SRA Asset Management)	7/7	Approved
2017. 09. 07	4 agendas(e.g. Approval of real estate lease deals with major shareholders etc.)	7/7	Approved
2017. 11. 28	2 agendas(e.g. BOD committee structure)	7/7	Approved
2017. 12. 07	12 agendas(e.g. Additional financing on Employee Welfare Fund)	7/7	Approved

Qualification

Outside directors with expertise in the field of finance, economics, business management, accounting, law and media are recommended by the committee and elected during the General Meeting of the Shareholders based on both objective and subjective qualifications as required by the law including professionalism, job ethics, responsibility and integrity. Nomination is not limited by candidate's gender, race, national and regional origin, or area of expertise. Figures with different perspectives are welcomed as outside directors on SFMI's Board of Directors. As stated in the commercial law, outside directors are restricted from holding more than one external positions in either stocklisted or private companies, and SFMI is abiding to those rules. Outside directors Dae Dong Park and Seong Jin Kim are currently director in another company, however there is little risk of conflict of interest.

Independent

Non-executive directors are selected by the general meeting of the shareholders via recommendation and approval of the BOD or Non-executive Director Nomination Committee among persons who are eligible according to relevant regulations and whose career and professionalism have been recognized in light of their long experience in each field. In case of outside non-executive directors, they satisfy criteria of independence as required by the Commercial Law or Financial Institution Governance Law. Especially in accordance with the article 14 of the Financial Institution Governance Law, SFMI established the bylaw on governance in order to determine detailed principle and procedure for the BOD to follow to protect values of the shareholders and financial consumers etc.

The article 7(Non-executive director qualification) of the bylaw on governance defines a non-executive director as someone who can exhibit fair performance to bring value to the shareholders and financial consumers, free from personal interests. The article 9(Authority and responsibility of director) states that a director cannot abuse the following business opportunities, which can be profitable to the company in present or future, to realize its own profit or any third-party, without the approval from the BOD.

1. Business opportunity became aware during the course of work or using company information
2. Business opportunity that the company currently execute or relevant to the future business

Term

Executive directors and non-executive directors serve three years in their first term and can serve consecutive terms. As for outside directors, the maximum term of office cannot exceed six years. As of June 2018, the average term of SFMI BOD is 13 month(Young Moo Choi, ED, 4 months / Beom Lee, ED, 4 months / Teh Young Beh, ED, 4 months / Dong Keun Cho, NED, 28 months / Dae Dong Park, NED, 16 months / Se Min Park, NED, 16 months / Seong Jin Kim, NED, 4 months)

Non-executive Director Evaluation

As of the end of 2017, Hyo Nam Moon, Dong Geun Cho, Dae Dong Park and Se Min Park(non-executive directors) 100% participated nine BOD and its committee meetings. The BOD secretariat and non-executive directors used the evaluation form provided by the secretariat to evaluate the performance of the non-executive directors after the year-end closing. The BOD evaluates the non-executive director's performance based on their participation rate on BOD meetings. Evaluation items include basic roles such as efforts to improve communications with the management and bring better profits to the shareholders, expertise, understanding, fairness, and independence. All of the non-executive directors were rated excellent during the evaluation on Feb 2018.

Evaluation and Remuneration Framework

Management's performance evaluation and remuneration criteria is set based on sustainability values such as long-term performance, profitability and soundness. Majority of the total compensation payable to senior management is composed of variable payments and is determined based on performance evaluation. The variable compensation is paid over 3 years. Substantial portion of the variable remuneration is linked to long term performance and while the first year remuneration is paid in cash, compensation after 2nd year is paid in form of equity linked products. And remuneration may also be adjusted by cancelling or reducing the relevant amount, in the event of the management's violation of regulations, activities against the company's interest and incurring loss to the company.

R I S K M A N A G E M E N T

Risk Management Policy and Strategy

In an attempt to secure the company's stable growth and satisfy customer's interests, SFMI manages various risks that may occur in business in a company-wide integrated way.

- Establishing retention and reinsurance strategies for insurance risk management and profit G/L for new productivity in long-term insurance
- Establishing Asset Liability Management strategies for interest rates risk management and the operation strategies for expected interest rates in long-term insurance
- Establishing criteria to manage risk-based capital ratio for financial stability

Risk Management Organization

SFMI determines and manages risk management strategies through Risk Management Committee and administrative organizations in order to control risks companywide.

CRO(Chief Risk Officer)

The CRO supervises the Risk Management Committee. The CRO also attends the Product Committee and the Asset Management Committee to oversee risk management across the company business lines.

Risk Management Departments

Under the CRO, there are risk management departments – RM Planning Department, RM Operating Department 1, RM Operating Department 2 – that assess, monitor, and control risks. They operate independently in order to ensure independence. Also in order to facilitate risk-related decision makings, SFMI operates General / long-term / auto Insurance Product Committees for insurance sector, while asset management sector governs Asset RM Committee,

Investment Deliberative Committee and Loan Deliberative Committee.

Risk Management Committee

As a sub-committee within the board of directors, the Risk Management Committee defines tolerable risk levels for both underwriting and asset management operations and establishes risk management guidelines that are reflected in the company-wide business decision making. The Committee also internally promotes the importance of risk management. The Committee, composed of one executive director and two non-executive directors, is authorized by the board of directors to do the following : to establish basic risk management guidelines in accordance with the company's culture ; to gauge risk tolerance level ; and to draft and revise risk management-related regulations.

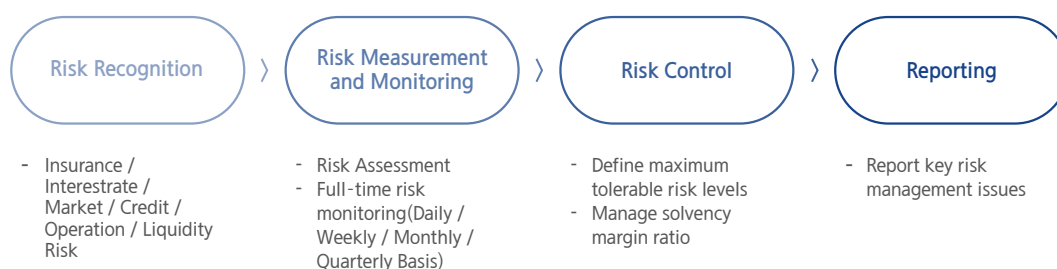
Activities of Risk Management Committee in 2017

Month	Report & Resolutions
Jan, 2017	Revised risk management policy
	Revised forward looking criteria and provision policy
Mar, 2017	Revised risk management policy
	Reported 2016 YE supervision standard and internal standard risk-based capital ratio
Jun, 2017	Reported 2017 March-end supervision standard and internal standard risk-based capital ratio
	Reported risk scenario analysis for 2017 March-end
Sep, 2017	Reported 2017 June-end supervision standard and internal standard risk-based capital ratio
Oct, 2017	Reported liability assumption agreement process for U.S. branch
Dec, 2017	2018 long-term insurance interest rate management(plan)
	G/L setup for profitability of new long-term insurance product 2018
	General insurance maintenance and re-insurance strategy for 2018
	Re-insurance monitoring and risk transfer evaluation report
	2017 derivative risk management and 2018 trading strategy
	Reported risk scenario analysis

R I S K M A N A G E M E N T

Risk Management Process

SFMI recognizes risks occurred in various processes such as product development, underwriting, and sales to conduct risk measurement and profitability assessment ; then, it develops measures to manage risks via discussions with the related departments. Lastly, each department implements the risk management measures and delivers the results that are monitored and reviewed by the risk management departments.



Definition of Risks by the Type and Management Methods

Risk	Definition	Management Methods	Measuring Methods & System
Insurance Risk	Risk of loss led by higher actual claim payment rate over assumed claim payment rate	<ul style="list-style-type: none"> - Set tolerance risk level based on changes in loss ratio, policy termination rate and regularly monitor related risks - Establish reinsurance strategies 	<ul style="list-style-type: none"> - VaR(Value at Risk) - ReMetrica - RAFM(Risk Agility Financial Modeler)
Interest Rates Risk	Risk of loss from shrinkage in adjusted net worth led by asset and liability duration and ALM mismatch due to a fluctuation in interest rates	<ul style="list-style-type: none"> - Establish guidelines to formulate estimated interest rate and minimal guaranteed rate - Set asset duration target based on liabilities cash flow that takes account of liabilities structure and interest rates 	<ul style="list-style-type: none"> - VaR - ALM
Market Risk	Risk of loss from drop in market value of asset led by Negative market fluctuations in interest rate, stock prices, and exchange rates	<ul style="list-style-type: none"> - Set reference investment criteria for marketable securities, loans and establish loss criteria to prevent high losses 	<ul style="list-style-type: none"> - Market VaR - KRM(Kamakura Risk Management)
Credit Risk	Risk of loss caused by default or fall in credit rate of Counterparty	<ul style="list-style-type: none"> - Set investment limits by each industry to diversify risks and check maxed-out risk through the exposure monitoring system 	<ul style="list-style-type: none"> - Credit VaR - Credit Metrics
Liquidity Risk	Risk of loss from discrepancy between supply and demand of capital or sudden capital Outflow	<ul style="list-style-type: none"> - Monitor daily monetary transaction - Establish monthly asset management strategy - Monitor quarterly liquidity ratio 	<ul style="list-style-type: none"> - Cash and equivalents - SAP(Accounting administration system)

Operation Risk Management

An operation risk refers to the risk through which loss may occur due to insufficient internal control system, mistakes of employee, or system errors. SFMI manages operation risks according to characteristics of each risk.

- To control internal operation risk management, SFMI requires an approval from the internal control department in order to legislate / revise internal regulations, to develop new operation systems, and to disclose customer guidance data. In the meantime, the audit department conducts regular and intermittent audits to prevent illegal acts.
- Compliance Managers continuously oversee the business sites to prevent losses arising from incomplete sales. Once sales occur, the company monitors indices of incomplete sales each month.
- For personnel risk management, the company operates rotation system for long-serving employees, and real estate management department regularly conducts safety check for workplace and buildings.
- For security risk management, the company operates diverse security systems such as electronic document DRM that is only accessible internally, and each department designates compliance security personnel.

Maximum Risk Tolerance Level Establishment and Management

SFMI's risk tolerance level is annually determined by the Risk Management Committee in such a level that capital adequacy can be secured and maintained. The company prevents risks from exceeding the set level by regularly assessing the current risk level. It requires that should any excess of the tolerance level exist and major risk changes detected, those must be reported to the Committee.

Capital Adequacy Management

SFMI maintains the highest RBC level within Korea's non-life insurance industry. It has formulated and follows an internal capital solvency calculation method based on global Solvency II standard to determine its capital solvency level and sets own internal risk tolerance level.

Regulatory Capital Solvency Requirements

Solvency ratio of an insurance company refers to capital available in addition to capital required for insurance companies to pay policyholders back(required capital). As of December 2017, SFMI's RBC ratio stood at 324.5 percent, highly exceeding the required level of 100%, set by the Financial Supervisory Services.

Internal Assessment and Management Process of Capital Adequacy

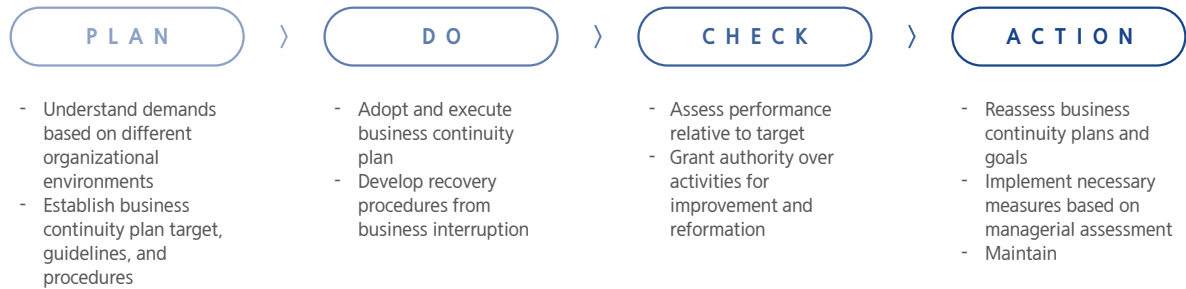
SFMI's capital adequacy assessment is conducted based on the capital adequacy assessment criteria for insurance companies — RBC(Risk-based capital) system, which reflects market, credit, and operational risks besides insurance and interest rates risks. Apart from the RBC system, the company reflects amount of risks detected by its internal model in determining business targets including retention / reinsurance strategy for insurance risk management, ALM(Asset Liability Management), and SAA(Strategic Asset Allocation) strategies as well as operation strategy for estimated interest rates.

Stress Test and Sensitivity Analysis

SFMI conducts the annual stress test based on the IMF bailout and 2008 global financial crisis scenarios that are set by the regulators. The test result is reported to the Risk Management Committee. Based on its recent stress test, SFMI's solvency ratio was at 200%, even under the economic crisis scenario. SFMI also performs market fluctuation sensitivity analysis to measure risks that may lead to profit and asset losses.

B C M Business Continuity Management

In preparation for potential business interruptions caused by disasters such as fire, gas explosions, natural disasters, and war crises, SFMI established Business Continuity Management. SFMI prepared risk response scenarios by major accident type to provide regular trainings and education and acquired ISO 22301 in January 2018, an international standard on business sustainability management.



TAX POLICY

SFMI perform our duties on the principle that we comply with the regulations and maintain honest and transparent relations with the tax authorities in accordance with our own tax policies. SFMI follows K-IFRS(K-International Financial Reporting Standards), Insurance Business Supervising Regulation, and other accounting regulations ; as required by the law of external audits for corporations, it also undergoes regular accounting reviews by external auditors. The company also prepares and runs internal accounting management system, and its accounting supervisors perform periodical inspections on accounting and tax information in order to prevent any mistakes. Following the accounting regulations legislated by the government and financial information provided by its own internal accounting management system, SFMI faithfully satisfies its responsibility of reporting tax return along with the submission of various tax payment data required by the government's tax regulations based on authoritative interpretation.

Tax Risk Management

Because a tax risk may have greater impacts than a financial risk, SFMI monitors related tax risks and manages them carefully. SFMI also continuously monitors tax risks and prepare measures ; such risks, which can cause drastic changes in accounting methods, are following : risks from the transition to new accounting standards(adaptation of IFRS Phase 2), risks from the launch of new products / new transactions, and risks related with international tax obligation.

Transparent Public Announcement Related With Tax

SFMI reports further details of corporate tax, deferred corporate tax, and effective tax rates in audit reports by independent auditors. It discloses the results to the company website and electronic disclosure system of Financial Supervisory Service.

Corporate tax

(Unit: KRW millions)

Category	2015	2016	2017	2016 - 2017 Average
Pre-tax profit	1,071,741	1,119,773	1,430,743	1,275,258.0
Corporate tax expense	257,935	259,158	375,443	317,300
Corporate tax expense / Pre-tax profit(%)	24.1	23.1	26.2	24.7
Corporate tax payment	315,616	269,042	328,454	298,748
Corporate tax payment / Pre-tax profit(%)	29.4	24.0	23.0	23.5
Changes in deferred tax due to temporary difference	-25,348	-73,882	94,969	10,544
Tax adjustment	11,835	-1,565	27,723	13,079
Effective tax rate(%)	24.0	23.1	26.2	24.7

Corporate tax expense in Korea and overseas in 2017

(Unit: KRW millions)

Category	Korea (including U.S. branch)	Overseas(Chinese, Singaporean, Vietnamese subsidiaries etc.)
Corporate tax expense	371,773	2,822

* Amount of consolidation adjustments KRW 848 millions

ETHICAL MANAGEMENT

In order to fulfill a social role and responsibility as a leading global company, SFMI commits to the principles by building a clean corporate culture and pursuing thorough compliance and integrity.

SFMI Code of Business Conduct

We, as employees of Samsung Fire & Marine Insurance, fully understand that compliance and integrity serve not only as the core foundation of ethical business management and a platform to transform SFMI into a world-class company trusted by our customers, but also as a precondition for individual employees to conduct as representatives of the Company. As we uphold precious values of the Company and act with integrity in doing our business, we pledge to comply with the following code of business conduct :

1. **We understand and practice management philosophy, core values, and business principles of Samsung and hold high compliance and ethics standards for fair and transparent business activities.**
2. **In doing business, we comply with domestic and overseas laws and regulations, as well as following internal corporate regulations and bylaws. We neither engage in any acts that violate or may be suspected of violating laws and regulations, nor will we direct, approve, instigate, and condone such act.**

Sound corporate culture | We value dignity and diversity of individual employees and adhere to HR regulations including labor standards and equal opportunities for fair employment. We will not engage in any impropriety, e.g. sexual harassment, which may tarnish our reputation and compromise sound corporate culture.

Fair competition | We respect free and fair market order and adhere to fair trade rules of individual countries. We are committed to competing fairly through just means, and do not engage in collusion or any act that may hinder fair competition.

Partnership with suppliers | We respect our suppliers as our business partners, and adhere to relevant laws in dealing with our suppliers. We do not make inappropriate requests or take retaliatory actions against suppliers by abusing our advantageous position.

Anti-bribery | We do not provide or receive a gift, entertainment, or business courtesy that could be perceived as a bribe to gain business opportunities or convenience from parties concerned including public officials and customers at home and abroad. We abide by anti-bribery laws of countries around the world and corporate by laws.

Business and financial records | We keep our financial records accurately in compliance with accounting rules of individual countries and internationally accepted accounting standards, and meet obligations in regulatory filings on corporate information and major business issues.

Protection of trade secrets and intellectual properties | We strictly follow laws, regulations, and internal rules pertaining to the protection of trade secrets and intellectual properties, and do not leak trade secrets or classified information of the Company. We respect intellectual properties of other parties and do not infringe upon their rights to such properties through unauthorized acquisition, use, duplication, or distribution of their trade secrets.

Personal information protection for customers and employees | We collect, process, and use personal information of our customers and employees for legitimate business purposes with their approval under applicable laws including the Personal Information Protection Act of Korea. We prohibit and prevent the leakage of any such information and adhere to laws, regulations, and internal rules to safeguard personal information.

Meeting standards on quality, environment, and safety | We follow laws and regulations of individual countries, international standards, and corporate bylaws on environment and worksite safety, and do our utmost to ensure health and safety of customer and employees.

3. **We discuss potential issues in advance with related departments within the Company including Compliance Team and Legal Team to minimize risks arising from violation of laws in the process of major business projects and contracts.**
4. **We immediately report to Compliance Team any violation of laws, regulations, bylaws, or this Code of conduct, or any incident suspected of such violation, upon discovery of the fact**
5. **We actively participate in all corporate compliance activities including employee education, monitoring, on-site inspection, and follow-up measures pertaining to compliance.**

MAJOR ACTIVITIES

Based on five core values of People, Excellence, Change, Integrity, Co-prosperity, SFMI prepares and implements Code of Business Conduct. Along the way, in an attempt to build and maintain a clean corporate culture, the company operates systematic and diverse education programs by conducting 'Value Sharing Programs' among the employees under the subjects of anti-bribery, fair trade, anti-money laundering, healthy culture devoid of sexual harassments and sexual discrimination, human rights protection. SFMI operates various internal control programs to minimize risk from violation of laws and regulations that may occur from everyday operation.

The programs include monitoring of employees' work process and legal compliance, daily operation compliance, fair trade self-compliance program and anti-money laundering system. In 2017, SFMI was involved with a variety of business ethics activities such as producing and distributing documentaries and compliance training videos and strives to spread compliance culture. Deploying some 245 compliance security personnel across the company, it carried out diverse compliance activities including compliance education and inspection in the field each month, exploration of good examples for ethical management, suggestion and information, consequently spearheading the practice of ethical management and ethical sales in actual workplace.

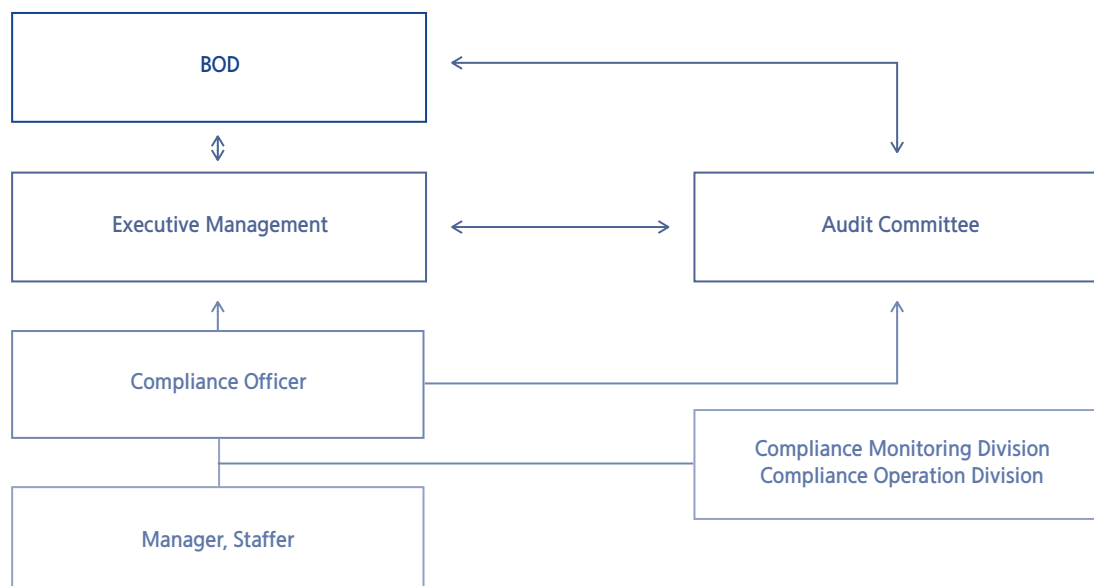
Setting / monitoring of Internal Control Criteria

Internal compliance regulation was established as set forth by the Insurance Business Act and all employees are expected to comply with the regulations. The regulations express our commitment to abide by the laws, maintain sound asset management and protect our insured customers. Internal control policy sets out guidelines on employee role and responsibilities, compliance system, internal control structure, code of conduct, key issue by job functions and compliance check.

Operating System for Internal Control

The Compliance Officer is responsible for the operation of internal control system and related guidelines. The officer also nominates compliance officers by individual departments to monitor the status of compliance and identify weaknesses to the system. Violation of compliance leads to disciplinary actions. Compliance officers inspect the design and operation of internal controls and reports to the Internal Audit Committee and the BOD. In the meantime, managers operate effective internal control system and supervise the staffer's role performance, while staffers understand their role and comply with laws, internal regulations and ethics code, both are responsible for internal control in the first place.

Operating Structure



Compliance Education & Inspection

SFMI conducts regular education to employees to reinforce the principle of ethics. Value Sharing Program, a mandatory training course for all domestic and overseas employees, offers education on prevention of corruption, fair trade, personal information protection, prevention of gender discrimination and sexual harassment, protection of human rights and anti-graft law. Furthermore 'Compliance and Ethics Self-Assessment' is completed by all employees to increase understanding of compliance management.

Mandatory Education

Category		2015	2016	2017
Value Sharing Program	Training hours per person	20	20	20
	No. of attendees	5,613	5,714	5,867

Operation of Compliance Support System

SFMI operates various internal control programs to minimize risk from violation of laws and regulations that may occur from everyday operation. The programs include monitoring of employees' work process and legal compliance, daily operation compliance, fair trade self-compliance program and anti-money laundering system.

Major Compliance Support Systems

Pre-Compliance	<ul style="list-style-type: none"> - Preliminary compliance inspection prior to final decision making related to key business operations including : Establishment and revision of internal regulations, terms and conditions of insurance policies, and new product development and new task force
CP, Compliance Program	<ul style="list-style-type: none"> - Fair trade voluntary-compliance system to abide by fair disclosure regulation - Promote fair trade voluntary-compliance culture within the company by electing voluntary compliance manager (Compliance Officer) and establishing relevant guidelines
AML, Anti-Money Laundering System	<ul style="list-style-type: none"> - Preventive system to promote sound financial transaction between financial institutions, while eliminating domestic and global money laundering activities - Eliminate potential risk and raise transparency of asset management for customers by assessing and monitoring the money laundering risk - Monitor by CDD (Customer Due Diligence), its verification and also using scenarios extracting suspicious transactions

Anti-Money Laundering System

As set forth by laws against money laundering and public financing, SFMI operates CDD(Customer Due Diligence) system for the purpose of preventing act of crime and promoting transparent transaction with our customers. Furthermore, EDD(Enhanced Due Diligence) is performed on customers who have been categorized as higher in risk based on money-laundering risk assessment. Money laundering preventive system inspects doubtful, large cash transactions to prevent potential risks and issues STR(Suspicious Transaction Report) or CTR(Currency Transaction Report).

Along with advancement of the system, SFMI strived to boost quality of anti-money laundering system by frequent check and education to raise the awareness among the employees and also to strengthen their work capability.

Fair Trade for Consumers

Our business partners including RCs are thoroughly trained and regularly monitored to provide reliable and proper products and services to our customers. In accordance with the insurance business laws and supervisory regulations, we establish strict standards for product development, use of product information and educational materials. We also abide by the domestic and foreign standards for advertisements.

Minimizing of Incomplete Sales

SFMI carries out diverse activities to realize complete sales in our way towards establishment of trusted insurance culture and protection of consumer's interests. Its administrative organization, Compliance Operation Division focuses on preventing losses arising from incomplete sales. For this, compliance managers are placed in business sites to run round-the-clock checking system and after sales, the relevant department monitors indices of incomplete sales each month.

Disciplinary Actions by External Authorities

In 2017, SFMI was not sanctioned by external authorities, including organization caution/warning/suspension, employee caution/warning/discipline etc. In accordance with the article 134 of the Insurance Business Act(Sanctions against Insurance Company).

I N T E R N A L R E P O R T I N G S Y S T E M

SFMI operates various in-house communication systems to encourage ethical management such as whistle blowing and fraud reporting system. In accordance with the internal reporting system regulations, whistleblowers are guaranteed confidentiality. In the case that investigation of accusations on fraudulent acts finds the accusations to be true, disciplinary measures are taken according to the seriousness of the matter in question.

Report Status

Category	2015	2016	2017
Processed Reports	43	74	26
Alleged Offence	5	11	5
Civil Complaint	24	49	20
Others	14	14	1

Internal Reporting Channel

Whistle Blowing	The Office for Practice of Business Principles(Compliance Department) Tel : 02-758-7112 / Fax : 02-758-4310 / E-mail: ethics.sfmi@samsungfire.com
Fraud Reporting	Audit Team Tel : 02-758-7106 / Fax : 02-758-7796 / E-mail: auditing@samsungfire.com

S U S T A I N A B I L I T Y V A L U E

Customer-Oriented Management

Human Capital Development

Social Responsibility

Co-prosperity

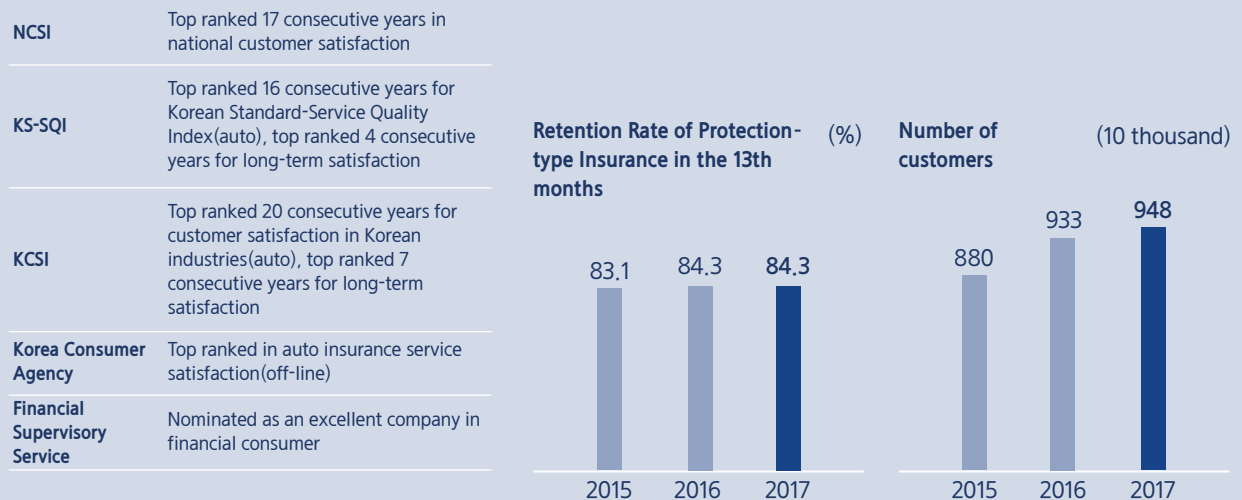
Environment·Safety·Health Management



C U S T O M E R - O R I E N T E D M A N A G E M E N T

SFMI prioritizes the customers from their perspective, and makes consistent efforts to change the service systems centered on the customers. 'Working with ownership', SFMI's declared service identity, is a commitment to providing authentic and heartfelt services to customers.

Achievements for 2017



2018 Target Activity

Target Activity	Detail and data
Imported car relief care center	SFMI offers online services for cost estimate for imported car for the customers who cannot visit Imported car relief care center due to their busy schedule or distant place of living
Communication on SNS	SFMI changed the name of its existing 'SFMI Issue on Fire' to 'SFMI News', which will widespread the value of insurance and SFMI.
Information protection	Plans to produce and distribution promotional materials to enhance awareness of information protection

Service Identity

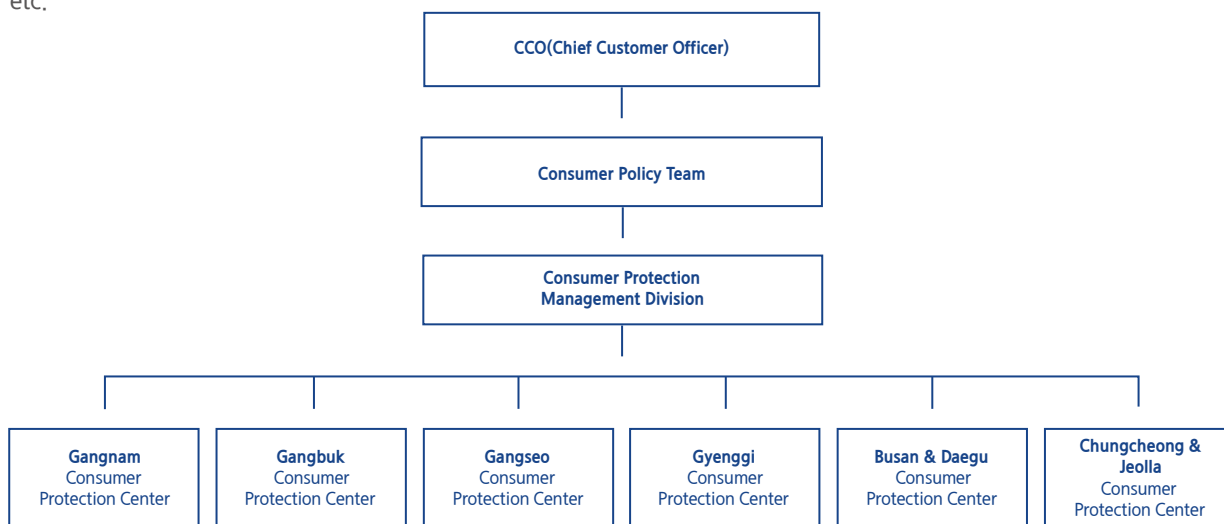
“ Increasing Value for Customers by Providing Satisfactory Customer Service ”

Putting SFMI's Declared Service Identity into Practice



CUSTOMER-ORIENTED MANAGEMENT ORGANIZATION & ACTIVITIES

At SFMI, we have appointed a CCO(Chief Customer Officer) directly under the CEO and operate the Consumer Policy Team to proactively plan and implement customer-oriented activities. SFMI operates 'Customer Rights Protection Committee' consisting of six external experts, including professors, lawyers and doctors etc., to reasonably review customer debates with fairness, objectivity and expertise. Also, to implement a more efficient customer complaint management, we extended operation of Customer Protection Center to six areas across the country and we have strengthened professionalism by assigning experts with rich field experience of sales and claim settlement. In addition, SFMI operates Customer Panel, Customer Protection Committee, Customer Rights Protection Committee etc.



Consumer Protection Committee

In 2014, SFMI established the Consumer Protection Committee, composed of executives in charge of sales, claim settlement and product development in an effort to eliminate and improve irrational systems and practices within the organization. Since then, 25 rounds of committee meetings have been held to date. Tangible results have been produced, including improved customer service through proactive measures to prevent customer complaints, effective job performance, and reduction of operating expenses.

Consumer Rights Protection Committee

SFMI settles insurance disputes, which are particularly delicate and complicated to handle, through the Consumer Rights Protection Committee. Consisting of six external experts including professors, lawyers, and doctors, Consumer Rights Protection Committee is designed to help customers settle disputes in a fairer, and more objective and professional way. Since its establishment in 2009, a total of 89 deliberation meetings have been held so far and the results of deliberation were shared with employees in the field. We continue our commitment to customer-oriented management that prioritizes the protection of customers' rights, including proactive measures to eliminate factors that are likely to cause customer dissatisfaction and enhancement of remedial processes.

Consumer Portal

In May 2015, a consumer portal opened at the company's homepage with contents of electronic complaint filing, notice of complaints, examples of best practices for consumer protection, financial consumer protecting system, financial information. In 2017, SFMI put up the banner at the front page of its website to link the customer portal to provide better access for the customers.

C U S T O M E R - O R I E N T E D E D U C A T I O N & P R O M O T I O N

Service Academy

As part of our effort to translate into action the protection of financial consumers and customer-oriented management, SFMI operates the Service Academy, a specialized training program designed for managers and employees, and RC(Risk Consultant). The Service Academy, under the direct supervision of the Consumer Policy Team, plans ways to promote customer satisfaction and provides service consulting on customer interaction. In addition, SFMI introduced CS coaching system to improve customer service of the staffs in auto claim settlement to enhance the general level of CS capability via CS self-examination and call quality evaluations etc.

Best Customer Satisfaction Practice Award

SFMI operates various reward programs to further encourage and motivate employees and partners who were outstanding in the area of customer service. Reward programs include: Company Foundation Day Award(annual), SFMI Person Award(3 times a year). In addition, SFMI spread the cases of on-site employees who provide best practices in customer service and share them with other employees and partners on internal media and intranet to encourage better CS activities. Especially, 'Compliment Express' is a representative program that introduces great comments by the costumers via VOC and are delivered to the entire employees through internal news.

Customer-oriented Products & Services

SFMI proactively reflects needs and opinions of our customers throughout the development process of our products. As such, product names and policy terms can also be flexibly modified to improve customers' understanding of the policies. We also offer wide range of products and services to meet customer's specific needs such as preparation for older age, infant care or traveling that customers may join according to their preference and life cycle.

Imported Car Relief Care Center

SFMI operates the Imported Car Relief Care Center to provide customers with repair services at reasonable prices. At the center, estimate experts diagnose the state of damage and offer advice on the best repair method and scope. The first estimate service center was established in Seongsu-dong, Seoul in September 2011. Since then fourteen more centers have been added to date, including eight in the Seoul metropolitan area(Gangbuk, Gangnam, Gangseo, Ilsan, Bundang, Incheon, Suwon, and Anyang) and six in other cities (Gwangju, Daejeon, Daegu, Busan, Jeonju, and Changwon). In February 2017, three more centers opened in Cheonan, Cheongju, and Ulsan. In addition, SFMI launched 'Online Relief Care Center for Imported Car' for the first time in Korea to assist customers who cannot make personal visits to the center. With the service, the customers can receive cost estimates of imported cars at anywhere. In addition to estimating the costs, SFMI offers car pickup, simple scratch repair and electronic devices examination services out of charge to the customers for higher satisfaction.

Better Web Accessibility

SFMI has improved the accessibility of the company website to people with disabilities and the elderly in order to improve their usage of online financial services such as application for insurance policies, access of insurance contracts and request for consultation services. On January 2013, SFMI obtained 'Certificate for Excellent Web Access' from WebWatch under the Human Rights Forum of Persons with Disabilities in Korea and has been renewing the certificate every year.

Propose: Mobile product information platform

SFMI launched 'Propose', a mobile product information platform, on January 2018, to provide various contents that describe characteristics of insurance products and why the customers need them. 'Propose' was launched to value the customer's lifestyle and is divided into 'Super Single: I am previous and I love myself', 'Happy Family: Dream happiness with children', 'Golden Age: Prepare your golden time and offer a variety of contents. Especially, as the customers increasingly use mobile devices to use the internet, SFMI used image tools such as card news and infographic to provide better visibility rather than text to help the customers gain easy access to insurance products.

My Kids Consulting App

SFMI's 'My Kids Consulting App' is an application specialized in child consulting that was launched for the first time in the industry and provide development information by analyzing children's physical and psychological status. Since its launch on June 2017, more than 1,000 customers use the application per month. Parents who wondered whether their children's physical and mental developments are on the right track can clear their curiosity and the application serves as a guide in child development. On May 2018, SFMI commenced to offer free coupons for psychological examination for the customer's children via its website and non-customers are entitled to use the coupons as well. With the application, SFMI is able to provide extensive service for children psychological examination.

C U S T O M E R C O M M U N I C A T I O N

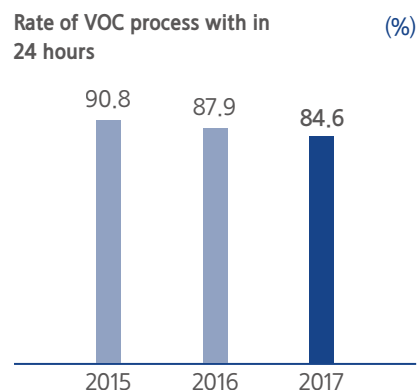
Consumer Satisfaction Survey

SFMI conducts customer satisfaction survey once a year to assess and improve the level of customer service. Survey results are reflected on business activity to improve products and services. In 2017, we ranked top in customer satisfaction surveys of the country's three bodies.

Type	Body	2017 Rating
National Customer Satisfaction Index	Korea Productivity Center	76 points (No.1 in the non-life insurance sector for 17 consecutive year)
Korean Customer Satisfaction Index	KMAC	83.1 points (No.1 in the auto insurance sector for 20 consecutive year) 79.3 points (top in the long-term insurance sector for 7 consecutive year)
Korean Standard-Service Quality Index	Korean Standards Association	75.0 points (No.1 in the auto insurance sector for 16 consecutive year) 73.6 points (No.1 in the long-term insurance sector for 4 consecutive year)

Voice Of Customer(VOC)

SFMI actively listens to inconvenience, complains and suggestions reported by the customers via the website, mails, call center and mobile etc. strives for quick resolution based on '24 hour processing' principle. In addition, SFMI recognizes VOC as an important asset and utilize it to develop new products and improve service qualities. In 2017, SFMI added mobile channel for VOC reception where the customers can hand in VOC without a separate authentication process. Now that the customers are accustomed to the mobile environment, mobile VOC reception can easily accept and process complaints.



Financial Customer Protection Evaluation

The Financial Supervisory Service conducts 'Financial Customer Protection Evaluation' to comprehensively examine the level of customer protections by financial institutions. In 2016, SFMI was rated 'satisfactory' for nine categories out of 10, which outperformed all the other insurance companies under evaluation. As a result, SFMI was nominated as an excellent company in financial customer protection.

Customer Panel

Since the establishment of the 'Customer Panel' in 2005, which was first of its kind in Korean non-life insurance sector, SFMI continues to actively operate the system with the purpose of offering products and services that meet the needs and demands of customers. CEO and key management executives participate in the Customer Panel and the outcomes are then actively reflected in the company's strategy to improve business management. The Customer Panel which is selected through document screening and interviews is composed of 8 to 10 general individuals, including housewives and must be covered by insurance. Since 2005 a total of 23 rounds of Customer Panel conferences were held and approximately 710 tasks have been carried out to date. The results from the Panel's four-month task activity are shared across the company via presentations and significantly contribute to implementing the company's customer-oriented management policy.

Communication on SNS

SFMI operates diverse online Social Networking Services(SNS) to increase communication with our customers. As of December 2017, SFMI communicated with approximately 830,000 customers on a daily average(according to internal tally), through 5 online PR channels including blog, Facebook and Youtube. SFMI effectively uses SNS in order to actively communicate with diverse age groups and communicates with 670,000 Facebook users(as of 2017 YE), which is the highest in the industry. In 2017, SFMI introduced its vision and brand value to 29 million people via SNS.

In addition to communication and promotion, SFMI has used SNS channels to be socially responsible. Since 2013, SFMI has been involved with 'Finding Missing Children' campaign via its SNS channels and started to interview the parents of missing children to produce 'card news', which were distributed to more than 900,000 viewers, in order to remind social attention to missing children. To recognize its efforts to raise social awareness and participation in missing children, SFMI received commendation from the minister of Health and Welfare on May 2017 at '11th Missing Children's Day', co-hosted by the Ministry of Health and Welfare and the National Police Agency. SFMI will continue to honestly communicate with the customers and take social responsibilities via SNS channels in the midst of ever-changing digital environment.

Major Official SNS Channels

SFMI NEWS Blog	http://blog.samsungfire.com/
SFMI Naver Post	https://post.naver.com/samsungfire3
SFMI Facebook	https://www.facebook.com/samsungfiretalk
SFMI Instagram	https://www.instagram.com/samsungfiretalk/
SFMI Youtube	https://www.youtube.com/user/SamsungfireTalk

I T I N F R A

Global IT System

SFMI utilizes IT to promote management innovations. The ERP^{Note)}-based next generation IT system provides all-in-one solution that allows the customers to handle all their business at a single site while implementing quick and accurate services by automatically linking insurance products and work process. It takes the advantage of new technologies, including big data and AI, to offer differentiated and customer-oriented services and experiences and implement effective strategies that the competitors cannot provide. SFMI's global IT system checks every work process, including insurance contracts from global offices, on real-time.

Note) ERP : A system that comprehensively dynamically manages the key insurance resources (e.g. customer and products) on real-time basis

Mobile Systems

In prompt response to expansion of smart devices and fast change of mobile environments, SFMI has been developing mobile system. SFMI will make active use of smart devices such as tablet PCs and smartphones for customer services, ranging from contract management to claims payment. In addition, to promote customer convenience, we also offer smart services that allow real-time application, incident investigation, and payment of premiums. The industry's first mobile website offers applications that deal with customer's enquiries, contract alterations, incident report, application for loan and issue of certificates. In addition, to strengthen customer-focused service, SFMI has launched the mobile-supported Smart Consulting System, which allows customers to analyze the insurance policies they hold from a different perspective and identify them.

C U S T O M E R I N F O R M A T I O N P R O T E C T I O N

Information Protection Management System

To maximize information protection, SFMI appointed a CISO(Chief Information Security Officer), a CPO (Chief Privacy Officer), a CSO(Chief Security Officer) to handle and protect credit information. We also operate the Information Protection Committee as a decision-making body for security issues. Also, departments within the company that are directly responsible for information protection such as the Information Protection Division, IT Security Division, and Compliance Monitoring Division participate in the Information Protection Committee to supervise, control and implement security policies on a regular basis. In 2014, the company acquired the certificate of ISMS(Information Security Management System) from the Ministry of Science, ICT and Future Planning. The ministry was reorganized to the ministry of Science and ICT in 2017 and SFMI has renewed ISMS certificate since then.

Information Protection Activities

Using its security-specialized organizations, SFMI is conducting a diverse range of activities : Reinforcement of security-related company rules, encrypted customer database, operation of a security task force, information protection system 24-7 cyber monitoring and regular safety prevention activities, separation of work network from internet, on / off line security education, enhancement of the employees' awareness on online security and addressing weaknesses through trial mock-hacking and simulations to prevent malignant code infections, regular and multiple security check. And it also strengthens its internal control on treatment and management of personal information overall like collection, usage, storage, and destruction of information. Besides, the company has established a separate security management system so that apart from its own employee, other companies that treat SFMI's customer information can manage the relevant information safely, demonstrating our commitment to perfect security management and supervision.

No violation of customer information protection has yet been reported, and personal information of customers will be treated with utmost care and kept safe in accordance with applicable laws. Additionally, SFMI plans to produce and distribute promotional materials to enhance awareness of information security in 2018.

Certified as Excellent Site for i-Safe and ePRIVACY

To date since 2000, SFMI has been certified for safe internet(i-Safe) and personal information protection(ePRIVACY) from Korea Association for ICT Promotion in recognition of its high-level security.

Prevention and Detection of Insurance Fraud

SFMI operates 'Insurance Fraud Detection System(IFDS)' to prevent and detect insurance frauds. IFDS is big data based system that contains accumulative information on various insurance data, including insurance premium and information on accident and benefit payment etc. IFDS can compute insurance fraud risk score on a real-time basis for reported accidents. Any score beyond the threshold is categorized as suspicious case. SFMI utilizes IFDS to protect the customers from being victimized by insurance frauds

HUMAN CAPITAL DEVELOPMENT

At SFMI, we believe that our employees are the key to increasing company's business competitiveness. Our goal is to attract talented people through open recruitment system and develop our employees into becoming top global financial experts through excellent training opportunities that are customized to every line of functions.

We are also committed to protecting human rights, health and safety of our employees as well as providing them with a good work-life balance.

Achievements for 2017

Achievements of Talent Management for 2017



78.1 points

Hours of training per employee



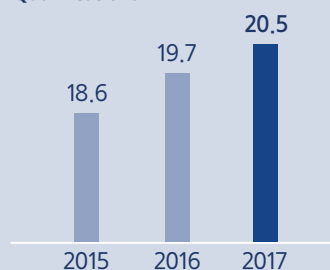
96.6 hours

Education expenses per employee



148 KRW
10 thousand

Possession Rate of Five Key Qualifications (%)



* Five key qualifications: Actuary (domestic and foreign), Claim adjuster, CPCU, CFP, and CFA

2018 Target Activity

Target Activity	Details and Data
SFMI University	Commenced in January 2018
Develop global talents	<ul style="list-style-type: none"> - Dispatch regional experts: Ten employees in nine countries are planned - GFP dispatch(Education for Overseas corporation): Five employees are planned - GEP dispatch(Education for Global Companies): Five employees are planned
Big data academy	Develop business finance experts utilizing fintech by launching a new digital finance leader course
Actuary academy	Ten new students for master course
Outplacement program	<ul style="list-style-type: none"> - Strengthen connectivity between life and career programs - Plans to expand in-house consulting for to-be retired employees with Financial Career Consulting Center

* Disclosed and maintained data for Human Capital Development is 100% confined to SFMI work-sites in Korea

T A L E N T M A N A G E M E N T

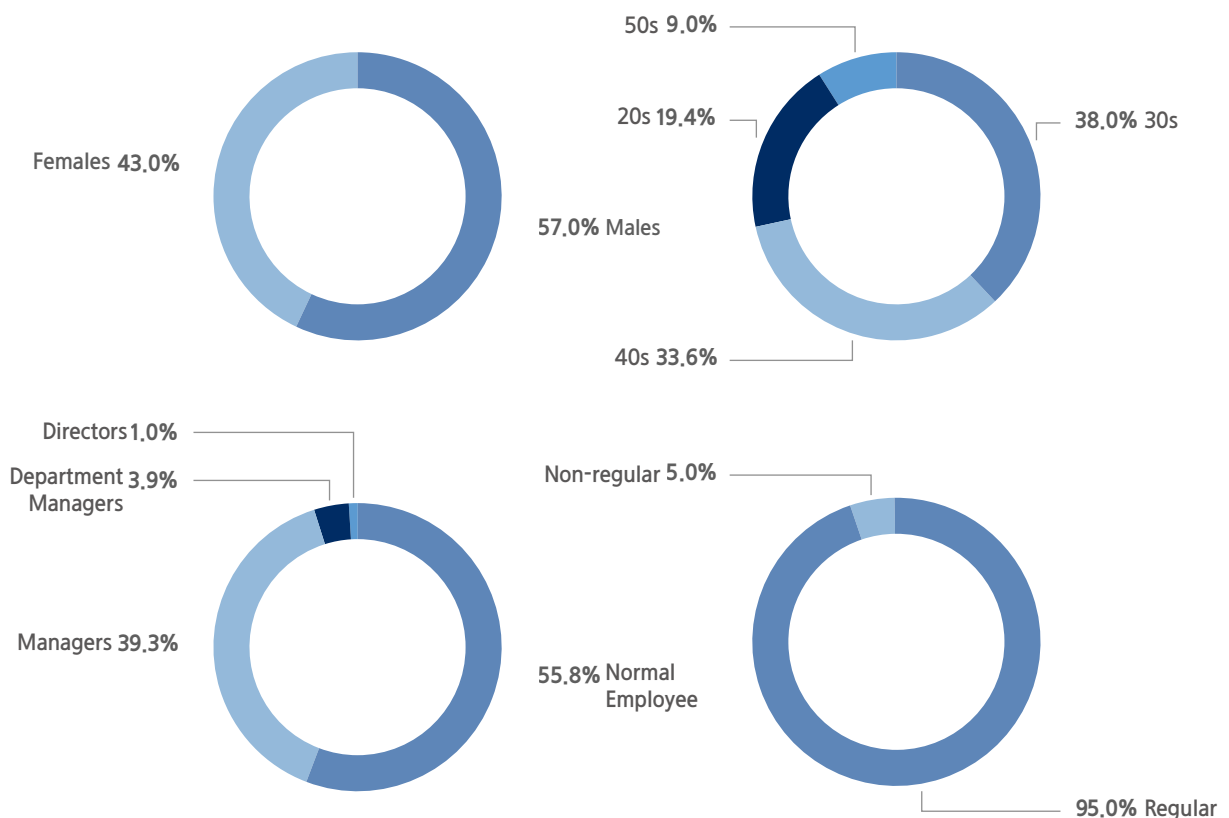
Open Recruitment

SFMI employs an 'open recruitment' system to encourage equal opportunity and prohibit discrimination against individuals based on academic background, origin, age, gender, religion and disability. We also help create equal employment opportunities to underprivileged and the young adults with an aim to help them pursue their dreams under difficult environment. In order to ensure equal employment for all, we are granting additional points for recruitment to low-income families. We are actively recruiting to over 40 universities and 200 high schools for balanced recruitment by region. In 2017, SFMI newly hired 234 employees, including 203 new recruits and 28 experienced employees.

Talent Retention

As of December 31, 2017, SFMI employed a total of 5,730 people, with the male and female ratio standing at 57.0 percent and 43.0 percent, respectively. We are committed to developing our employees into global financial experts through diverse HR programs including: employment status transfer program from temporary to full time status, reward and early promotion programs for outstanding performers and internal job transfer programs. Additionally, to promote balance and diversity of our employees, we continue to open recruitment opportunities and out of total employees, percentage of employees with disabilities accounts for 2.4% and employees with national merits 1.6%. Also, the percentage of women in management positions is 12.0 percent

Employee Status in 2017

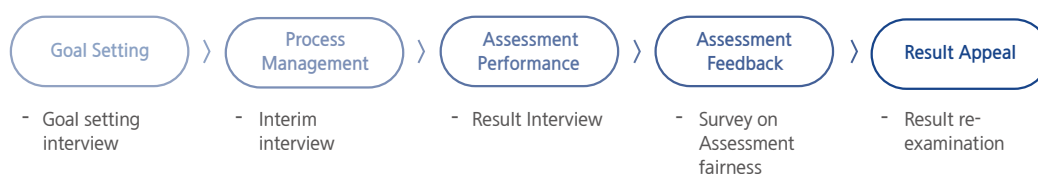


Performance and Compensation Management

Performance Evaluation

At SFMI, we implement a target-oriented performance evaluation system for our employees. Overall evaluation of our employees is based on comprehensive assessment of performance and competency. To promote a fair and transparent performance assessment, we follow a three-step dialogue(objective interview, interim interview, and result interview) In addition, SFMI conducts 360° evaluation(involving senior, colleagues, junior) on basic/job/leadership capabilities and help develop capacity of the employees based on the feedback. SFMI motivates the employees to grow to become global financial experts by performing systemic performance review

MBO(Management By Objectives)



Compensation

SFMI implements annual salary and profit sharing system to establish performance-oriented culture and to boost the spirit of challenge among our employees. Our entry level college graduate recruits are guaranteed base salary above the legal minimum wage level and gender wage gap does not exist. The median employee compensation of SFMI is KRW 96,198,520 in 2017.

Awarding System

At SFMI, we strive to instill ownership and pride in our employees, so that their goals are aligned with the company's business strategy. We regularly reward our employees through diverse programs: Annual Reward Ceremony on Company Foundation Day, quarterly SFMI Person Award, and quarterly Best Team Award etc. Employees who have contributed to the sustainability of our business with their excellent performance in areas of innovation, customer satisfaction, GWP(Great Work Place), social contribution and compliance are awarded monetary compensation, paid leaves and higher evaluation.

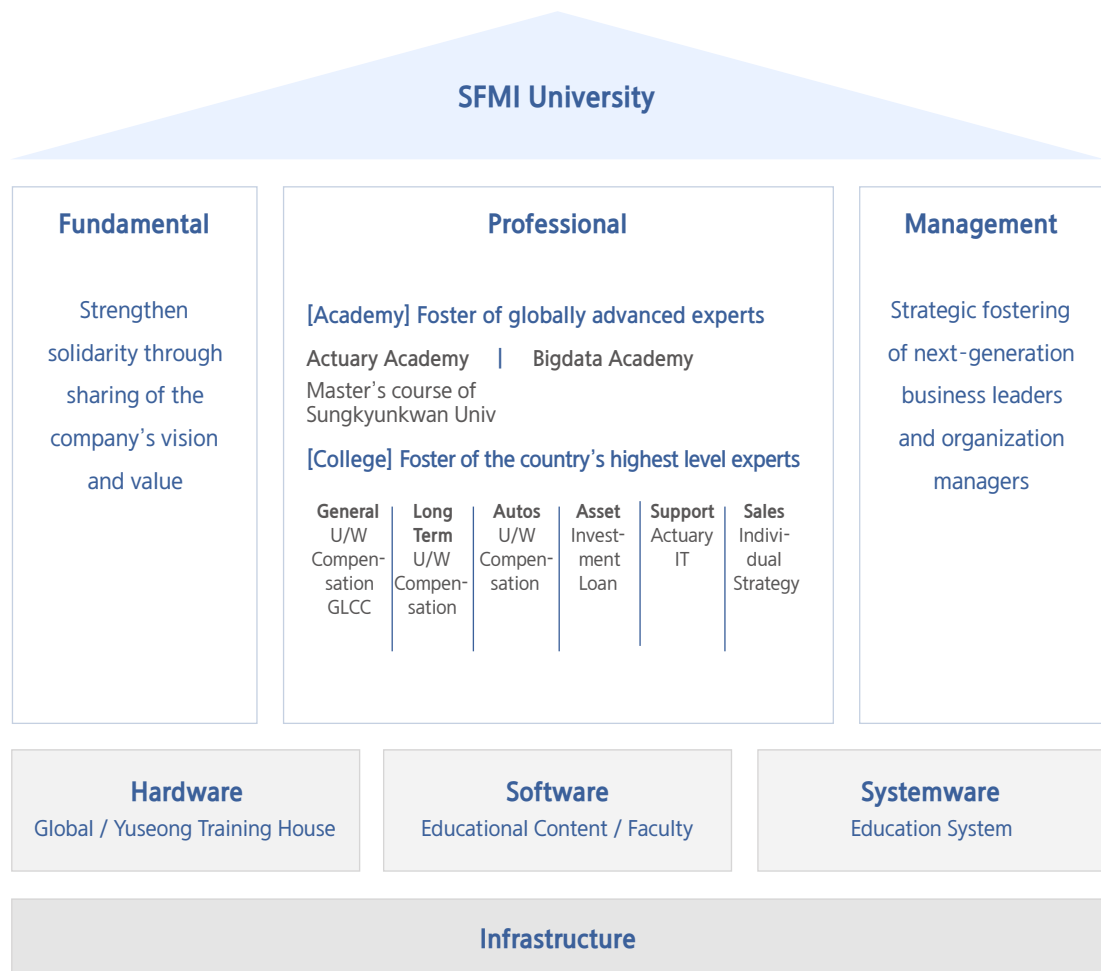
INDIVIDUAL DEVELOPMENT

At SFMI, we have established and operate talent development system to foster our employees to become top experts in the area of finance and insurance.

SFMI University

SFMI operates SFMI University to foster global talents in global insurance finance. In addition to the diverse customized curriculum(a total of 184 job-related mandatory courses ; 50 selective courses ; some 1,800 educational materials), the program also offers online and mobile version of the education system (Dream Campus). We have also implemented credit completion system which is reflected in employee performance assessment and also required for promotions. The University offers essentially-needed lectures(e-Learning, expert qualification, foreign languages) and e-Book service(in association with Kyobo Book Center) to the employees. In 2018, The day of course registration was moved up to January, which was originally in March until 2017, to increase practical training hours of the employees. SFMI University contributes to enhance the employee competency and insights via such programs.

Furthermore, we have been operating an internal professor system, in which employees with remarkable level of expertise contribute to in-house education by converting their know-how and expertise to texts and by lecturing. As of December 31, 2017, 149 persons are serving as internal professors. They get various incentives such as lecture fee and extra points for promotion.



Individual Development Plan

The Individual Development Plan(IDP) is a program that encourages our employees to upgrade and expand their area of expertise through variety of resources. The program is designed so that employees can self-assess their professional capacities and further develop through various internal and external, collective and individual training such as : e-Learning, COP(community of practice), conferences, certificate education.

Employee Education Data

Type	2015	2016	2017
IDP participation(%)	99.3	99.7	99.0
Curriculum	1,846	2,000	1,820
Education cost per employee(Annual average, KRW million)	1.47	2.22	1.48
Education hours per employee(Annual average)	119	117	96.6
Possession of expert qualifications(%) ^{Note)}	47.2	49.6	50.3

Note) Expert qualifications : 15 types at home (AFPK, underwriter, insurance examiner), 20 abroad (CPCU, Associate, CISA)

Career-Up System

SFMI introduced Career Up system in 2015 to provide job rotation opportunities to the employees. Its employees can have experience in diverse tasks to strengthen their career and become a leader with a wider view in the insurance sector through the system. 20.2% and 28.4% of the applicants transferred to the jobs they choose in 2016 and 2017, respectively.

Global Talent Management

SFMI is operating diverse programs to foster global leaders equipped with global business capability.

- Regional experts Program in which employees are dispatched overseas to learn foreign language / culture, explore national and regional information and conduct survey on business
: Dispatched 10 local experts to 6 countries in 2017.
- GFP Educational program in which excellent employees are dispatched to the company's overseas subsidiaries : Dispatched 4 excellent GFP employees to 3 corporations in 2017.
- GEP Program in which employees are dispatched to globally leading companies (to learn globally advanced expertise, know-how and capability)
: Dispatched 5 employees to 4 GEP global corporations in 2017.
- MBA / EMBA Educational program to foster the next-generation global leaders

Cultivation of Job Experts

BigData Academy

SFMI partnered with big data MBA at Kookmin University and operates academic-industry program to train special workforces in big data utilizing machine learning. For the past two years, 56 people from 30 departments completed big data practical courses and 25 people from 10 departments completed specialized courses to enhance their capabilities in big data.

Actuarial Academy

SFMI partnered with Sungkyunkwan University and solo-launched a master course in actuarial science to foster global actuaries with international work capabilities. 10 students from the 1st class completed the master degree of actuarial science at Actuarial Academy in 2017. One of the student's thesis paper 'A Study on Optimized Revenue PF Structure in Long-Term Guaranteed Non-Life Insurance with Introduction of IFRS 17' was recognized for its excellence and received the honorary president award at thesis competition hosted by the Institute of Actuaries of Korea. In addition, 5 students from the course became members of the Actuarial Society of America in 2017.

HUMAN RIGHTS & LABOR

Protection of Human Rights

SFMI fully adheres to the basic principles of protection and respect for human rights contained in the United Nations Universal Declaration of Human Rights and United Nations Guiding Principles on Business and Human Rights. Samsung Business Principles also stipulates that the company should adopt protection of human rights, respect diversity, prohibit forced and child labor and eliminate discrimination. Sexual harassment prevention education and human rights awareness education is conducted more than once every year to promote a sound culture free from any forms of harassment and discrimination.

Principle 1 : We comply with laws and ethical standards

1-1 We respect the dignity and diversity of individuals

- We respect the basic human rights of everyone
- We do not, under any circumstances, permit forced labor, wage exploitation or child labor
- We do not discriminate against any stakeholders, including customers and employees, on the basis of nationality, race, gender, religion, etc.

Listening and Solving Complaints

SFMI operates various counseling and assistance systems to maintain an open and constructive dialogue with employees. The complaints and suggestions are guaranteed confidentiality. Also, to encourage communication relating to sexual harassment, cases involving women employees are processed by designated female counselors. In 2017, a total of 80 complaint cases were resolved through the in-house counseling system.

Complaint Support and Processing System

HR Issues

Receipt of HR related complaints : leave of absence, reinstatement, self-development, performance evaluation. → Resolution by Distress Settlement Committee(employee representatives and company representatives) → Notifying result

Sexual Harassment

Receipt of complaints → Counseling and investigation → Resolutions and disciplinary action → Protection of victims and damage support

Verbal Violence

Reporting of complaints relating to verbal abuse, inappropriate comment on physical appearance, and personal insults inside or outside of work place → Counseling and investigation → Resolution and official disciplinary action depending on severity of abuse

Alcohol-related Issues

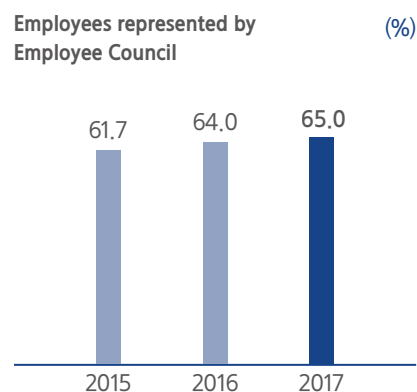
Receipt of alcohol-related complaints during company events(coercive drinking, etc.) → Investigation and corrective measures

Employee Council

SFMI is running Employee Council to establish a cooperative relationship with our employees through regular communication and mutual trust. The Council is guaranteed the rights to collective organization, bargaining and action, and under no circumstances are employees restricted or coerced into joining the union. Since 1988, as the representing employee body, the Council makes collective decisions with the company on wage agreements, working conditions and participates in key business events including executive management meetings to ensure rights of the employees and to foster a favorable working environment. December 2017 marks the 30th anniversary of the council and it maintains its reputation and dignity and the sole council within the company.

Key Activities by Employee Council

- Labor Union Committee(four times a year)
- Wage negotiation and collective agreement
- CEO and Employee Council Representative meetings
- 'Hanmauem'(One Mind) Meeting for each department
- Participate in key business events including executive management meetings
- On-site investigation on working culture
- Operating Family Day(every Wednesday and Friday) :
Weekly shutdown of company PC system
- Support employee hobby club activities
- Operate employee communication website and publish newsletter



Strengthening Employee(Including RC) Communication

To establish sound corporate culture and increase employee GWP(Great Work Place) satisfaction, we operate various corporate communication system such as an online community called SoTongHaeBom, internal broadcasting system, Employee Council homepage, management field visits and various meetings.

SoTongHaeBom

'SoTongHaeBom' is a company intranet online communication platform open to employees and RC(Risk Consultant). The platform provides 5 main communication channels : 'CEO Live Talk Talk' — communicates CEO's business philosophy and activities ; 'Media' - contains updated news about sales and claim settlement field activities ; 'Issue&People' — a community where employees share best practice stories as well as personal family stories ; 'Information Plus' and 'Events' — contains updated company news and events. 'SoTongHaeBom' is accessed by around 5,900 employees a day on average, as SFMI's unique communication channel vertically and horizontally.

W O R K & L I F E B A L A N C E

Robust Corporate Culture

To build a healthy and dynamic corporate culture, New Culture Department and Employee Council are conducting diverse interaction activities.

Employee Satisfaction Survey

SFMI conducts annually the Samsung Economic Research Institute's Samsung Culture Index(SCI) survey to promote happiness at workplace for our employees. The SCI survey, which consists of 50 questions in 15 categories, includes all employees at SFMI. SFMI's SCI overall satisfaction score in 2017 was 78.1, which slightly decreased from the previous year(by 1.8 points). However, SFMI scored higher than the Group average in every sector and maintained the highest level in financial industry. Based on SCI results, SFMI strives to build a better organization culture by setting up improvement roadmaps and projects.

Running Hobby Clubs

To encourage active interaction among employees and to increase work & life balance, the company supports hobby club activities. Every SFMI employee can open up new hobby clubs. There were a total of 151 hobby clubs, including hiking, baseball, soccer, tennis, bowling, photography, reading, meditation etc. (102 in Seoul metropolitan area, 49 in local regions) as of the end of 2017.

Executive Promotion Celebration

Every year, SFMI invites newly promoted executives and their spouses to celebration party to remind them of their responsibilities as middle men and enhance morale with the new position. On April 3rd 2017, 320 people participated in the celebration party hosted in Goyang Global Campus with congratulation messages from the CEO and the president of employee council. They also spend time to thanks for supports from their spouses.

Family-friendly Management

The company actively supports family-participating programs in an effort to enhance both employee's satisfaction with the company and harmony within families.

Parents Appreciation Festival

The trip was jointly organized by the company and our employees to express appreciation and also to inform them of SFMI's high position within the industry. In 2017, 200 parents of the employees were invited to Vietnam to join the appreciation festival to make them feel proud of the company. SFMI appreciated them by leaving special memories.

Family Care Leave

Employees with family members (parents, children, spouse and parents of spouse) who are in need of care due to sickness, accident and old age are entitled to family care leave of absence (30 to 90 days per year)

Family Day (every Wednesday, Friday)

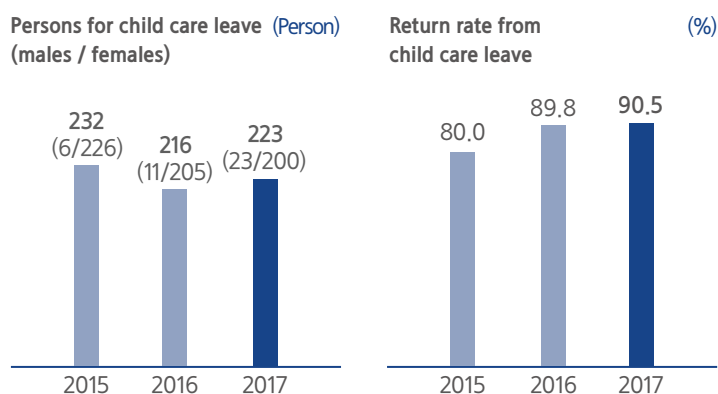
To eliminate unnecessary overtime and to enhance work-life balance of our employees, we encourage employees to leave workplace on time by introducing an automatic computer shutdown system called Home Run System, which is implemented every Wednesday and Friday, the designated 'family days'.

Certified Family Friendly Company

In recognition of its efforts to establish a family-friendly culture, SFMI has been awarded 'Family Friendly Management Certification' by the Ministry of Gender Equality and Family in November 2011 and has maintained the certification until today.

Maternity and Child Care Benefit

In addition to maternity benefits, such as pre & post childbirth leave, child care leave and shortening of work hours required by law, SFMI actively supports child birth of our employees in other various ways. We offer medical leave and medical cost subsidy for employees with infertility issues and offer 'Flexible Time System' so that female workers can work in a more secure environment.



Hotline for Expecting Mothers

SFMI fully supports and encourages childbirth of our employees through the hotline system for expecting mothers. The system offers expecting mothers easy access to counseling regarding pregnancy, childbirth, pre & post maternity leave system, benefits during maternity leave and flexible working hours.

Daycare Center at Workplace

SFMI corporate headquarters operates an in-house daycare center that offers child (1 to 5 years old) -care service during working hours. The system reduces concerns and provides comfort for working parents by allowing children to be close to their work place. This eventually increases work efficiency of our employees. In 2017, SFMI operated a total of three daycare center (Seocho 1, Seocho 2, Seosomoon)

Employee Benefits

SFMI provides various fringe benefit systems to improve employee's quality of life.

Selective Benefit System

Since 2011, SFMI operates selective benefit system for our employees. Annually, employees are compensated with benefit points which can be used to pay for different activities in areas of self-development, health care and family-friendly activities.

Outplacement Program

SFMI offers various post retirement support programs for our employees.

Pension plans are provided in accordance with the Retirement Benefits for Workers Security Act.

Established in 2009, Financial Career Consulting Center has been supporting retired or to-be retired employees to find new jobs that fit to the characteristics of their financial careers. The center also provides life cycle development plan for the first time as a financial institution in Korea, specialized to employees reaching the age of 40, 45, 50, and 55. In 2017, SFMI assisted 72 employees to find new jobs or open their own business with 22 successful cases. With these outplacement programs, SFMI accept different life style of the employees to expand career expertise and help them gain confidence in post-retirement life. In 2018, SFMI plans to improve the outplacement program for middle-aged people over the age of 45 and improve personal consulting support for employees scheduled to retire and employees who need counseling.

Maeum Nuri Counseling Center

SFMI has been operating the Maeum Nuri Counseling Center since 2010 to promote employees' mental health. The center provides professional counselling to employees as well as their spouses and children, who are suffering work, personal life, childcare and study-related stress and distress. In addition, the center gives employees access to personality and psychological tests through off / on-line consultations since 2013 in cooperation with an outside specialized counseling service provider, which operates a nationwide business network.

Main Employee Benefits

Supporting Leisure Life	Company fitness center, paid long-term leaves, vacation housings and Caribbean Bay(amusement park) subsidy
Supporting Housing & Living Stability	Company housing for long distance employees and retirement pensions
Supporting Medical & Healthcare	Physical checkup and group health insurance for employees and their families
Supporting Childbirth and Maternity	Company-run daycare centers, resting lounges for mothers and newborn gift kit for new parents
Supporting Education	Education expense assisting system and spring & winter English camp for children
Others	Mind and marriage counseling center, support for major family events

S O C I A L R E S P O N S I B I L I T Y

As a responsible corporate citizen, SFMI is committed to fulfilling our public responsibilities and to serving the needs of the people in the communities. We will strengthen social responsibility engagement by applying the essential characteristics of non-life insurance business to support the underprivileged people and to promote development of local communities.

Achievements for 2017



2018 Target Activity

Fire prevention and safety support project

SFMI plans to build basic facilities to prevent fire and skid among for low-income elders who live alone and are uncomfortable to move. This project will protect elders from fire and falling to help them achieve safer and more convenient life.

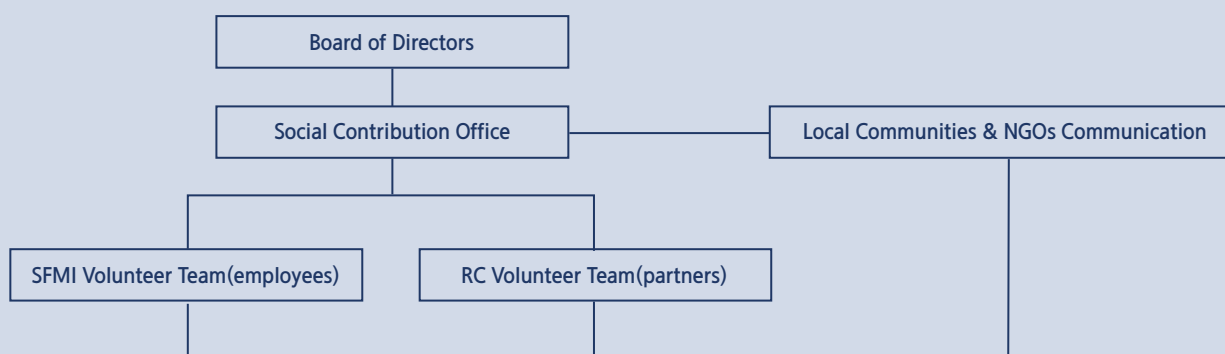
- Build facilities to prevent fire(fire extinguisher, self-contained fire alarm device, multi outlets) and falling(toilet safety bar, skid-proof mat)
- Training to prevent fire and falling
- Targets of support: 930 low-income elders living along with uncomfortable mobility

Principle and Structure of Social Responsibility

Principle of Social Responsibility

1. Secure expertise in social responsibility practices by applying organizational capabilities and characteristics of an insurance business
2. Promote self-sustainability of local community through social responsibility activities
3. Expand employee and business partner engagement in volunteer and donation programs
4. Create greater synergy through strategic partnerships with the government and NGOs

Organizational Structure of Social Responsibility



* Disclosed and maintained data for social contribution is 100% confined to SFMI work-sites in Korea

S O C I A L R E S P O N S I B I L I T Y P R A C T I C E S

Reflecting Characteristics & Organizational Capabilities of Insurance Business

SFMI commits to giving ‘security’ and ‘hope’ to our customers and the society through social responsibility practices that best reflect the characteristics of an insurance company. Some of our core socially responsible activities include promoting Traffic Safety Culture (representing campaign among social responsibility practices), supporting persons with disability and spreading daily life safety awareness.

Traffic Safety Culture

Samsung Traffic Research Institute

Established in July 2001, Samsung Traffic Research Institute is a specialized center for traffic safety research. Its mission is to establish advanced traffic culture and to raise driver safety awareness, ultimately to eliminate traffic related accidents. Especially, the institute improve the execution of traffic safety policy such as 5030 project in partnership with the National Policy Agency, Ministry of Land, Infrastructure and Transport, and other agencies relevant to traffic accident. It also improve road conditions where recurring accidents may occur with other players in the industry while enhancing safety maintenance of the areas other than road such as large apartment complex and universities etc. to minimize the blind spots of traffic safety.

In December 2014, SFMI established the Automobile Insurance R&D Center for becoming a global advanced insurance company. The center provide co-prosperity support education for enhancing the expertise of employees and technology of partner companies. The expertise and technology are based on research on automobile repair and damage, new technology and safety. In July 2015, SFMI obtained ISO 9001(Quality Management) certification in the field of repair technology research and education services.

Samsung Transportation Museum

Samsung Transportation Museum opened in May 1998 as Korea’s first automobile museum. The museum offers various exploration and educational programs such as the kid-friendly ‘traffic safety education for children’ to promote awareness and prevention of child related traffic accidents.

Supporting Persons with Disabilities

Guide Dog Support System for the Visually Impaired

Guide dogs are assistance dogs trained to safely lead blind people around obstacles. A well-established guide dog support system reflects a society’s level of awareness of persons with disabilities. As such, societies with high accommodation for guide dogs are widely recognized as advanced welfare societies. SFMI has trained and donated guide dogs for the visually impaired since 1993 and as of 2017, 202 dogs (11 in 2017 alone) were donated to blind people, offering them opportunities for new and improved lives. The past recipients of SFMI’s guide dogs are now productive members of the society, standing as college students, teachers, public officials and pianists.

Support for Gifted Youths with Disabilities

'Poco a Poco' is an annual concert organized by SFMI and performed by musically talented children with disabilities. The event was conceived to offer gifted youths with disabilities various stage experiences and opportunities to perform musical communication with the world. Poco-a-Poco, which means 'step-by-step' in Italian, gives children hope to achieve their dreams towards becoming talented musicians. On July 2017, SFMI hosted Poco-a-Poco camp and summer concert at Goyang global campus and regular music concert in October.

Moreover, we established 'Viva Chamber Ensemble' in 2015 to help the students with disabilities stand alone as a professional player and offer periodical education and performing opportunities to them to promote a positive image of people with disabilities. Viva Chamber Ensemble hosts annual concert. In 2017, they convened nine times concert and hosted two master classes for special lessons.

Raising Disability Awareness

SFMI produces, in cooperation with the Ministry of Education and the Center for Disabled Persons First Campaign, televised educational dramas about disability to raise awareness in adolescents. In contrast to documentaries, drama productions easily provoke emotions in viewers, making it more effective when educating and reaching out to adolescents on such matters.

The dramas, which have been aired on Persons with Disabilities Day since 2009, are directed and produced by the Media Division of SFMI in the form of talent donation. In 2017, SFMI produced 'Bling Bling Sounds', the 10th educational drama to understand the disabled, and hosted the preview.

In addition, SFMI co-hosts essay contests for elementary, middle, and high school students in Korea with 'Disabled First Movement Headquarter' and 'Kids Korea Times'. The theme of 2017 was 'You are previous. Let's dream together'. The nation-wide participants wrote what they felt by communicating with their friends with disability and their friendship. A total of 32,807 essays from 1,507 schools were received and the award ceremony was hosted on July 5th to recognize excellent essays.

Promoting Daily Life Safety

Dream Playground

Dream Playground is a playground renovation project for underprivileged children that SFMI started with the purpose to provide them with safer and environment-friendly playing environment. In 2017, five playgrounds(so far twenty-four) in different establishments around the country have been renovated into Dream Playground, promoting health and positive emotional development of children.

Installation of Emergency Fire Hydrants

SFMI assist the class vulnerable to fire by installing emergent fire extinguishers in the areas where fire trucks can hardly access such as islands and condensed villages for low-incomers while building fireplugs as a part of fire safety education. In 2017, the company installed 129 fire hydrants across the country(369 in total) and provided related education. We carry on with a campaign to protect local residents in the event of a fire by their prompt initial action.

In 2018, SFMI plans to build basic facilities to prevent fire and skid among for low-income elders who live alone and are uncomfortable to move. This project will protect elders from fire and falling to help them achieve safer and more convenient life.

SUPPORTING THE UNDERPRIVILEGED CITIZENS & LOCAL COMMUNITIES

SFMI engages in various social responsibility activities to support financial self-sufficiency of underprivileged people and development of local communities. These include assisting the surviving children of traffic accidents as well as of police officers and firefighters who died on duty, operating support projects such as 'Kkumteo Study Room', microcredit banking project and sisterhood ties with farming and fishing communities.

Supporting the Underprivileged Citizens

Support System for Surviving Children of Parents Killed in Traffic Accidents

Since 1993, SFMI offers financial aids to selected children who have lost their parents in traffic related accidents. The grieving children receive monthly financial support, new school uniforms as well as emotional support through one on one mentoring and book reading programs volunteered by SFMI employees.

Support System for Children of Police officers and Firefighters Killed in line of Duty

SFMI Big Love Scholarship was created to honor police officers who sacrificed themselves in the line of duty and to support their surviving families who are in financial difficulties. In 2012, SFMI signed an agreement with the National Emergency Management Agency to fund scholarships and establish support ties with the surviving children of the firefighters.

'Kkumteo' - Study Support Program

SFMI operates 'Khumteo Study Room' to help underprivileged middle school students with low educational opportunities due to economic difficulties study after classes. In addition to the education, cultural experience and mentoring program that are provided through employee volunteer, the company also funds scholarship with Kkumteo Study Room program.

Micro-finance

SFMI provides non-collateral and non-guarantee micro-finance^{Note)} funding aid to startup businesses with insufficient credit or low capital and to low income individuals. In addition to the loan support program, SFMI offers various forms of aid systems such as management consulting and marketing support programs.

Note) Micro-finance : A support project launched by Korea Inclusive Finance Agency that promotes foundation of social and financial self-sufficiency of those with limited access to financial services by offering non-collateralized or non-guaranteed small loans.

Supporting the Local Communities

Partnership Projects with Farming and Fishing Communities

SFMI participates in Community partnership program to help revive the economy of farming and fishing communities that are suffering from shortage of labor and extreme weather. The system offers labor aid as well as sales support programs such as organizing annual autumn farmer's market and developing on-line shopping mall for employees to help expand sales of farming and fishing products.

Social Responsibility Overseas

With SFMI's growing presence in the global markets, the company is expanding its social responsibility activity to the international community. In 2017, the SFMI Indonesia subsidiary held an event to which children from state-run orphanages and college students from low-income families were invited. Besides, the Vietnam subsidiary helped to repair schools in poor areas. All in all, we are carrying out social responsibility activities on foreign soils matching each country's traits and convey our gift of 'security' and 'hope' to local residents.

EXPANDING VOLUNTEER & DONATIONS ACTIVITIES

Voluntary participation of SFMI employees and business partners(RC, Risk Consultant) in volunteer and donations activities reflects company 's active engagement in social responsibility practices.

Volunteer Services

Samsung Volunteer Team

Samsung Volunteer Team which is composed of SFMI executives and employees is the heart of SFMI's social responsibility practice. In 2017, 247 volunteer teams across the nation participated in blood donation campaigns, year-end charity donations and 'hope sharing' activities on New Year's Day and Chuseok (Korean Thanksgiving Day). Company executives, employees and their families together with business partners(RC) and customers participated in the activities to further promote neighborly love.

Employee Talent Donation

SFMI participates in the Financial Supervisory Service's initiative to engage each financial institution to provide financial education to one school in order to infuse correct financial knowledge among the youth, our future financial consumers. Also, in addition to the company sponsored hobby clubs, we offer a number of community sharing activities such as talent donation and visit to workplace for underprivileged children. In 2017, SFMI was nominated as an excellent financial institution of the initiative and received an award from the Financial Supervisory Service.

Donations by Executives and Employees

Dream Fund

Initiated in September 2001 by SFMI employees in an effort to 'share dreams and hope with neighbors and communities', the Dream Fund(which also implies 'sharing' in Korean) is a voluntary donation fund from contributions from employees' monthly wage and fully matched by the company. As of December 31, 2017, 99.6% of the employees joined the Fund, and 92.9% have donated 1% of their wages. As of the end of December 2017, around KRW 13.8 billion has been contributed to the Dream Fund and is used to fund projects such as school forest development, 'one department, one child sponsor'program and cultural asset preservation, Dream Playground project, and Viva Chamber Ensemble.

School Forest Development

School Forest Development to promote a better learning environment and emotional balance for school children, SFMI joined hands with Korea Forest Service and Forest for Life to develop green forests around elementary, middle and high schools. The new forest lands provide students and the community an environment to learn about the nature and enjoy outdoor activities. The schools being selected by organizations or employees, SFMI developed 6 school zone forests in 2017(32 currently accumulated), and plans to develop 5 school zone forests in 2018.

One Department for One Child Support Program

SFMI sponsors underprivileged children from low income families, single parent household, or under the care of elderly grandparents and who are in need of social support. SFMI's 255 volunteer teams across the nation have established ties with elementary school children to offer monthly financial aids. The volunteer program also sponsors children at different periods of their scholar years by donating school uniforms and other school supplies. In addition, SFMI provided family trips and cultural experiences to celebrate May, the month of family, and hosted various programs such as 'Kimchi Sharing' and 'Tell me your wish' by the year-end.

Preserving Cultural Assets

To help preserve Korean cultural assets, SFMI has partnered with Cultural Heritage Administration to support one custodian for one cultural heritage' project. Since 2005, SFMI, working as the custodian of Gyeongbokgung Palace, has participated in cleaning the palace grounds. The company also contributes monthly through Korea Cultural Heritage Foundation for the preservation of tightrope walking, a cultural asset designated in 2011 as Important Intangible Cultural Heritage No.58 and as a form of World Cultural Heritage.

PARTNERSHIP WITH GOVERNMENT & CIVIL ORGANIZATIONS

SFMI is engaged in various social responsibility activities in collaboration with the government and civil organizations to resolve social issues.

Major Cooperators by Social Responsibility Categories

Category	Activities	Cooperating Agency
Social Welfare	Support the underprivileged	National Police Agency, National Emergency Management Agency
	Raise disability awareness	Ministry of Education, Korea National Institute for Special Education, Seoul National School For The Blind, Disabled Persons First Campaign Center
Research & Education	Donate and sponsor scholarship for children education	Ministry of Education, Kids & Future Foundation, Child Fund Korea, Safe Kids Korea
Culture & Art	Preservation of cultural heritage	Cultural Heritage Administration, Korea Cultural Heritage Foundation
Environment Protection	Development of school forests	Korea Forest Service, Forest for Life

Major Awards

Award	Awarded Year
Grand Prize of Beautiful Insurance Award by Financial Supervisory Service	2013
Grand Prize of Angel Company Award Ministry of Employment and Labor	2014
Prime Minister's Award(for the production of visual media, designed to raise public awareness on people with disabilities)	2016
Excellent financial company to provide financial education via 'One Company-One School' project (Financial Supervisory Service)	2018

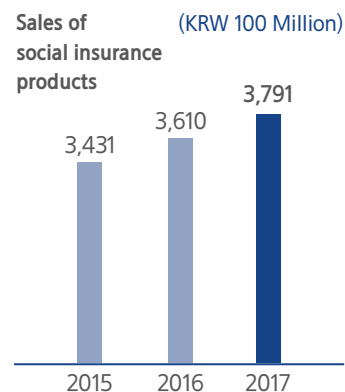
INSURANCE PRODUCTS & SERVICES

for Social Responsibility

SFMI helps underprivileged foreign labors and disabled and financially-neglected people cope with risks in life by offering them various insurance products.

Insurance Products and Services for Social Responsibility

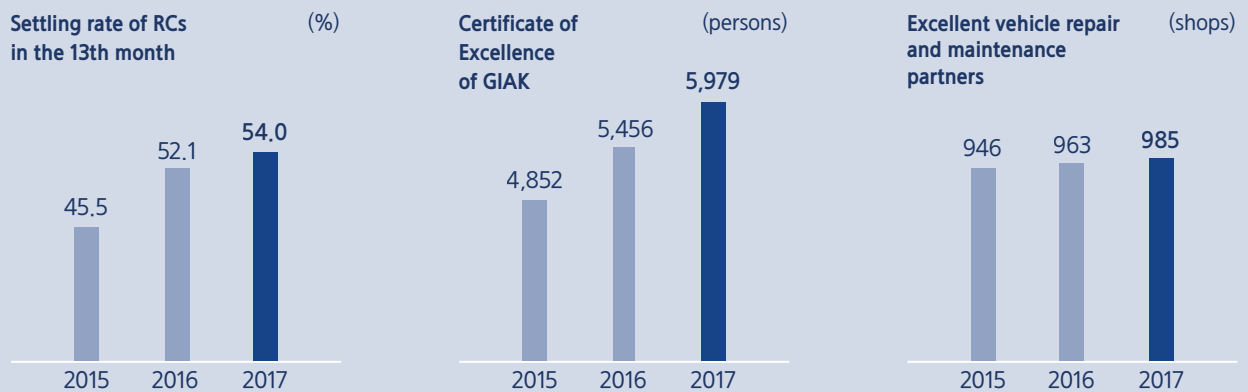
Customer type	Name of Products	Description
Low-income People	Auto insurance with special benefits for low-income drivers	Provide low premium auto insurance product with equal benefits to recipients of national basic livelihood to help relieve financial burdens
	Special auto insurance for senior	To reduce the burden to pay insurance premiums for senior citizens older than 65, SFMI offers 5% discounts for those who complete transportation safety trainings by Road Traffic Authority and exceed the threshold score
	Dream & Love Insurance - microinsurance	Provide protection-type microinsurance to underprivileged children aged 12 or under who are under the care of a single parent, elderly grandparent, or from a multicultural family yet not qualified for government benefits. Cooperation with Smile Microcredit Bank and use of unclaimed insurance premium reserve helps protect children from low-income from exposure to diverse risks from accident and diseases
Persons with Disabilities	Comprehensive insurance product to welfare facilities for persons with disabilities	Provide insurance services to welfare facilities for persons with disabilities against risks of fire, liability, and injuries. Increase safety for welfare workers to encourage more volunteer activities in the such facilities
	Insurance product for welfare facilities for persons with disabilities - microinsurance	Provide insurance to welfare facilities against property losses, liability and physical damage in cooperation with Smile Microcredit Bank to protect low income persons with disabilities and children when using the facilities
Foreigners	Insurance service for foreign workers	Provide insurance against injuries, home travel and visa expenses to foreign workers who are in need of further protection
	Insurance consulting service for Foreigners	Operate consulting centers and website exclusive for foreigners to facilitate insurance consulting and application



C O - P R O S P E R I T Y

SFMI's business partners are not merely business support providers but are valuable partners carrying out direct communication with our customers in the front line of the business. In order to strengthen integrity and create a mutually beneficial business ecosystem, we have expanded our support and communication system with our business partners.

Achievements for 2017



Sustainability Management with Business Partners

SFMI announced the "Social Responsibility Code of Conduct for Business Partners" to promote social responsibility and encourage change in mindset of our business partners. For the prevention of sustainability management risks, we have reinforced support and monitoring activities for risk related to ethics, human right, social and environmental impacts.

Social Responsibility Code of Conduct for Business Partners

ETHICS	HUMAN RIGHTS	SAFETY	ENVIRONMENT
<ul style="list-style-type: none"> Anti-corruption Compliance with regulations 	<ul style="list-style-type: none"> Prohibition of child labor Prohibition of discrimination 	<ul style="list-style-type: none"> Accident Prevention Disease control 	<ul style="list-style-type: none"> Minimizing of pollution Conservation of environment

MAJOR PARTNER

Sales Partner

SFMI's risk consultants(RCs) are financial specialists who provide our customers with top class insurance consulting and services. RCs are valued partners and essential assets to our business. SFMI's RCs are complying with principles for complete sales to build up trust with customers. The company requires that they should render exact and right product explanation so that the customers have full and clear understanding of the service and product. Its RCs seek to boost customer's trust and establish a healthy insurance sales culture by doing so. Thanks to efforts of the employees and RCs towards ethical sales as such, for last three years, there has been no sanctions relevant to customer information protection for the past three years such as customer information leakage.

Claim Settlement Partner

SFMI teams up with leading roadside assistance providers and repair shops across the nation to provide our customers with efficient and convenient claim settlement services. Reported accidents are handled with top class service and assistance. All accidents reported are processed through our Call Center so that our roadside assistance and claim partners can take immediate emergency measures and conduct preliminary investigations at the site of the accident. And the company's specialized repair shop Any Car Land and freelance repair shop Anycar Family Center, in compliance with SFMI's ethical management principles, render satisfactory service to customers through quick and sincere maintenance.

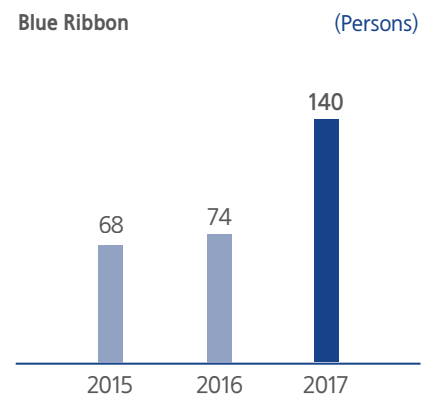
Major Partner

Partner		Current Number
Sales partner	RC(Risk Consultant)	42,140
	Insurance agency(independent, corporate)	4,798
	Insurance agency(financial institutions)	41
Claim Service Partner	Roadside assistance companies	1,606
	Maintenance shops	1,497
	Claim adjustment company	13

* Sales partner, Claim Service partner : As of Feb, 2018 RCs include cross selling agents

Fostering of RCs with Certificate of Excellence and Blue Ribbon

In order to increase professionalism of risk consultants and encourage reliable sales ethics, the General Insurance Association of Korea selects RCs(or sales branches) who displayed outstanding performance with high contract retention rate and compliance with sales procedures. The selected RCs are rewarded with Certificate of Excellence and the Blue Ribbon. The Blue Ribbon is awarded to RCs who have received Certificate of Excellence for 5 consecutive years. SFMI provides salespersons with systematic and quality education programs, including one-on-one mentoring where a senior RC with the Certificate of Excellence coaches a new RC. In 2017, the number of RCs holding the Certificate of Excellence at SFMI increased to 5979, up by 523 from the previous year, the figure accounting for 38.4 percent of all recipients of the certificate in Korea's non-life industry.



In addition, 140 of the company's RCs were awarded the Blue Ribbon(42.9 percent of all recipients). As these figures show, no other non-life insurance service providers in Korea have more financial experts than SFMI. The Blue Ribbon is awarded to RCs holding the Certificate of Excellence for the fifth consecutive year and comply with sales procedures. To qualify for the Blue Ribbon, RCs also need to meet certain criteria including the 13th and 25th policy persistency ratios, number of years in service, and total number of contracts concluded.

S U P P O R T I N G O U R P A R T N E R

Sales Partner

We aim to foster our RCs into insurance and financial specialists through systematic training and support system. We support our RCs to conduct business with strong ethics and professionalism, ultimately providing our customers and their families with complete confidence and satisfaction. To support the sales activities we provide our RCs with top welfare and benefits group insurance, individual annuity insurance, education support for children, child care, and health examinations, selective benefit system(the industry's first ever, differentiated by the RC level). Besides, we support refresh package and membership programs for excellent RCs.

Claim Settlement Partner

We aim to install customer focused service mind and boost competitiveness of our claims service partners through various support programs such as customer satisfaction education, repair technology training and consulting support for start-up partners and those who have newly contracted with us. Together with our partners, we are working to promote ethical management. All our claim partners are expected to pledge to SFMI's ethical management principles and we conduct regular inspections to ensure customer privacy and information are well protected. We also provide various incentives for outstanding claim partners to encourage honest and transparent service.

Education Programs & Sales Support System

Education Programs	Basic Curriculum (For RCs with career of below one year)	Curriculum that firmly establishes basics for new RCs below one year. Persons without sales experience at all become to be aware of necessity and benefits of insurance through its systematic curriculums and can be reborn as a confident professional consultant.
	Professional RC Fostering curriculum at Samsung Sales University, SFMI MBA(Expert course for insurance marketing)	The company supports the best curriculums such as course for financial consultants, Samsung Sales University, company MBA(expert course for insurance marketing in association with Sungkyunkwan Univ.) so that attendants can grow as a industry's best consultant.
	Mobile Sales Support System	The company built smart work system using tablet and smartphone so that RCs contacting directly with the customers for sales can quickly deal with offering customers with customized consulting when signing contracts.
Sales Support System	Activity Support System	SFMI built the industry's top-level Activity Support System to assist sales activity of RCs, using various customer-managing tools such as management of potential customers, customer exploration via CRM data.
	Consulting System	This system inputs customer's economic conditions, risk factors, insured state, requirements according to the system's process and provides data such as report for efficient consulting.
	Big Ocean of Information	Knowledge and information database to support RC's sales activity. Using this system, RCs are able to directly send the SFMI's each DM, emails to customers. The system helps them to buy lots of promotional materials and also get sales data from leaflets and newspaper articles.
	Internet Sales Broadcasting System	This system allows RCs to watch lots of products and educational videos at any time and place through internet. They can study themselves at home. In the event of consulting with customers they can use various contents regarding needs for insurance and product introduction to explain value of insurance, benefits of certain products, examples of compensation to customers.

COMMUNICATING WITH PARTNERS

SFMI hosts meetings with RC and business owners 1-2 times a year to listen and solve struggles of sales and claim settlement partners. Open communication channels such as the internal bulletin board and SNS channel are also available.

SOCIAL RESPONSIBILITY ACTIVITIES

Gift of Hope with 500 Won, Happy School Campaign

SFMI's RCs actively participate in social responsibility programs to share the culture of insurance with customers and the society. 'SFMI Happy Dream Voluntary Team', which is the RC voluntary service organization, was awarded the Citation of the Minister of Health & Welfare on April 20, 2012 (the Day of Persons with Disabilities) as well as 'Financial Supervisory Service Governor Award, Beautiful Insurance Awards' in November 2013.

Major Volunteer Service Activities by RCs

Gift of Hope with 500 Won	RCs voluntarily set aside KRW 500 per long-term insurance contract in a fund and use this fund to improve housing facilities of persons with disabilities such as kitchen, bathroom and study room. - 2017 : 19 households and environmental improvements for two facilities.
Happy School Campaign	RCs voluntarily set aside KRW 500 per auto insurance contract through a fund and use this fund to install the traffic safety experience center for children, give safety packs (umbrellas in vivid colors to help children stand out clearly on rainy days), and provide preventive education. - 2017 : Construct experience center and conduct safety education at nine schools.

Dream Car Project

Joining hands with the Samsung Claim Adjustment Service and the Korea Differently Abled Federation, our leading vehicle repair and maintenance partners provide free auto check-ups for people with disabilities and people in financial difficulties. 200 vehicles were selected from 2013 to present to support maintenance, including 54 vehicles supported in 2017.

S A M S U N G F I R E & M A R I N E I N S U R A N C E P A R T N E R C O D E O F C O N D U C T

Samsung Fire & Marine Insurance enacted the Code of Conduct for Corporate Social Responsibility of Samsung Fire & Marine Insurance Partner Companies to encourage its partner companies to practice corporate social responsibility and bring desirable changes to society. This Code of Conduct recommends responsible business management to SFMI partner companies with regards to ethics, human rights, safety and environment, and all partner companies, suppliers who participates shall comply with this Code. In the event of any conflict between this Code of Conduct and provisions of laws and regulations, more stringent standards shall prevail. This Code of Conduct may be modified in case of any change to partnership management policies of Samsung Fire & Marine Insurance.

Human Rights

- Child labor: SFMI partner companies shall prohibit child labor in any case.
- Forced labor: SFMI partner companies shall prohibit forced labor, and any form of labor shall be voluntary. Forced and involuntary labor through confinement contract, exploitation of prisoners, or human trafficking shall be strictly banned.
- Labor hours and wages: SFMI partner companies shall comply with domestic laws and regulations on working hours and wage. Wage provided to workers shall include minimum wage, overtime allowance, stipulated welfare items, etc.
- Humane treatment: SFMI partner companies shall not engage in any sexual harassment, sexual assault, corporal punishment, mental or physical coercion, coarse and inhumane treatment involving profanity on employees, nor shall they make any attempt or threat to give such treatment.
- Ban on discrimination: SFMI partner companies shall protect employees from any unfair discrimination caused by bias. In particular, they shall take extra care not to infringe upon the rights of women, children, foreigners, people with disabilities, and those in socially marginalized classes.

Safety

- Prevention of accident: SFMI partner companies shall eliminate potential safety risks and take preventive measures to protect employees from any risks. They shall establish and observe procedures to handle contingency cases and tackle accidents in order to minimize damage in case of emergency.
- Disease management: SFMI partner companies shall establish procedures to prevent industrial accidents and occupational illnesses, and provide employees with hygienic working environment including clean drinking water, restrooms, and facilities.

Environment

- Minimization of pollution: SFMI partner companies shall observe all applicable laws and regulations on waste disposal to minimize pollution.
- Conservation: SFMI partner companies shall actively engage in environment preservation and promote sustainable resource use through energy conservation, reduction of greenhouse gas emissions, recycling, detection and removal of risk factors, etc.

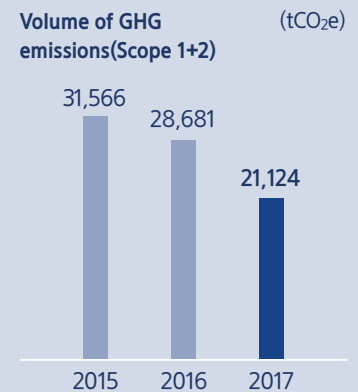
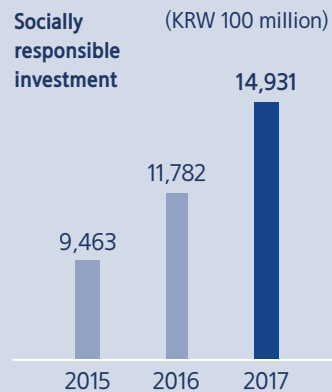
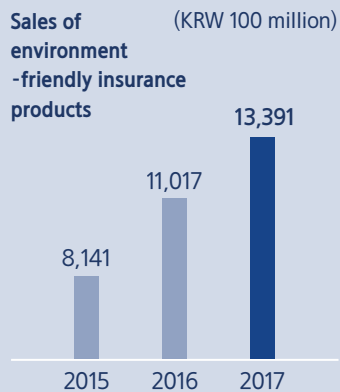
Ethics

- Anti-corruption: SFMI partner companies shall execute all transactions in a fair and transparent manner. They shall not promise, suggest, or offer certain value for the purpose of taking inappropriate gains. Any kind of corruption such as bribery, fraud, money-laundering, embezzlement, concealment, and unfair exercise of influence on counterparties. Accounts, or suppliers shall be completely prohibited, and relevant laws shall be observed.
- Compliance: SFMI partner companies shall not engage in any form of unlawful restrictive business practices such as price-fixing, bid-rigging, and collusive transactions in accordance with Articles 19 and 23 of Monopoly Regulation and Fair Trade Act. They shall also make reasonable effort to protect intellectual property rights, customer information, private information of Samsung Fire & Marine Insurance, and fully comply with relevant laws and regulations.

ENVIRONMENT · SAFETY · HEALTH MANAGEMENT

With its management principle - “Prioritize the environment, safety and health”, SFMI pursues environmental sustainability in every management activity and prioritize the safety and health of the employees. SFMI makes voluntary efforts in climate change responses and to minimize environmental pollutions while striving to create safe working environments where every member, including the partners, can work safely.

Achievements for 2017



Environmental Management System

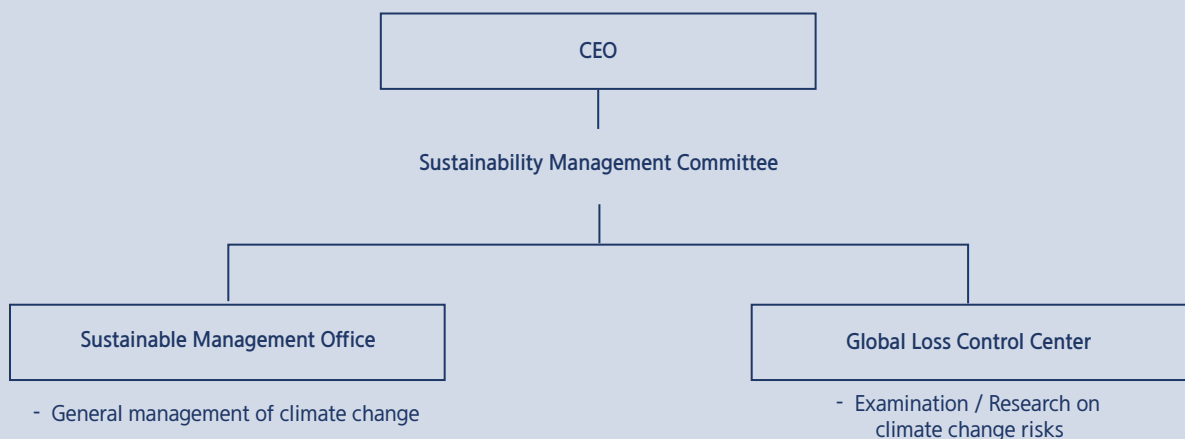
1. Play a Role as Social Safe Net

- Provide insurance products / services considering environment and expand socially responsible investment
- Examine risk factors of climate change and provide preventive measures

2. Minimize Environmental Impacts in Business

- Operate environment / energy management system
- Expand environmental management with business partners

Promoting Organizations



RESEARCH ON CLIMATE CHANGE RISK

SFMI operates the Samsung Global Loss Control Center, a team of experts that investigates and analyzes the global climate change trends to predict future environmental impacts providing preventive risk solutions to our personal and corporate customers. SFMI strives to prevent accidents at the customer's work sites with helps from the consultants and developed Global Risk Map(GRM), a risk assessment tool for natural disasters, and utilized it to manage accumulative risks and flood projects in overseas.

Business Case : Weather Risk Management

Due to the nature of non-life insurance business, weather changes including severe weather conditions make a big difference to risks and losses inflicted on SFMI's balance sheet. As such, SFMI is systematically collecting and making use of weather information to prevent accidents. In particular, SFMI is committed to preventing its auto policy holders from suffering losses caused by weather changes. We provide support for the evacuation of cars parked in low-lying areas against flood damage and a text message service to encourage our customers to use public transportation instead of driving in the case of specific weather events with higher risks of accidents, such as typhoons or heavy snow. In addition, SFMI tries to prevent customers from suffering the loss of lives and property by offering to domestic and overseas operations systematic consulting on the risk of natural disasters as well as weather information on a regular basis. In recognition of these efforts SFMI was given the Excellence in Weather Risk Management award by the Korea Meteorological Administration and Korea Meteorological Industry Agency in 2016.

Environment-friendly Insurance Products & Services

As an effort to address environmental risks from climate changes we embed environmental issues in our product and service development. We are committed to providing personal and corporate customers with protection and compensation for the damages caused by climate changes. We offer eco-friendly products such as : Storm & Flood Insurance, Weather Insurance, New Renewable Energy Insurance and Mileage Auto Insurance.

Insurance Type	Name of Product / Service	Descriptions
Commercial, Long-term Insurance	Storm & Flood Insurance	Insurance coverage for damages led by extreme weather : agricultural facilities, green house
	Crop Insurance	Insurance coverage for agricultural produce damages from natural disasters
	Environmental Pollution Liability Insurance	Covers for restoration costs due to damages and contamination from pollution accidents
	Weather Insurance	Insurance coverage for profit losses led by abnormal weather conditions
	Renewable Energy Insurance	Insurance to support renewable energy technology : solar and wind energy power plants
	Bicycle Insurance	Insurance coverage for accidents related to bicycle
Auto Insurance	Eco Mileage Auto Insurance	Discount of premium if the insured drive the car as per agreed mileage(to encourage the use of public transport)
	Auto Insurance for Driving in Designated Days a Week	Discount of premium for participants in no-driving one designated day of the week(to encourage the use of public transport)
	Auto Insurance for Used Parts	Partial refund on new vehicle parts for drivers using used part for car repair
Paperless Service	Electronic contract	Discount of premium for customers opting to receive electronic terms of conditions and bills, and donation to environmental organizations
	Electronic signature	Introduction of electronic signature to reduce use of paper contracts

S O C I A L L Y R E S P O N S I B L E I N V E S T M E N T

SFMI adopts social responsibility by integrating ESG criteria in our asset management. We carry out strict, negative screening practices when making investment decisions to avoid speculative investment and to make socially responsible investment. In 2016, SFMI invested a total of KRW 1,178.2 billion as a part of socially responsible investment. In 2017, SFMI invested a total of KRW 1,493.1 billion as a part of socially responsible investment, 27 percent up from the previous year. In particular, SFMI continues to expand investment in eco-projects including new and renewable energy projects such as photovoltaic, wind, and fuel cell power generation, as well as clean water programs. SFMI supports 'Renewable Energy 3020' initiative by the government and cooperates with Global Loss Control Center(GLCC, formerly known as Disaster Prevention Research Center), an intra-specialty group, to vitalize investment and loan activities in renewable energies. SFMI evaluates and analyze natural disaster risks during construction and operation phases and periodically invites the experts in solar and wind power energy to host seminars to help enhance the awareness on renewable energies.

E N V I R O N M E N T & E N E R G Y M A N A G E M E N T S Y S T E M

SFMI applies environment and energy management system to all our operation locations and buildings. The company has also retained or renewed ISO 14001(environment management system, from 2014) and ISO 50001(energy management system, from 2012). SFMI operates eco and energy management system based on the challenges identified by environmental impact assessment and energy review. It was listed Top 5 global insurance company in environment sector by DJSI(Dow Jones sustainability index) evaluation and continuously achieve high performance.

SFMI's Environment · energy Management Guidelines

1. SFMI operates company-wide environment / energy management system and pursues to boost corporate value in the environmental and social fields.
2. SFMI willingly complies with international conventions and national, regional environment / energy laws and regulations, and seeks to continually improve environment / energy management level.
3. SFMI voluntarily participates in activities to improve environment / energy matters such as reduction of energy use, reduction of greenhouse gas emissions, saving and recycling of resources, exploration and removal of risk factors.
4. SFMI conducts R&D on environment / energy-related insurance products, research on risk management and asset operation based thereon so as to contribute to materializing a sustainable society.
5. SFMI periodically evaluates performances in the field of environment / energy and transparently discloses the results to internal or external stockholders.
6. SFMI extends robust cooperation to environment / energy activities of stakeholders such as customers, shareholders, business partners and customers for mutual development.
7. As part of social responsibility, SFMI conducts activities to improve environment/energy in cooperation with local communities.

SETTING TARGET OF GHG EMISSIONS

SFMI voluntarily established its mid- and long-term target of emissions as 'Reduce 30% from 2020 BAU(Business As Usual, expected emissions)' and currently conducts integrated administration for 19 company-owned buildings. And the computer managing department monitors the target and result of each building every month and should there be any which does not achieve its target, the department applies solutions and seeks to improve.

As a result, in 2017 the targeted goal was achieved by cutting 49.3 percent in total amount from the base year (Scope 1+2) and 29.0 percent in unit area. In addition, SFMI moved the HQ office from Euljiro to Seocho in 2016 and established separate GHG reduction goals for Seocho building(3% per year until 2020) to be engaged in improvement activities. Although the total amount of greenhouse gas emissions has already been reduced by more than 30%, it has already achieved the target. However, this is partially offset by the sale of some of the buildings owned since 2016, SFMI will endeavor to achieve a 30% reduction in greenhouse gas emissions by unit area. Even after achieving the goal, SFMI will continue to set new mid-term and long-term goals related to greenhouse gas reduction and manage it.

Environment Data

	Unit	2015	2016	2017	2018 Target
Energy					
Total emission amount	TJ	641	584	426	413
Direct(Scope1)	TJ	106	107	91	
Indirect(Scope2)	TJ	535	478	335	
GHG intensity(by area)	TJ/m ²	0.0013	0.0013	0.0012	
Greenhouse Gas(GHG)					
Total emission amount	tCO ₂ e	31,566	28,681	21,124	20,490
Direct(Scope1)	tCO ₂ e	5,654	5,629	4,903	
Indirect(Scope2)	tCO ₂ e	25,912	23,051	16,221	
GHG intensity(by area)	tCO ₂ e/m ²	0.0646	0.0626	0.0588	
Waste					
Total emission amount	Ton	1,733	1,271	921	893
Rate of recycling	%	43	55	50	50
Water					
Total usage	m ³	371,713	346,173	266,843	258,838
Paper					
Purchase amount of copying paper	Ton	1,412	1,346	1,263	1,225
Purchase amount of printing paper	Ton	1,940	2,378	1,570	1,523
Employee's Business Trips					
Total travelled mileage	1,000km	14,947	13,715	10,601	10,283
Airplane(at home / abroad)	1,000km	9,891	8,092	5,673	
Train(domestic)	1,000km	4,382	4,952	4,226	
Bus(domestic)	1,000km	674	671	702	
Electronic Contracts(paperless)	Case	1,722,103	2,162,857	2,533,926	2,700,000

* Domestic company buildings : 29 in 2015, 29 in 2016, 19 in 2017

* Data management and disclosure are restricted to SFMI business sites in Korea

Environment Data - Seocho office

	Unit	2015	2016	2017	2018 Target
Greenhouse Gas(GHG)					
Total emission amount	tCO ₂ e	-	-	5,628	5,460
Direct(Scope1)	tCO ₂ e	-	-	1,072	1,039
Indirect(Scope2)	tCO ₂ e	-	-	4,557	4,420
GHG intensity(by area)	tCO ₂ e/m ²	-	-	0.0713	0.0691

Emissions Management during Business Trips

As part of efforts to mitigate indirect GHG emissions(Scope 3), SFMI encourages employees to use public transportation during business trips. In addition, we also promote the use of multiparty video conferencing and conference calls to limit unnecessary overseas travel. As a result, in 2017, the amount of GHG emissions generated from the business travel of SFMI's domestic workers stood at 997 tons, 27.8 percent down from the previous year.

ENVIRONMENT PROTECTION

Eco-Office Activity

SFMI runs 'Carbon Re Project' campaign where employees participate to enhance the awareness on the environment and encourage green activities. 'Carbon Re Project' is an employee participating green project where Re implies Reduction in carbon emission and Recycle. In this regards, power strips were provided to employees during the first half of 2018 to shut down reserve power after the business hour. During the second half, the employees will be more strict on recycling. SFMI will develop and implement programs where the employees can participate and experience.

Sustainability Partner for PyeongChang 2018

SFMI provided a social contribution program called 'Dream School' in Gangneung where ice events took place during PyeongChang 2018. Dream School built forest in elementary school where students can learn more about forest and ecosystem to enhance their awareness on the environment. On October 2017, it was nominated as the 2nd sustainability partner^{Note)} of PyeongChang 2018.

Note) Sustainability partner of PyeongChang 2018 : The sustainability partner certificate committee reviewed the sponsoring companies involved with sustainable activities and examined their relevance, strategy, coherence, sustainable value, innovation and originality. The companies that contributed over these criteria were certified and Coca Cola, KT, KEB Hana Bank, Korea Land and Housing Corporation in addition to SFMI were certified.

Installation of Solar Energy Generation Facility

In 2018, SFMI is installing a solar power generation facility with a 500kw capacity(Reduction of annual electricity capacity of 642Mw) in the Global Campus Training Institute in order to promote eco-friendly renewable energy, and will be completed in early 2019.

EFFICIENCY OF RESOURCES

SFMI seeks to minimize environmental pollution risks and improve efficiency of resources.

Reduction of Paper Use

We have also taken a number of measures to reduce the use of paper such as encouraging the use of E-documents and contracts. All documents are currently being disposed to protect customer's information. However, SFMI continuously reduced paper usage, which resulted in 6.2% and 34.0% reduction in copy and printing paper, respectively.

Protection of Biodiversity

There is no workplace in the company that may have a negative impact on conservation of biodiversity. To raise social awareness on biodiversity, SFMI offers ecosystem education projects for the young.

Use and Treatment of Water Resources

We have installed water treatment system in all of the office buildings across the country(19 in total). Used water is treated by sewage disposal plants, eliminating danger of toxic materials that may impact the surrounding environment.

Green Purchasing

To promote purchase of eco-friendly products, in December 2006, Samsung established guidelines that states the purchase of environment-friendly products as first priority. The guideline mandates the purchase of Environment Mark Authorized and energy efficient products. We also encourage employees to purchase environment-friendly goods in their daily life through education on environmental management. In 2017, the amount paid to buy eco-certified goods amounted to KRW 20.4 billion.

Earth Hour

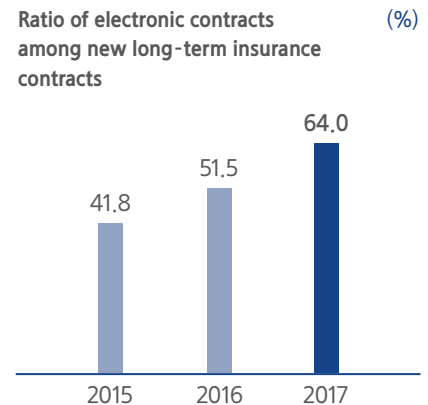
As of 2010, SFMI is participating every year in the Earth Hour, a global environmental campaign. In 2017, all lights from 19 SFMI's buildings were turned off temporarily and employees also participated at home to be reminded of the importance of climate change and the environment.

ENVIRONMENTAL MANAGEMENT ACTIVITIES

with Partners

Paper-less Insurance Contract

Since April 2012, SFMI has been pursuing user and environment-friendly sales processes by using tablet PCs together with RCs (Risk Consultants), leading to the saving of 25 pages of paper on average per contract. The company focuses on higher environment-friendly mobile insurance contracts using customer counselling method via tablet PCs and education on such contract process. With these efforts, SFMI's mobile TF introduced an eco-friendly insurance application system called 'Insurance Application Immediate Confirmation' that doesn't require paper documents. To recognize its green efforts in 'Insurance Application Immediate Confirmation', SFMI received 'Insurance Tech Innovation Award' by Herald Biz on October 26th 2017 and 'Smart Finance Grand Prize' by Newspim on November 30th 2017.



SAFETY, HEALTH MANAGEMENT

SFMI pays extraordinary attention to health and safety of the employees by establishing its management process in an effort to offer safe and comfortable work environment to all employees. The company also continues to conduct health and safety education for all employees within the workplace together with risk check. Especially on April 2017, SFMI pre-determined the details required to manage industrial disasters and newly established 'Industrial Disaster Processing Rule' to achieve effective accident prevention and post-management.

This rule specifies the definition of industrial disaster and critical accident, and reporting and processing procedures to enable smooth responses to accidents and comply with legal obligations.

Establishment of Safety, Health Management System

Since 2014, SFMI has been operating Industrial Safety & Health Committee on a quarterly basis, composed of representatives from the employees (Chairman of Employee Council and three persons) and the company representatives (HR Team Manager and three persons). The Committee discusses and resolves such issues as plans for Partner hospitals for health checkup and Revision of industrial disaster processing policy.

Key Agenda Items Reviewed by the Industrial Safety and Health Committee in 2017

- Partner hospitals for health checkup
- Establishment of industrial disaster processing policy
- 1st firm-wide disaster evacuation drill
- Revision of industrial disaster processing policy
- Special health checkup
- Thermal burn inspection for electric facilities
- 2nd firm-wide disaster evacuation drill
- Safety inspection on management blind spots in the second half
- Safety check for office buildings
- Safe environment consulting report

MAJOR ACTIVITY CONTENT

Monitoring and Education on Safety & Health

To establish a safe working environment, SFMI conducts periodic checks on buildings, electronic facilities, firefighting system, elevators, air and water quality. Preventive safety programs such as regular safety drills and broadcasting of safety guidelines are in place. The company is also committed to elevating employees' sense of safety by making safety management a part of everyday life. To this end, we provide employees with information on safety rules through in-house broadcasting to prevent accidents.

Safety Management for Office Buildings

SFMI continues to conduct periodical / special check for its buildings in possession. It conducted regular safety check for fires, storm and flood, freeze / burst as expected by the season(six times yearly) as well as special check for old facilities together with health & safety education and monitoring. Besides, the company has established an emergency response procedure manual that allows careful assessment and handling of emergency situations and accidents, including fire and natural disasters, in accordance with emergency preparation and response guidelines.

In 2017, there was cross-department(Real estate, RM, GLCC, New culture) safety inspections in-depth on fire and terrorism for SFMI's eight buildings. Consequently, SFMI improved safety recommendations on the eight buildings.

Promoting Mental Health

SFMI has been operating the Maeum Nuri Counseling Center since 2010 to promote employees' mental health. The center provides professional counselling to employees as well as their spouses and children, who are suffering work, personal life, childcare and study-related stress and distress. In addition, the center gives employees access to personality and psychological tests through off / on-line consultations since 2013 in cooperation with an outside specialized counseling service provider, which operates a nationwide business network.

Promoting Health

SFMI offers health check-up services to the employees and operates the gym and the nursing room.

Employee absent and loss rate/Industrial accident situation

Type	Unit	2015	2016	2017
Absent days	Days	351	236	379
No. of absent employees	Persons	102	69	59
Lost days	Days	386	110	169
No. of employees with loss	Persons	5	3	2
Industrial accident case	Case	3	1	2

A P P E N D I X

Value Statement

PSI Report

GRI Standards Index

Independent Assurance Statement

GHG Verification Statement



Consolidated Statements of Financial Position

SFMI & its subsidiaries (Unit : KRW)

As of Dec 31, 2017 (end of the 68th year, current)

As of Dec 31, 2016 (end of the 67th year, previous)

Account	End of the 68th year (current)	End of the 67th year (previous)
Assets		
I. Cash and deposits	1,766,871,731,885	1,485,368,257,328
II. Financial assets	62,781,965,601,350	56,341,246,387,959
1. Financial assets at fair value through profit or loss	957,774,716,114	1,039,428,054,987
2. Available-for-sale financial assets	39,120,421,103,675	36,492,929,259,669
3. Held-to-maturity financial assets	169,078,747,058	187,790,117,036
4. Loans	21,352,513,746,933	17,673,163,713,252
5. Other receivables	1,181,177,287,570	947,935,243,015
III. Investments in associates	33,136,040,173	7,405,687,164
IV. Derivative assets	152,361,390,606	8,932,454,789
V. Reinsurance assets	1,107,599,412,027	1,130,439,197,117
VI. Investment properties	801,135,423,753	882,624,193,000
VII. Property and equipment	613,215,858,977	753,906,309,814
VIII. Intangible assets	574,527,403,477	140,704,668,339
IX. Noncurrent Assets, Held for Sale	-	172,215,830,972
X. Net defined benefit assets	50,549,400,015	35,429,182,108
XI. Current tax asset	208,930,122	87,999,774
XII. Deferred income tax assets	26,460,345,656	6,216,658,003
XIII. Other assets	2,478,146,117,857	2,728,628,765,893
XIV. Separate account assets	5,629,010,805,834	4,524,298,934,738
Total Asset	76,015,188,461,731	68,217,504,526,998
Liabilities		
I. Insurance liabilities	53,099,885,728,522	49,608,899,817,755
II. Financial liabilities	757,381,780,426	370,434,105,758
III. Derivative liabilities	9,791,754,522	186,908,988,923
IV. Provisions	56,734,789,319	78,036,618,035
V. Current tax liabilities	29,534,345,939	131,372,518,492
VI. Defined income tax liabilities	2,015,074,709,102	1,594,781,417,548
VII. Other liabilities	506,321,275,622	633,800,978,060
VIII. Separate account liabilities	7,532,185,263,531	4,605,037,715,835
Total Liabilities	64,006,909,646,983	57,209,272,160,406
Capital		
I. Stockholders' equity	11,991,225,069,252	10,990,764,106,328
1. Capital stock	26,473,418,500	26,473,418,500
2. Consolidated capital surplus	939,233,350,327	939,233,350,327
3. Consolidated capital adjustment	-1,487,219,924,864	-1,487,219,924,864
4. Accumulated other comprehensive income, net of taxes	4,169,234,296,945	3,961,823,814,298
5. Consolidated retained earnings	8,343,503,928,344	7,550,453,448,067
II. Non-controlling interests	17,053,745,496	17,468,260,264
Total Stockholders' Equity	12,008,278,814,748	11,008,232,366,592
Total Liabilities & Stockholders' Equity	76,015,188,461,731	68,217,504,526,998

Separate Statements of Financial Position

SFMI (Unit : KRW)

As of Dec 31, 2017 (end of the 68th year, current)

As of Dec 31, 2016 (end of the 67th year, previous)

Account	End of the 68th year (current)	End of the 67th year (previous)
Assets		
I. Cash and deposits	1,342,329,804,806	1,048,928,418,710
II. Financial assets	63,135,979,198,322	56,829,204,878,811
1. Financial assets at fair value through profit or loss	898,796,006,500	1,003,997,880,895
2. Available-for-sale financial assets	39,561,627,789,019	36,741,581,905,429
3. Held-to-maturity financial assets	141,166,708,536	140,741,424,460
4. Loans	21,393,376,042,762	17,878,163,713,252
5. Other receivables	1,141,012,651,505	1,064,719,954,775
III. Investments in associates	266,005,995,145	240,287,689,505
IV. Derivative assets	148,512,629,109	8,925,474,277
V. Reinsurance assets	941,020,732,266	1,012,985,238,833
VI. Investment properties	353,391,835,977	434,880,605,224
VII. Property and equipment	600,564,246,821	740,291,322,463
VIII. Intangible assets	568,697,123,323	133,386,999,436
IX. Noncurrent Assets, Held for Sale	-	172,215,830,972
X. Net defined benefit assets	43,141,316,073	30,192,856,252
XI. Current tax asset	2,889,052,301	-
XII. Deferred income tax assets	20,685,647,693	-
XIII. Other assets	2,471,603,030,524	2,722,325,086,580
XIV. Separate account assets	5,629,010,805,834	4,524,298,934,738
Total Asset	75,520,942,365,892	67,897,923,335,801
Liabilities		
I. Insurance liabilities	52,791,379,283,031	49,353,245,154,312
II. Financial liabilities	695,019,205,622	493,649,195,827
III. Derivative liabilities	9,433,261,610	186,561,871,616
IV. Provisions	55,283,191,556	76,731,130,890
V. Current tax liabilities	27,624,190,916	127,578,555,745
VI. Defined income tax liabilities	2,025,787,045,128	1,593,842,749,714
VII. Other liabilities	462,018,244,973	580,307,094,628
VIII. Separate account liabilities	7,532,185,263,531	4,605,037,715,835
Total Liabilities	63,598,729,686,367	57,016,953,468,567
Capital		
1. Capital stock	26,473,418,500	26,473,418,500
2. Capital surplus	939,233,350,327	939,233,350,327
3. Capital adjustments	-1,483,503,688,276	-1,483,503,688,276
4. Accumulated other comprehensive income, net of taxes	4,242,337,200,004	3,984,644,908,851
5. Retained earnings	8,197,672,398,970	7,414,121,877,832
Total Stockholders' Equity	11,922,212,679,525	10,880,969,867,234
Total Liabilities & Stockholders' Equity	75,520,942,365,892	67,897,923,335,801

Consolidated Statements of Comprehensive Income (Loss)

SFMI & its subsidiaries (Unit : KRW)

As of Dec 31, 2017 (end of the 68th year, current)
As of Dec 31, 2016 (end of the 67th year, previous)

Account	End of the 68th year (current)	End of the 67th year (previous)
I. Operating revenues	22,013,598,874,920	21,686,107,740,105
1. Insurance operating income	19,408,574,642,668	19,311,178,453,425
(1) Premium income	18,668,368,346,157	18,665,153,398,166
(2) Reinsurance income	532,422,779,384	643,473,316,616
(3) Increase in reinsurance assets	11,894,942,892	-218,425,316,958
(4) Compensation income	10,989,457,974	3,794,130,979
(5) Expense recovered	161,642,814,823	177,812,926,749
(6) Expense recovered	23,256,301,437	39,369,997,873
2. Investment income	2,376,398,052,945	2,205,655,533,735
(1) Interest income	1,678,829,925,833	1,617,750,831,706
(2) Dividend income	161,120,671,779	97,961,455,301
(3) Gain on valuation and sales of financial instruments	50,729,049,995	185,946,854,339
(4) Gain on valuation and sales of derivative instrument	327,308,530,860	42,700,329,705
(5) Reversal of allowance and impairment loss of financial asset	5,524,623,668	6,625,482,087
(6) Rental income	59,773,486,327	74,638,558,386
(7) Commission income	2,447,672,117	1,520,328,699
(8) Gain on foreign exchange transactions	13,615,412,316	111,423,963,218
(9) Gain on disposal of investment properties	72,318,258,142	65,206,230,053
(10) Miscellaneous investment income	4,730,421,908	1,881,500,241
3. Separate account commission	31,990,857,160	29,969,676,324
4. Separate account income	196,635,322,147	139,304,076,621
II. Operating expenses	20,756,044,736,266	20,614,953,371,095
1. Insurance operating expense	19,985,336,043,887	19,905,357,207,830
(1) Claims paid and refund of long-term insurance policies	11,192,749,601,526	11,255,294,386,573
(2) Reinsurance premium expenses	894,369,043,568	887,002,166,807
(3) Increase in insurance liabilities	3,552,624,385,094	3,634,030,676,430
(4) Loss adjustment expense	535,276,938,347	495,819,455,256
(5) Expenses paid	3,769,017,321,556	3,595,690,565,768
(6) Loss on foreign exchange transactions	41,298,753,796	37,519,956,996
2. Investment expenses	573,532,951,471	569,643,869,361
(1) Interest expense	12,046,659,768	12,417,579,651
(2) Loss on valuation and sale of financial nonderivative instruments	30,646,225,947	32,440,068,213
(3) Loss on valuation and sale of derivative instrument	14,884,474,034	131,807,192,832
(4) Impairment loss on financial assets	2,825,299,470	160,368,502,842
(5) Investment management expenses	145,282,256,810	143,477,933,687
(6) Maintenance expenses on investment properties	16,602,966,770	19,998,468,732
(7) Depreciation expenses on investment properties	7,373,271,614	8,435,823,309
(8) Loss on foreign exchange transactions	321,359,965,134	26,330,630,534
(9) Loss on disposal of investment properties	15,125,445,544	28,011,192,686
(10) Miscellaneous investment expenses	7,386,386,380	6,356,476,875
3. Separate account commission paid	540,418,761	648,217,283
4. Separate account expenses	196,635,322,147	139,304,076,621

Account	End of the 68th year (current)	End of the 67th year (previous)
III. Operating profit	1,257,554,138,654	1,071,154,369,010
IV. Non-operating income	240,593,065,905	93,481,102,151
V. Non-operating income	67,403,521,074	44,862,388,691
VI. Net profit before tax	1,430,743,683,485	1,119,773,082,470
VII. Tax expenses	375,442,876,327	259,158,205,571
VIII. Consolidated net profit	1,055,300,807,158	860,614,876,899
IX. Consolidated other comprehensive income	205,173,149,597	420,491,352,706
1. Accounts not reclassified as profit/loss of the current term succeedingly	-559,756,154	-7,689,010,393
2. Accounts reclassified as profit/loss of the current term succeedingly	205,732,905,751	428,180,363,099
X. Consolidated total comprehensive profits	1,260,473,956,755	1,281,106,229,605
1. Belonging to Consolidated net profit		
Net profit of equity attributable to owners of the Group	1,052,737,382,576	857,961,922,531
Net profit of Non-controlling interests	2,563,424,582	2,652,954,368
2. Belonging to Consolidated comprehensive profit		
comprehensive profit of equity attributable to owners of the Group	1,260,147,865,223	1,277,928,190,509
Total comprehensive profit of non-controlling interests	326,091,532	3,178,039,096
XI. Consolidated earnings per share		
1. Basic earnings per share	24,764	20,175
2. Diluted earnings per share	24,764	20,175

Consolidated Profit / Separate Statements

SFMI (Unit : KRW)

As of Dec 31, 2017 (end of the 68th year, current)

As of Dec 31, 2016 (end of the 67th year, previous)

Account	End of the 68th year (current)	End of the 67th year (previous)
I. Operating revenues	21,603,795,034,858	21,335,949,677,697
1. Insurance operating income	19,033,931,607,307	19,006,708,401,137
(1) Premium income	18,458,657,043,282	18,441,774,619,936
(2) Reinsurance income	478,791,637,719	612,530,204,925
(3) Increase in reinsurance assets	-56,085,310,704	-220,720,923,586
(4) Compensation income	10,989,457,974	3,794,130,979
(5) Expense recovered	122,092,118,373	134,938,429,462
(6) Gain on foreign exchange transactions	19,486,660,663	34,391,939,421
2. Investment income	2,341,237,248,244	2,159,967,523,615
(1) Interest income	1,669,914,245,302	1,614,676,332,474
(2) Dividend income	179,110,161,291	119,602,902,901
(3) Gain on valuation and sales of financial instruments	45,492,831,820	183,321,003,551
(4) Gain on valuation and sales of derivative instrument	319,773,139,277	39,310,724,993
(5) Reversal of allowance and impairment loss of financial asset	5,524,623,668	6,625,482,087
(6) Rental income	35,081,084,012	44,244,812,207
(7) Commission income	2,447,672,117	1,520,328,699
(8) Gain on foreign exchange transactions	9,441,299,874	106,674,007,632
(9) Gain on disposal of investment properties	72,318,258,142	42,208,519,783
(10) Miscellaneous investment income	2,133,932,741	1,783,409,288
3. Separate account commission	31,990,857,160	29,969,676,324
4. Separate account income	196,635,322,147	139,304,076,621
II. Operating expenses	20,364,900,113,780	20,291,794,962,131
1. Insurance operating expense	19,625,193,618,979	19,621,115,748,779
(1) Claims paid and refund of long-term insurance policies	11,070,189,658,718	11,160,077,870,891
(2) Reinsurance premium expenses	804,810,806,609	785,961,108,507
(3) Increase in insurance liabilities	3,472,823,899,655	3,618,472,415,581
(4) Loss adjustment expense	526,349,224,822	494,208,546,065
(5) Expenses paid	3,713,521,319,666	3,528,204,659,008
(6) Loss on foreign exchange transactions	37,498,709,509	34,191,148,727
2. Investment expenses	542,530,753,893	530,726,919,448
(1) Interest expense	11,000,682,969	10,941,724,706
(2) Loss on valuation and sale of financial nonderivative instruments	28,619,336,120	31,586,517,130
(3) Loss on valuation and sale of derivative instrument	9,986,013,691	130,545,791,325
(4) Impairment loss on financial assets	2,825,299,470	160,368,502,842
(5) Investment management expenses	136,722,468,790	132,358,774,828
(6) Maintenance expenses on investment properties	16,602,966,770	19,998,468,732
(7) Depreciation expenses on investment properties	7,373,271,614	8,435,823,309
(8) Loss on foreign exchange transactions	309,823,413,426	21,682,592,474
(9) Loss on disposal of investment properties	15,125,445,544	9,275,849,498
(10) Miscellaneous investment expenses	4,451,855,499	5,532,874,604
3. Separate account commission paid	540,418,761	648,217,283
4. Separate account expenses	196,635,322,147	139,304,076,621

Account	End of the 68th year (current)	End of the 67th year (previous)
III. Operating profit	1,238,894,921,078	1,044,154,715,566
IV. Non-operating income	239,948,138,490	93,494,103,316
V. Non-operating income	67,123,406,209	43,971,472,576
VI. Net profit before tax	1,411,719,653,359	1,093,677,346,306
VII. Tax expenses	368,847,678,521	252,766,094,236
VIII. Net profit	1,042,871,974,838	840,911,252,070
IX. Other comprehensive income	257,692,291,153	426,367,944,790
1. Accounts not reclassified as profit/loss of the current term succeedingly	-615,780,216	-5,872,022,070
2. Accounts reclassified as profit/loss of the current term succeedingly	258,308,071,369	432,239,966,860
X. Total comprehensive profits	1,300,564,265,991	1,267,279,196,860
XI. Earnings per share		
1. Basic earnings per share	24,532	19,774
2. Diluted earnings per share	24,532	19,774

Consolidated Statements of Changes in Equity

SFMI & its subsidiaries (Unit : KRW)

As of Dec 31, 2017 (end of the 68th year, current)

As of Dec 31, 2016 (end of the 67th year, previous)

Account	Equity attributable to owners of the Group						Non- controlling interests	Total
	Capital stock	Consolidated	Consolidated	Accumulated other comprehensive	Consolidated			
		capital surplus	capital adjustments	income, net of taxes	retained earnings			
I. Jan 1, 2016 (Beginning of the year before)	26,473,418,500	939,233,350,327	-1,351,769,727,914	3,541,857,546,320	6,914,340,670,906	15,115,455,548	10,085,250,713,687	
1.Dividends	-	-	-	-	-221,446,416,250	-825,234,380	-222,271,650,630	
2.Consolidated Net profit for the period	-	-	-	-	857,961,922,531	2,652,954,368	860,614,876,899	
3. Acquisition of treasury stock	-	-	-135,450,196,950	-	-	-	-135,450,196,950	
4.Valuation profit (loss) for available-for-sale financial assets	-	-	-	431,703,692,241	-	15,784,039	431,719,476,280	
5.Gain on translation of foreign currency financial statements	-	-	-	-2,517,083,266	-	514,251,054	-2,002,832,212	
6. Net change in unrealized valuation of cash flow hedge derivatives	-	-	-	8,070,787,938	-	-	8,070,787,938	
7.Accumulated other comprehensive income of the separate account	-	-	-	-9,607,068,907	-	-	-9,607,068,907	
8.Remeasurement loss related to defined benefit plans	-	-	-	-7,684,060,028	-	-4,950,365	-7,689,010,393	
9. Change in consolidation scope, etc.	-	-	-	-	-402,729,120	-	-402,729,120	
II. Dec 31, 2016 (End of the year before)	26,473,418,500	939,233,350,327	-1,487,219,924,864	3,961,823,814,298	7,550,453,448,067	17,468,260,264	11,008,232,366,592	
III. Jan 1, 2017 (Beginning of the previous year)	26,473,418,500	939,233,350,327	-1,487,219,924,864	3,961,823,814,298	7,550,453,448,067	17,468,260,264	11,008,232,366,592	
1.Dividends	-	-	-	-	-259,321,453,700	-740,606,300	-260,062,060,000	
2.Consolidated Net profit for the period	-	-	-	-	1,052,737,382,576	2,563,424,582	1,055,300,807,158	
3.Valuation profit (loss) for available-for-sale financial assets	-	-	-	295,230,377,222	-	-147,415,304	295,082,961,918	
4.Other comprehensive profit(loss) of subsidiaries	-	-	-	314,031,234	-	-	314,031,234	
5.Gain on translation of foreign currency financial statements	-	-	-	-29,869,461,229	-	-2,089,917,746	-31,959,378,975	
6. Net change in unrealized valuation of cash flow hedge derivatives	-	-	-	-3,369,101,330	-	-	-3,369,101,330	
7.Accumulated other comprehensive income of the separate account	-	-	-	-54,335,607,096	-	-	-54,335,607,096	
8.Remeasurement loss related to defined benefit plans	-	-	-	-559,756,154	-	-	-559,756,154	
9. Change in consolidation scope, etc.	-	-	-	-	-365,448,599	-	-365,448,599	
IV. Dec 31, 2017 (End of the previous year)	26,473,418,500	939,233,350,327	-1,487,219,924,864	4,169,234,296,945	8,343,503,928,344	17,053,745,496	12,008,278,814,748	

Separate Statements of Changes in Equity

SFMI (Unit : KRW)

As of Dec 31, 2017 (end of the 68th year, current)

As of Dec 31, 2016 (end of the 67th year, previous)

Account	Capital stock	Capital	Capital	Other Comprehensive	Profit	Total
		Surplus	Adjustments	Income, net of taxes	Surplus	
I. Jan 1, 2016 (Beginning of the year before)	26,473,418,500	939,233,350,327	-1,348,053,491,326	3,558,276,964,061	6,794,657,042,012	9,970,587,283,574
1. Dividends	-	-	-	-	-221,446,416,250	-221,446,416,250
2. Net profit for the period	-	-	-	-	840,911,252,070	840,911,252,070
3. Acquisition of treasury stock	-	-	-135,450,196,950	-	-	-135,450,196,950
4. Valuation profit (loss) for available-for-sale financial assets	-	-	-	432,471,514,972	-	432,471,514,972
5. Gain on translation of foreign currency financial statements	-	-	-	1,304,732,857	-	1,304,732,857
6. Net change in unrealized valuation of cash flow hedge derivatives	-	-	-	8,070,787,938	-	8,070,787,938
7. Accumulated other comprehensive income of the separate account	-	-	-	-9,607,068,907	-	-9,607,068,907
8. Remeasurement loss related to defined benefit plans	-	-	-	-5,872,022,070	-	-5,872,022,070
II. Dec 31, 2016 (End of the year before)	26,473,418,500	939,233,350,327	-1,483,503,688,276	3,984,644,908,851	7,414,121,877,832	10,880,969,867,234
III. Jan 1, 2017 (Beginning of the previous year)	26,473,418,500	939,233,350,327	-1,483,503,688,276	3,984,644,908,851	7,414,121,877,832	10,880,969,867,234
1. Dividends	-	-	-	-	-259,321,453,700	-259,321,453,700
2. Net profit for the period	-	-	-	-	1,042,871,974,838	1,042,871,974,838
3. Valuation profit(loss) for available-for-sale financial assets	-	-	-	327,901,137,932	-	327,901,137,932
4. Gain on translation of foreign currency financial statements	-	-	-	-11,888,358,137	-	-11,888,358,137
5. Net change in unrealized valuation of cash flow hedge derivatives	-	-	-	-3,369,101,330	-	-3,369,101,330
6. Accumulated other comprehensive income of the separate account	-	-	-	-54,335,607,096	-	-54,335,607,096
7. Remeasurement loss related to defined benefit plans	-	-	-	-615,780,216	-	-615,780,216
IV. Dec 31, 2017 (End of the previous year)	26,473,418,500	939,233,350,327	-1,483,503,688,276	4,242,337,200,004	8,197,672,398,970	11,922,212,679,525

Consolidated Statements of Cash Flows

SFMI & its subsidiaries (Unit : KRW)

As of Dec 31, 2017 (end of the 68th year, current)

As of Dec 31, 2016 (end of the 67th year, previous)

Account	End of the 68th year (current)	End of the 67th year (previous)
I. Cash flows from operating activities	2,594,765,506,536	1,646,197,022,140
(1) Consolidated net profit	1,055,300,807,158	860,614,876,899
(2) Profit and Loss Adjustment Items	3,371,517,433,540	3,763,795,057,265
Loss on valuation and sales of financial instruments	27,940,412,617	22,865,669,372
Loss on foreign exchange translation and transaction	313,900,595,158	8,220,437,884
Bad debt expenses	11,311,817,712	5,051,185,651
Loss on valuation and sale of derivative instruments	8,288,717,122	123,418,044,546
Amortization of deferred acquisition cost	1,337,467,913,026	1,273,522,863,819
Depreciation	74,863,029,285	78,009,179,125
Loss on disposal of property and equipment	35,152,507,415	17,951,276,010
Loss on disposal of intangible assets	19,602,886,629	150,379,600
Impairment loss on intangible assets	-	870,301,468
Loss on disposal of investment properties	15,125,445,544	28,011,192,686
Other expense	10,757,939,676	12,105,789,276
Amortization	63,621,280,578	48,861,290,042
Interest expenses	12,046,659,768	12,417,579,651
Reversal of restoration liabilities	2,519,258,704	275,193,234
Severance benefits	44,611,687,880	45,727,611,793
Income tax expenses	375,442,876,327	259,158,205,571
Impairment loss on financial instruments	2,825,299,470	160,368,502,842
Increase in insurance liabilities	3,552,624,385,094	3,634,030,676,430
Decrease(Increase) in reinsurance assets	-11,894,942,892	218,425,316,958
Gain on valuation and sale of financial instruments	-38,706,160,542	-174,857,509,370
Interest income	-1,678,829,925,833	-1,617,750,831,706
Gain on foreign exchange translation and transaction	-8,972,798,939	-101,503,377,741
Gain on investments in associates	-1,502,554,372	-1,342,885,266
Gain on valuation and sales of derivative instruments	-317,339,522,365	-38,931,325,505
Gain on disposal of property and equipment	-227,162,698,090	-77,059,259,322
Gain on disposal of intangible assets	-256,973,333	-227,459,999
Gain on subsequent of intangible assets	-362,176,441	-
Gain on disposal of investment properties	-72,318,258,142	-65,206,230,053
Compensation income	-10,989,457,974	-3,794,130,979
Dividend income	-161,120,671,779	-97,961,455,301
Other income	-7,129,137,763	-7,011,173,451
(3) Changes in assets and liabilities	-3,351,946,104,963	-4,455,106,874,349
Decrease(Increase) in deposits	10,853,627,137	328,897,133,108
Decrease(Increase) in financial assets at fair value through profit or loss	83,607,840,949	-74,008,463,389
Decrease(Increase) in loans	-3,701,385,637,516	-3,352,443,958,358
Decrease(Increase) in other receivables	-217,481,886,815	123,283,206,906
Decrease(Increase) in other assets	-1,543,323,324,046	-1,262,315,175,844
Decrease(Increase) in separate account assets	-38,972,800,334	-117,687,109,215
Increase(Decrease) in other financial liabilities	379,924,483,285	-150,711,565,946

Account	End of the 68th year (current)	End of the 67th year (previous)
Increase(Decrease) in derivative instruments for sale	-3,568,175,948	9,578,845,879
Increase(Decrease) in provisions	-30,240,295,856	-403,863,508
Increase(Decrease) in other liabilities	-959,846,061	139,795,426,474
Increase(Decrease) in separate account liabilities	1,807,072,869,838	-3,420,084,839
Payment of severance benefits	-41,475,026,457	-37,607,602,447
Increase(Decrease) in defined benefit obligations	-3,193,666,405	117,606,550
Decrease(Increase) in plan assets	-17,186,470,381	-54,790,016,530
Increase(Decrease) in foreign operation	-35,617,796,353	-3,391,253,190
(4) Interest received	1,687,296,785,344	1,648,474,539,111
(5) Interest paid	-295,383,902	-350,051,005
(6) Dividends received	161,345,619,274	97,811,709,186
(7) Income tax paid	-328,453,649,915	-269,042,234,967
II. Cash flows from investing activities	-2,028,584,871,421	-1,141,551,042,441
1. Cash inflows from investing activities	5,287,023,381,504	7,267,332,117,209
Proceeds from disposal of available-for-sale financial assets	2,979,900,148,716	4,216,225,333,863
Proceeds from disposal of held-to-maturity financial assets	16,635,679,561	-
Decrease of investment in associates	2,226,053,227	1,383,853,400
Cash inflows from hedge activities	1,781,265,785,732	2,685,635,717,035
Proceeds from disposal of investment properties	170,887,915,626	195,541,364,998
Proceeds from disposal of property and equipment	26,816,847,544	163,509,234,719
Proceeds from disposal of intangible assets	2,690,951,098	5,036,613,194
Disposal of non-current asset held for sales	306,600,000,000	-
2. Cash outflows from investing activities	-7,315,608,252,925	-8,408,883,159,650
Acquisition of available-for-sale financial assets	5,369,258,427,334	5,502,220,186,438
Acquisition of held-to-maturity financial assets	-	4,201,800,000
Acquisition of investments in subsidiaries	26,128,143,315	-
Cash outflows from hedge activities	1,794,470,763,016	2,758,077,908,494
Acquisition of investment properties	295,612,219	86,681,728
Acquisition of property and equipment	76,914,843,593	125,212,859,375
Acquisition of intangible assets	48,540,463,448	19,083,723,615
III. Cash flows from financing activities	-260,062,060,000	-417,721,847,580
1. Cash inflows from financing activities	1,457,600,000,000	1,157,800,000,000
Increase of repurchase agreement	1,457,600,000,000	1,157,800,000,000
2. Cash outflows from financing activities	-1,717,662,060,000	-1,575,521,847,580
Decrease of repurchase agreement	1,457,600,000,000	1,217,800,000,000
Acquisition of treasury stock	-	135,450,196,950
Payment of dividends	260,062,060,000	222,271,650,630
IV. Effect of exchange rate fluctuations on cash held	-7,193,689,886	-2,350,633,529
V. Net increase (decrease) in cash and cash equivalents	298,924,885,229	84,573,498,590
VI. Cash and cash equivalents at beginning of the period	772,528,945,557	687,955,446,967
VII. Cash and cash equivalents at end of the period	1,071,453,830,786	772,528,945,557

Separate Statements of Cash Flows

SFMI (Unit : KRW)

As of Dec 31, 2017 (end of the 68th year, current)

As of Dec 31, 2016 (end of the 67th year, previous)

Account	End of the 68th year (current)	End of the 67th year (previous)
I. Cash flows from operating activities	2,770,895,286,821	1,751,651,819,192
(1) Net profit	1,042,871,974,838	840,911,252,070
(2) Profit and Loss Adjustment Items	3,321,955,008,413	3,715,997,893,081
Loss on valuation and sale of financial instruments	26,455,855,592	22,376,158,208
Loss on foreign exchange translation and transaction	302,983,074,992	3,368,908,349
Bad debt expenses	10,319,824,645	5,281,654,741
Loss on valuation and sale of derivative instruments	7,930,224,210	123,070,927,239
Increase(Decrease) in reinsurance assets	56,085,310,704	220,720,923,586
Amortization of deferred acquisition cost	1,337,467,913,026	1,273,522,863,819
Depreciation	70,280,633,481	73,821,557,013
Loss on disposal of property and equipment	35,054,645,216	17,806,067,942
Loss on disposal of intangible assets	19,602,886,629	150,379,600
Impairment loss of Intangible Assets	-	688,763,378
Other expense	11,528,245,917	12,105,789,276
Amortization	62,010,295,873	46,923,439,192
Interest expenses	11,000,682,969	10,941,724,706
Reversal of restoration liabilities	2,500,489,087	203,361,792
Severance benefits	33,982,394,730	35,486,584,891
Income tax expenses	368,847,678,521	252,766,094,236
Impairment loss on financial assets	2,825,299,470	160,368,502,842
Loss on disposal of investment properties	15,125,445,544	9,275,849,498
Increase in insurance liabilities	3,472,823,899,655	3,618,472,415,581
Gain on valuation and sale of financial instruments	-35,623,320,050	-172,325,346,817
Interest income	-1,669,914,245,302	-1,614,676,332,474
Gain on foreign exchange translation and transaction	-8,560,619,809	-95,597,594,925
Other income	-7,129,137,763	-7,011,173,451
Gain on valuation and sales of derivative instruments	-313,490,760,868	-38,924,344,993
Gain on disposal of property and equipment	-227,150,880,875	-76,986,266,486
Gain on disposal of intangible assets	-220,773,333	-227,459,999
impairment gain or loss of Intangible Assets	-362,176,441	-
Gain on disposal of investment properties	-72,318,258,142	-42,208,519,783
Compensation income	-10,989,457,974	-3,794,130,979
Dividend income	-179,110,161,291	-119,602,902,901
(3) Changes in assets and liabilities	-3,158,793,363,850	-4,310,733,342,367
Decrease(Increase) in deposits	22,328,428,957	373,195,466,900
Decrease(Increase) in financial assets at fair value through profit or loss	106,960,711,654	-67,548,034,053
Decrease(Increase) in loans	-3,537,248,045,176	-3,296,743,958,358
Decrease(Increase) in other receivables	-72,986,597,238	68,867,788,486
Decrease(Increase) in other assets	-1,563,781,841,344	-1,262,180,505,767
Decrease(Increase) in separate account assets	-38,972,800,334	-117,687,109,215
Increase(Decrease) in other financial liabilities	195,666,708,405	-75,319,666,383
Increase(Decrease) in derivative instruments for sale	-3,228,039,153	9,578,845,879

Account	End of the 68th year (current)	End of the 67th year (previous)
Increase(Decrease) in provisions	-30,191,839,280	-350,732,655
Increase(Decrease) in other liabilities	4,638,735,189	132,224,579,402
Increase(Decrease) in separate account liabilities	1,807,072,869,838	-3,420,084,839
Payment of severance benefits	-34,073,352,140	-29,550,166,900
Increase(Decrease) in defined benefit obligations	-3,133,640,176	117,606,526
Decrease(Increase) in plan assets	-11,844,663,052	-41,917,371,390
(4) Interest received	1,684,128,214,460	1,646,153,377,757
(5) Interest paid	-296,411,800	-348,427,828
(6) Dividends received	179,335,108,786	119,453,156,786
(7) Income tax paid	-298,305,244,026	-259,782,090,307
II. Cash flows from investing activities	-2,182,095,120,251	-1,273,829,876,228
1. Cash inflows from investing activities	5,275,432,150,604	7,190,349,266,691
Proceeds from disposal of available-for-sale financial assets	2,987,235,121,475	4,256,545,540,158
Decrease of investment in subsidiaries	409,837,675	343,067,037
Cash inflows from hedge activities	1,781,265,785,732	2,685,635,717,035
Proceeds from disposal of investment properties	170,887,915,626	79,591,364,998
Proceeds from disposal of property and equipment	26,402,242,996	163,253,347,353
Proceeds from disposal of intangible assets	2,631,247,100	4,980,230,110
Disposal of non-current asset held for sales	306,600,000,000	-
2. Cash outflows from investing activities	-7,457,527,270,855	-8,464,179,142,919
Acquisition of available-for-sale financial assets	5,515,575,787,332	5,532,220,186,438
Acquisition of held-to-maturity financial assets	-	40,238,742,724
Acquisition of investments in associates	26,128,143,315	-
Cash outflows from hedge activities	1,794,470,763,016	2,758,077,908,494
Acquisition of investment properties	295,612,219	86,681,728
Acquisition of property and equipment	72,799,864,025	116,880,050,504
Acquisition of intangible assets	48,257,100,948	16,675,573,031
III. Cash flows from financing activities	-259,321,453,700	-416,896,613,200
1. Cash inflows from financing activities	1,457,600,000,000	1,157,800,000,000
Increase of repurchase agreement	1,457,600,000,000	1,157,800,000,000
2. Cash outflows from financing activities	-1,716,921,453,700	-1,574,696,613,200
Decrease of repurchase agreement	1,457,600,000,000	1,217,800,000,000
Acquisition of treasury stock	-	135,450,196,950
Payment of dividends	259,321,453,700	221,446,416,250
IV. Effect of exchange rate fluctuations on cash held	-12,575,604	987,158
V. Net increase (decrease) in cash and cash equivalents	329,478,712,870	60,926,316,922
VI. Cash and cash equivalents at beginning of the period	629,536,759,671	568,610,442,749
VII. Cash and cash equivalents at end of the period	959,015,472,541	629,536,759,671

PSI (Principles for Sustainable Insurance) REPORT

In January 2015, SFMI signed the PSI of UNEP FI(United Nations Environment Programme Financial Initiative) and declared to render due efforts for sustainability of the insurance industry together with global insurers. We at SFMI are committed to fulfilling our social responsibility as a global cooperate citizen and carrying out sustainability management taking environment, society and governance into consideration from a long-term perspective. Thus, SFMI is going to report annually each aspects according to four principles of the PSI.

Principle 1. We consider the aspects of environment, society and governance, while making decisions as an insurer.

Operation of Sustainability Management Committee | In 2012, SFMI established the Sustainability Management Committee, in which executives participate to build a sustainable management system that fits global top-tier insurers and accelerate sustainable activities. The Committee is composed of seven members : CEO, CFO, Director of the Planning Office, Director of the CPC Strategy Office, Head of Human Resources, Compliance Officer and Executive Director of Sustainable Management Office. In 2017, the Committee discussed major issues including sustainability management status and achievements, recent sustainability management trends, future directions and tasks.

KPI for Sustainability Management | SFMI has set and operates KPI(Key Performance Indicators) for sustainability management taking stakeholders including customers, shareholders / investors, employees, business partners and communities into consideration.

Regulations regarding Socially Responsible Management | SFMI established regulations regarding socially responsible management to reflect the aspects of environment, society and governance on its decision making and activity.

Principle 2. We raise the awareness on the aspects of environment, society and governance along with customers and business partners, and jointly explore solutions to manage risks.

Environmental, Social Insurance Products and Services | As insurance products related with climate change, SFMI is providing Storm & Flood Insurance, Weather Insurance, New Renewable Energy Insurance and Mileage Auto Insurance. Along the way, the SFMI is conducting a diverse range of supportive activities so that the underprivileged and financially neglected people are able to cope with various risks in life, using relevant insurance products.

Paperless Insurance Contract | Since April 2012, SFMI has been pursuing user- and environment-friendly sales processes by using tablet PCs together with RC(Risk Consultant), leading to the saving of 25 pages of paper on average per contract. The company focuses on higher environment-friendly mobile insurance contracts using customer counselling method via tablet PCs and education on such contract process.

Research on Climate Change Risks | The company's GLCC(Global Loss Control Center) helps customers and communities deal with climate change risks by conducting a diverse range of R&D relative to climate change. * <http://rm.samsungfire.com>

Social Responsibility Code of Conduct for Business Partners | SFMI announced the "Social Responsibility Code of Conduct for Business Partners" to promote social responsibility and encourage change in mindset of our business partners. For them to secure sustainable competitiveness, we are reinforcing support and monitoring activities for risks related to ethics, human right, social and environmental impacts.

Principle 3. We, in collaboration with the government and other major stakeholders, carry out diverse activities in society as a whole relative to environment, society and governance.

Partnership with Government and Civil Organizations | SFMI is engaged in various social responsibility activities in collaboration with the government and civil organizations to resolve social issues.

Major Cooperators by Social Responsibility Category

Category	Activities	Cooperating Agency
Social Welfare	Support the underprivileged	National Police Agency, National Emergency, Management Agency
	Raise disability awareness	Ministry of Education, Korea National Institute for Special Education, Seoul National School For The Blind, Disabled Persons First Campaign Center
Research & Education	Donate and sponsor scholarship for children education	Ministry of Education, Kids & Future Foundation, Child Fund Korea, Safe Kids Korea
Culture & Art	Preservation of cultural heritage	Cultural Heritage Administration, Korea Cultural Heritage Foundation
Environment Protection	Development of school forests	Korea Forest Service, Forest for Life

Operation of Samsung Traffic Research Institute | Established in July 2001, Samsung Traffic Research Institute is the country's first civil research organization in the field of traffic safety in an attempt to establish advanced traffic culture and realize Zero of traffic accident in society. As a drive to prevent traffic accidents, the Institute conducts scientific and systematic research on safety of roads, vehicles and drivers along with press releases, policy proposals and traffic safety campaigns. * <http://www.stm.or.kr/main.html>

Principle 4. We will periodically announce performances of the Principles to the public and secure credibility and transparency.

SFMI systematically manages issues related with environment, society and governance and announces their results transparently to public using Sustainability Report, Annual Report of Corporate Governance and Remuneration and Annual Report each year.

GRI STANDARDS INDEX (Core)

GRI Standard	Number of Disclosure	Title of Disclosure	Page /URL	Assurance	Note
GRI 101: Foundation					
GRI 102: Organizational profile	102-1	Name of the organization	4	●	
	102-2	Activities, brands, products, and services	6	●	
	102-3	Location of headquarters	4	●	
	102-4	Location of operations	4~5	●	
	102-5	Ownership and legal form	4~6	●	
	102-6	Markets served	4~6	●	
	102-7	Scale of the organization	4~5, 8	●	
	102-8	Information on employees and other workers	4, 45	●	
	102-9	Supply chain	62	●	
	102-10	Significant changes to the organization and its supply chain	89	●	No change
	102-11	Precautionary Principle or approach	26~30, 68	●	
	102-12	External initiatives	13	●	
	102-13	Membership of associations	13	●	
GRI 102: Strategy	102-14	Statement from senior decision-maker	2~3	●	
GRI 102: Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	31	●	
	102-17	Mechanisms for advice and concerns about ethics	35	●	
GRI 102: Governance	102-18	Governance structure	21~23	●	
	102-22	Composition of the highest governance body and its committees	21, 23	●	
	102-23	Chair of the highest governance body	21~22	●	
	102-24	Nominating and selecting the highest governance body	25	●	
	102-30	Effectiveness of risk management processes	23, 26	●	
GRI 102: Stakeholder Engagement	102-40	List of stakeholder groups	12	●	
	102-41	Collective bargaining agreements	50	●	
	102-42	Identifying and selecting stakeholders	14~15	●	
	102-43	Approach to stakeholder engagement	14~15	●	
	102-44	Key topics and concerns raised	14~15	●	
GRI 102: Reporting Practice	102-45	Entities included in the consolidated financial statements	5	●	
	102-46	Defining report content and topic Boundaries	15	●	
	102-47	List of material topics	15	●	
	102-48	Restatements of information	89	●	No edits
	102-49	Changes in reporting	89	●	No change
	102-50	Reporting period	About This Report	●	
	102-51	Date of most recent report	89	●	June 2017
	102-52	Reporting cycle	About This Report	●	
	102-53	Contact point for questions regarding the report	About This Report	●	
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report	●	
	102-55	GRI content index	89~91	●	
	102-56	External assurance	92~93	●	

GRI Standard	Number of Disclosure	Title of Disclosure	Page /URL	Assurance	Note
GRI 200 Economic Topics					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8	●	
	103-2	The management approach and its components	8	●	
	103-3	Evaluation of the management approach	8~10	●	
GRI 201: Economic Performances 2016	201-1	Direct economic value generated and distributed	8~11, 17	●	
	201-2	Financial implications and other risks and opportunities due to climate change	68	●	
	201-3	Defined benefit plan obligations and other retirement plans	53	●	
	201-4	Financial assistance received from government	90	●	N/A
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	54~59	●	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	17	●	
GRI 205: Anti-Corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	32	●	
	205-3	Confirmed incidents of corruption and actions taken	35	●	
GRI 206: Anti-Competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	35	●	
GRI 300 Environmental Topics					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	67	●	
	103-2	The management approach and its components	67~69	●	
	103-3	Evaluation of the management approach	70~71	●	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	70	●	
	301-2	Recycled input materials used	70	●	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	70	●	
	302-3	Energy intensity	70	●	
	302-5	Reductions in energy requirements of products and services	68~70, 73	●	
GRI 303: Water 2016	303-1	Water withdrawal by source	70	●	
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	90	●	N/A ¹⁾
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	70	●	
	305-2	Energy indirect (Scope 2) GHG emissions	70	●	
	305-3	Other indirect (Scope 3) GHG emissions	70~71	●	
	305-4	GHG emissions intensity	70	●	
	305-5	Reduction of GHG emissions	70	●	
	305-6	Emissions of ozone-depleting substances (ODS)	90	●	N/A ¹⁾
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	90	●	N/A ¹⁾
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	70	●	
	306-3	Significant spills	90	●	N/A ¹⁾
	306-4	Transport of hazardous waste 10 Disclosure 306-5 Water bodies affected by water discharges and/or runoff	90	●	N/A ¹⁾
	306-5	Water bodies affected by water discharges and/or runoff	90	●	N/A ¹⁾
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	90	●	O ³⁾

GRI Standard	Number of Disclosure	Title of Disclosure	Page /URL	Assurance	Note
GRI 400 Social Topics					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	44, 54, 61	●	
	103-2	The management approach and its components	44, 54, 61	●	
	103-3	Evaluation of the management approach	44, 54, 61	●	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	45	●	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	53	●	
	401-3	Parental leave	52	●	
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	91	●	30 days
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	73	●	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	74	●	
GRI 403: Training and Education 2016	404-1	Average hours of training per year per employee	48	●	
	404-2	Programs for upgrading employee skills and transition assistance programs	47, 48, 53	●	
	404-3	Percentage of employees receiving regular performance and career development reviews	48	●	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	22, 45	●	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	91	●	0
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	50, 66	●	
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	49, 66	●	
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	49, 66	●	
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	49	●	
GRI 415: Public Policy 2016	415-1	Political contributions	91	●	N/A ²⁾
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	91	●	0 ³⁾
GRI 417: Marketing and Labeling 2016	417-2	Incidents of non-compliance concerning product and service information and labeling	91	●	0 ³⁾
	417-3	Incidents of non-compliance concerning marketing communications	91	●	0 ³⁾
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	43	●	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	35, 91	●	0 ³⁾

Note1) Due to the nature of SFMI's business, 304-1, 305-6, 305-7, 306-3, 306-4, 306-5, indicators relevant to biodiversity, emission of pollutants, waste(water), are not applicable or with the minimal impact on business.

Note2) 415-1 is not a material issue in accordance with the Korean law.

Note3) Based on sanctions(486p) in SFMI's annual report disclosed in Data Analysis, Retrieval and Transfer System (DART) by Financial Supervisory Service, there was no violation of 307-1, 416-2, 417-2, 417-3, 419-1, which are the indicators for environment, customer safety and health, marketing and labeling, and compliance

I N D E P E N D E N T A S S U R A N C E S T A T E M E N T

Dear, Management and Stakeholders of SFMI

Korea Sustainability Investing Forum(hereafter referred to as the "Verifier") was asked to provide a third-party verification on the sustainability report of Samsung Fire & Marine Insurance 2018(hereafter referred to as the "Report"), and hence, provides the verification opinion as follows.

Responsibility and Independence

The verifier does not have any interest in Samsung Fire & Marine Insurance, which may impact the independence and impartiality of the verification. Samsung Fire & Marine Insurance is solely responsible for the information and opinions expressed in the report, and the verifier is solely responsible for the verification.

Verification Standards

The verifier performed the verification based on the following standards.

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

Limitations

The verifier performed limited on-site inspections at Samsung Fire & Marine Insurance Seoul head office after conducting primary document reviews and verifications. For the achievements listed in the report, we reviewed not only internal data but also external disclosure data such as disclosure data and interviews. We confirmed the coherence between the financial information included in the report and the financial statements audited by external auditors and between energy and greenhouse gas data included in the report and GHG assurance statement. We reviewed sampled internal data and disclosure data, and interviewed manager responsible for sustainability report to review data on various other environmental, corporate, and governance structures. We note that the results may vary if additional validation is performed in the future. This verification statement is issued for the management and stakeholders of Samsung Fire & Marine Insurance. However, we are not liable or jointly liable for compensation, if an individual or organization decides to make decisions based on this verification statement.

Verification Methods

The verifier confirmed the followings and concluded the verification.

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

Verification Results

The verifier has not found any significant error or inaccurate statements in the sustainability report of Samsung Fire & Marine Insurance 2018. We have also not found that it violates the requirements of the GRI Standard Guidelines with respect to indicator reporting.

- **Inclusivity**

Samsung Fire & Marine Insurance identifies customers, shareholders & investors, employees, business partners, and communities as stakeholders and communicates key concerns, expectations and opinions via communications channels. The expectations and opinions are reflected in the report. As Samsung Fire & Marine Insurance is a member of the financial sector, it is necessary to consider including regulators as important stakeholders.

- **Materiality**

Samsung Fire & Marine Insurance induced and reported 5 core issues with materiality assessments (Collect sustainable management topics → Materiality assessment based on the stakeholder's interest → Materiality assessment based on business impact → Priority Setup → Determine report frame and information disclosure scope). In this process, the company analyzed the stakeholder's interest and business impact through global standards, Korea media articles, expert group survey based on PwC's network, and peer report analysis. The verifier has confirmed that they key issues were selected by materiality assessments and has not found any significant issue that are missing. However, since the method of grasping the interests and expectations of various stakeholders is somewhat arbitrary, it is possible that the process of deriving important issues is distorted.

- **Responsiveness**

The verifier confirmed that Samsung Fire & Marine Insurance identifies major interests and expectations of stakeholders and carries out activities to respond to them. We noted that such contents are described in the report.

Recommendations

1. To achieve greater objectivity, it is recommended to develop a more sophisticated materiality test process in order to derive material issues.
2. It is recommended to reconstruct the communication channel between various stakeholders in order to emphasize the perspective of sustainable growth. Moreover, a system which enables the stakeholders' understanding of the concept of sustainability integrate into the organization's plan, implementation, and confirmation must be established.
3. It is recommended that practices related to sustainability management have short and long term quantitative targets. Moreover, such results should be reported on the annual reports.
4. Asset management is the essence of insurance companies. In consideration of the fact that responsible investment is expanding both domestically and internationally, Samsung Fire & Marine Insurance should report its own socially responsible investment philosophy, standards and achievements along with PSI activities.

GHG VERIFICATION STATEMENT

Korean Foundation for Quality(hereinafter 'KFQ') has been engaged by SAMSUNG FIRE & MARINE INSURANCE(hereinafter the 'Company') to independently verify its 2017 Greenhouse Gas Emission Report(hereinafter 'Inventory Report'). It is the responsibility of the Company to compile the 'Inventory Report' according to the 'Greenhouse Gas and Energy Target Management Scheme(Notification No. 2016-255 of Ministry of Environment)' and ISO 14064-1. KFQ has responsibility to conduct verification based on the ISO 14064-3 to provide verification opinion on compliance of the 'Inventory Report' against verification criteria.

Verification Scope

The following are included in the scope of this Verification.

- All of the domestic subsidiaries controlled and owned by the Company.(Scope 1, 2)
- Other indirect emissions(Scope 3) in relation to business trip, waste treatment, water use and paper use.

Conclusion/Opinion

Based on verification process according to the ISO 14064-3, KFQ obtained reasonable basis to express the following conclusion on the 2017 SAMSUNG FIRE & MARINE INSURANCE's Inventory Report.

- 1) The Inventory Report was prepared against 'Greenhouse Gas and Energy Target Management Scheme' run by Korea Government.
- 2) As a result of materiality assessment on 2017 Greenhouse Gas Emission of entire domestic subsidiaries, material discrepancy is less than the criteria of 5% for the organization who emits less than 500,000 tCO₂-eq/yr in accordance with the requirements of the 'Greenhouse Gas and Energy Target Management Scheme'.

Report Year		2017. 1. 1 ~ 2017. 12. 31	
Total Annual Emissions (tCO2-eq)	Total Emissions(Scope 1, 2)	21,124	
	Direct Emissions(Scope 1)	4,903	
	Indirect Emissions(Scope 2)	16,221	
	Other Indirect Emissions (Scope 3)	Business Trip	997
		Waste Treatment	179
		Water Use	89
		Paper Use	3,691

April 19th, 2018
(KFQ) Korean Foundation for Quality
CEO **DAEHYUN NAM**

Daehyun Nam



