

**Annual Compensation Report for 2020  
(DB Insurance Co., Ltd.)**

**1. Compensation Committee**

**A. Overall**

DB Insurance Co., Ltd. (the “Company”) makes it its philosophy to design and operate its compensation system so as not to cause problems to continuity as a financial company, based on the balance between its performance and the resulting risk structure.

The Company’s Compensation Committee, as a subcommittee of the Board of Directors (the “Board”), functions so that the Company’s key compensation policies will lead to achieving the aforesaid philosophy.

The Compensation Committee has been in operation since September 2010 under Article 10 Paragraph 2 of the Company’s Board of Directors Regulation, and the Company’s internal regulation thereon is the Compensation Committee Regulation.

The Compensation Committee consists of outside directors whose terms of office are one year. The committee’s current members were elected at the Board meeting of **March 13, 2020**.

Also, under Article 9 of the Compensation Committee Regulation, minutes setting forth the agenda, proceedings, results, dissenting members, and grounds of dissent in the committee meetings are prepared and kept.

**B. Composition**

**1) Overall**

For the Compensation Committee’s diligent performance of its roles, Article 2 of the Company Compensation Committee Regulation provides that the committee shall consist of at least three (3) directors and that a majority of all members shall be outside directors.

As of the end of **2020**, the Compensation Committee consists of three (3) outside directors (Seung-woo Lee, Seong-kook Kim, Jeong-ho Choi), and **with outside director Seung-woo Lee** being its chairman, meets the requirement of independence in composition.

Also, the three outside directors currently serve as the Company’s Risk Management Committee members, thus making it possible to handle compensation’s financial aspect and the Company’s risk management in depth.

The following is a summary.

Name	Position	Whether or not an outside director (Whether or not a member of Risk Management Committee)	Experience of working in the area of finance or accounting in a corporation	Career
Seung-woo Lee	Chairman	Outside director (Risk Management Committee chairman)	O	(Former) Vice Chairman of Financial Supervisory Commission (Former) President of Deposit Insurance Corporation (Current) Outside director of Samsung Securities
Jeong-ho Choi	Member	Outside director (Risk Management Committee member)	X	(Former) Director of Korean Insurance Academic Society (Former) Insurance supervisory advisor to Financial Supervisory Service (Former) Outside director of Prudential Life Insurance
Seong-kook Kim	Member	Outside director (Risk Management Committee member)	O	(Former) Ministry of Finance (Insurance Bureau), Financial Services Commission (Former) Vice President of Korea Securities Finance Corp. (Former) CEO/President of IBK Credit Information

## 2) Members

Name	Type	Position	Date of election	Expiry of term
Seung-woo Lee	Outside director	Chairman	March 16, 2020	March 15, 2021
Jeong-ho Choi	Outside director	Member	March 16, 2020	March 15, 2021
Seong-kook Kim	Outside director	Member	March 16, 2020	March 15, 2021

### C. Authorities and responsibilities

#### 1) Overall

The Compensation Committee, under the Compensation Committee Regulation, may request management to submit relevant materials to assist its (the committee's) professional, independent decision-making on relevant matters, and if necessary, may request the Company to retain outside advisors. Also, the committee has the authority to design and operate a system of performance-based pay ("performance pay") independently of management.

However, a Compensation Committee member may not leak, or use for his/her or a third party's interest, information on employee compensation matters handled by the committee.

#### 2) Deliberation and resolution on determination of compensation and the payment method thereof

In the Compensation Committee meetings No. 54-1 (Feb 21, 2020) and No. 54-3 (May 29, 2020), the Compensation Committee deliberated on the aforesaid matter.

Compensation Committee confirmed the overall system of performance-based compensation ("performance compensation"), such as its applicability and payment method, under the Executive Compensation Regulation, and reconfirmed that payment of performance compensation for each executive and the amount thereof are decided in accordance with that Regulation.

The resolution for the executives' compensation and payment methods thereof are as follows.

#### 3) Deliberation and resolution on preparation and disclosure of the Annual Compensation Report

The Compensation Committee, in the No. 55-1 Compensation Committee meeting (March 5, 2021), deliberated on the preparation and disclosure of the Annual Compensation Report.

It resolved that the 'Annual Compensation Report' be prepared based on the current criteria thereof, and resolved that the 'Annual Compensation Report' may be disclosed on the Internet website of the Company or relevant associations at least 20 days before the following year's AGM, or if disclosure is not made at such time, may be disclosed no later than the 15<sup>th</sup> of the month following that of the Board meeting resolving the performance pay.

#### 4) Deliberation and resolution on the design and operation of compensation system and on the evaluation of reasonableness thereof

The Compensation Committee, in the No. 54-3 Compensation Committee meeting (May 29, 2020), deliberated on the foregoing.

Deliberations focused on the ratios of base compensation and performance compensation against the total compensation and on the reasonableness of performance compensation's average deferral period. In particular, with the Act on Corporate Governance of Financial Companies becoming effective, deliberations covered the design and operation of compensation system under the Executive Compensation Regulation, applicable to all executives, and the reasonableness thereof, etc.

Accordingly, it resolved that total compensation for the executives (CEO/president, vice president, executive directors) be divided into base pay and performance pay based on performance evaluation, and that performance pay's existing average evaluation period of three years was reasonable. It also resolved that executives' performance pay for 2019 be paid under the Executive Compensation Regulation.

#### 5) Deliberation and resolution on the decision-making process for compensation policy

In its meeting No. 54-1, held on Feb 21, 2020, the Compensation Committee deliberated on method of convocation, method of passing resolutions, key status and procedures related to decision-making on compensation policy.

It was resolved that the decision-making process for compensation policy should be the same as the committee's decision-making process for the same as shown below.

#### 6) Continuous checking or monitoring of the link between financial company's compensation system and its financial situation and risk, and of compliance with the Act

The Compensation Committee, in the **No. 54-3 Compensation Committee meeting (May 29, 2020)**, checked the aforesaid matter.

The committee found that the Company's current compensation system for its executives was reasonable given the Company's overall financial situation, especially the size of its profit/loss and its capital, and decided that there was no large exposure to risks.

Also, it found that the compensation system, including performance pay's principle, design and adjustment, deferred payment, type and method of performance pay, cash compensation, and compensation system re-adjustment, complied with applicable laws in terms of the Company's internal regulations and their operation.

**7) Annual compensation evaluation, independent of management, to check whether the financial company's compensation system complies with the Act, etc.**

The Compensation Committee, in the **No. 54-3 Compensation Committee meeting (May 29, 2019)**, independently conducted an annual compensation evaluation.

The committee found that the Company's compensation policy and operation thereof complied with applicable laws on compensation system, and that the overall content thereof was accurately reflected in the annual compensation evaluation.

**8) Coverage of the Compensation Committee's compensation policy**

- ① Domestic: All Offices/Divisions of the Company
- ② Overseas: Overseas branches (excluding locally-hired employees)

**9) Determination of employees covered by performance pay for executives, financial investment personnel, etc.**

The Compensation Committee is required by Article 5 of the Compensation Committee Regulation to determine the scope of employees covered by performance pay in accordance with the Act, and in the **No. 55-1 Compensation Committee meeting (March 5, 2021)**, deliberated and then resolved to approve the Executive Compensation Regulation providing for the scope of employees covered by variable pay, etc.

Under the Regulation, executives covered by performance compensation were CEO, executive vice president, and executive directors (excluding chief compliance officer and chief risk officer). However, there are no employees with comprehensive authorities for financial investment (investment finance, foreign currency dealing, securities management, derivatives dealing, etc.), and since it is deemed that no employees will be greatly harmed by short-term performance pay, financial investment personnel covered by performance compensation are not relevant here.

The foregoing will validly apply to payment of performance compensation according to performance evaluation for **2020**, and resolutions for payment (or absence thereof) and amount of performance compensation to those covered thereby will be made in **2021**.

**D. Compensation Committee's activities and evaluation thereof**

**1) Decision-making process**

Compensation Committee meetings are convened by its chairman (currently, outside director Jeong-ho Choi), and notices thereof are given to each member at least three days in advance. The convening procedure may be waived if all Committee members consent but in **2020** there was no instance of such waiver.

The committee member submitting an agenda item shall explain the item in principle but if necessary, may have the relevant executive or department head present at the meeting explain the same.

The committee's resolutions are passed by agreement of a majority of the attending Committee members, and in case of a tie, the chairman has the casting vote. As for the committee resolutions in **2020**, there were no dissenting opinions.

**2) Overview of activities**

The Compensation Committee deliberates and resolves on the design and operation of the system of performance pay and evaluation of reasonableness thereof, decision-making process for compensation policy, determination of performance pay and the payment method thereof, preparation and disclosure of the Annual Compensation Report, etc.

In **2020**, a total of three Compensation Committee meetings were held, and the members' attendance rates were 100.0%, which enabled substantial operation of the committee.

Compensation Committee approved the 2019 annual report on performance compensation system in its meeting No. 54-1 (February 2020), elected its chairman in its meeting No. 54-2 held after the general meeting of shareholders in March 2020, and approved determination and payment of the 2019 performance compensation in its meeting No. 54-3 (May 2020).

### 3) Committee meetings held

#### A) No. 54-1 Compensation Committee meeting (2020): February 21, 2020 (Fri) 09:30

[Date of notice: February 17, 2020]

Items	Activities			Whether or not approved
1. Member's name	Seung-woo Lee	Seong-kook Kim	Jeong-ho Choi	
2. Attendance and, if absent, the reason	Attend	Attend	Attend	
3. Comments on reported matters				
4. Resolutions				
2019 Annual Performance Compensation System Report	Concur	Concur	Concur	Approved

#### B) No. 54-2 Compensation Committee meeting (2020): March 13, 2020 (Fri) 12:40

[Date of notice: March 10, 2019]

Items	Activities			Whether or not approved
1. Member's name	Seung-woo Lee	Seong-kook Kim	Jeong-ho Choi	
2. Attendance and, if absent, the reason	Attend	Attend	Attend	
3. Comments on reported matters				
4. Resolutions				
Election of chairman of the Compensation Committee	Concur	Concur	Concur	Approved

#### C) No. 54-3 Compensation Committee meeting (2020) : May 29, 2020 (Fri) 10:00

[Date of notice: May 25, 2020]

Items	Activities			Whether or not approved
1. Member's name	Seung-woo Lee	Seong-kook Kim	Jeong-ho Choi	
2. Attendance and, if absent, the reason	Attend	Attend	Attend	
3. Comments on reported matters				
4. Resolutions				
Determination and payment of 2019 performance compensation	Concur	Concur	Concur	Approved
Check (inspect) performance compensation system	Concur	Concur	Concur	Approved
Additional disclosure of annual report on compensation system	Concur	Concur	Concur	Approved
Payment of CEO incentives	Concur	Concur	Concur	Approved

### 4) Evaluation

With the 'Act' coming into enforcement from 2017, the Company conducts evaluations for the purpose of periodically reviewing whether the Compensation Committee duly performs its roles and responsibilities required by law and the Company's internal regulations and thereby supports the Compensation Committee to establish itself as the Company's important organ greatly affecting the Company's corporate governance.

For the foregoing, the Board plans to annually check the Compensation Committee's composition and operation for the previous year, and the specific checking items will include communication and supplementation of expertise among the committee members, Committee-convening

procedure and the degree of providing agenda items in advance, frequency of Committee meetings and reasonableness of the duration thereof, timeliness of the deliberation and resolution, etc.

Such checking is conducted through written investigation of the committee minutes, etc., oral investigation of relevant executives/employees, etc. All the checking is led by the Board but certain details thereof will be delegated to the Board-supporting department.

## **2. Compensation system**

### **A. Key matters**

#### **1) Performance measurement and the performance-compensation link**

##### **A) Company-wide key performance indicators (“KPIs”)**

Company-wide KPIs include financial indicators (EBT, loss ratio, M/S, etc.), customer indicators (retention rate, customer satisfaction, number of complaints, etc.), process indicators (RBC, management innovation, PA introduction, etc.), and learning growth indicators (global-level manpower, core job (work) management personnel, employee satisfaction, etc.).

##### **B) Individual KPIs**

As for executives, among the Company-wide performance indicators, indicators related to the relevant field of business (e.g., M/S, retention rate, PA introduction, etc. for executives in the Personal Business Division, and loss ratio, customer satisfaction, number of complaints, etc. for executives in the Compensation Service Office), detailed performance indicators which can further specify the foregoing, strategic task implementation rate, etc. are used as evaluation indicators.

##### **C) Company-wide and individual performance measurement, and their link with individual compensation**

As for executives, each executive’s performance indicators are fixed at the start of the fiscal year, and are reflected in individual performance pay through individual performance indicators (the relevant executive’s individual KPI, strategic task implementation rate in non-quantitative sectors, etc.).

#### **2) Criteria of deferral, adjustment, return, and fixing (finalizing) of performance pay**

##### **A) Policy on immediate payment and deferred payment of performance pay**

Of the amount calculated based on the performance evaluation, 40% shall be immediately paid in cash, and the remainder shall be paid in deferral over 3 years in link with the Company’s stock price.

##### **B) Policy on adjustment and return of the deferred compensation or paid compensation**

For the performance pay, the deferred compensation shall be paid over 3 years and, also, based on the business (or management) performance-reflected stock price.

In cases where an executive causes materially adverse effects on the Company’s business (or management) or is expected to do so due to neglect of duties or by intent or gross negligence, if the Compensation Committee passes a relevant resolution or the Company is bankrupted or dissolved, if suspension of duties or a heavier discipline for the executive by the Company or a supervisory agency is finalized, or if the executive resigns against the Company’s intent, the Company may refuse to make the deferred payment. Also, the Company may adjust the same, i.e., reduce, or refuse to make, the deferred payment depending on its RBC ratio (risk-based capital ratio) at the time of payment.

##### **C) Criteria to determine fixed payment and non-fixed payment, from deferred compensation**

In the determination of the amount of performance pay, the number of shares for payment of deferred compensation shall be fixed, and performance pay shall be paid in deferral over 3 years. However, the amount of deferred payment varies depending on the performance evaluation year’s average stock price (average of end-of-month stock prices in the fiscal year).

#### **3) Criteria of determining cash and other forms of compensation (stock, etc.)**

##### **A) Criteria and basis of determining fixed pay and variable pay, from total compensation**

From the total compensation, the basic pay included in average wage under the Labor Standards Act or paid in monthly fixed amount similar to

the case of ordinary employees and the incentive (P.I.) paid to all executives/employees for productivity improvement are classified as fixed pay, and the performance pay based on executives' performance evaluation is classified as variable pay.

#### **B) Forms of performance pay**

The forms of performance pay consist of payment in cash and payment linked with the Company's stock price.

#### **C) Criteria and basis of determining cash and other forms of compensation (stock, etc.), from performance pay**

Performance pay is paid in cash. For a link with the long-term performance, however, 60% of the determined performance pay is expressed in terms of the number of shares, evenly allocated over the following 3 years, and then paid as linked with the Company's average stock price (average of end-of-month stock prices in the fiscal year) at the time of deferred payment.

#### **D) Criteria and basis of determining immediate payment and deferred payment, from performance pay**

From the performance pay, 40% shall be immediately paid in cash at the time of determination thereof, and 60% shall be paid in deferral over 3 years (20% each in year 1, year 2, and year 3). The latter shall be paid as linked with the Company's stock price, for a link with long-term performance.

### **4) Compensation system for ordinary employees**

#### **A) Compensation system for performance-based culture (meritocracy) to take root**

For performance-based culture (meritocracy) to take root, the Company introduced in 2000, and currently implements, a performance-based annual salary system for all employees, and in order to promote performance-based culture (meritocracy) among employees, implements performance-linked, special compensation (productivity improvement incentive).

#### **B) Rationalizing the wage system**

The Company implements performance-based annual salary system for ordinary employees, and operates a rational wage system which determines annual salary based on competency evaluation and performance evaluation of employees.

By specifying the criteria of annual salary calculation for employees in its rules of employment, the Company has clarified the wage basis.

### **5) Advice from outside experts**

Under Article 8 Paragraph 5 of the Compensation Committee Regulation, the Company has granted Compensation Committee members the authority to request outside advice, but in 2020, there was no such request and hence no outside advice.

### **6) Use of compensation-related insurance**

For executives whose compensation requires the Compensation Committee's resolutions, the Company bans use of personal risk avoidance strategy or compensation-related insurance which can hurt the compensation system's link to risk.

### **7) Key changes in the compensation system**

In 2020, we had no changes in connection with our compensation system.

## **B. Details of compensation**

### **1) Total compensation for executives/employees**

(Unit: Person, KRW 100 mil)

Classification	Total compensation for executives/employees (A)	EBT (Earnings before taxes) (B)		No. of executives/employees (C)	Average compensation for executives/employees (A/C)
			Ratio (A/B)		

Previous year (2019)	3,333	5,051	0.66	4,594	0.73
Current year (2020)	3,253	6,786	0.48	4,617	0.70

No. 1) "Total compensation for all employees" (A): Labor income on the labor income statement under Article 20 of the Income Act

## 2) Total compensation and performance pay, by rank

(Unit: KRW 100 mil)

Classification		Executives		Employees				
		Registered	Non-registered	Rank "L" (manager)	Rank "P" (working -level)	Rank "A" (assistant)	Direct sales	Others
Previous year (2019)	Total compensation	13.6	104.6	733.2	1,030.3	137.1	381.3	932.9
	Performance pay	2.94	9.2	0	0	0	0	0
Current year (2020)	Total compensation	9.4	102.5	704.4	949.5	118.9	467.3	901.0
	Performance pay	'Currently being prepared' Disclosure planned when the Compensation Committee decides to pay it based on results of the 2020 performance evaluation						

\* Total compensation: Labor income in the labor income statement

\* Amount of performance compensation is based on the amount accrued in relevant year.

## C. Details of compensation for executives and financial investment personnel

### 1) Classification of compensation (based on amount accrued in the relevant year)

(Unit: Person, KRW 100 mil)

Classification		No. of recipients	Base pay	Amount of performance pay	
					Subject to deferred payment
Previous year (2019)	Executives	18	51.3	12.1	7.0
	Financial investment personnel	0	0	0	0
Current year (2020)	Executives	'Currently being prepared' Disclosure planned when the Compensation Committee decides to pay it based on results of the 2020 performance evaluation			
	Financial investment personnel				

### 2) Forms of performance pay (based on amount accrued in the relevant year)

(Unit: KRW 100 mil)

Classification		Performance pay				
			Cash	Stock	Stock derivatives	Others
Previous year (2019)	Executives	12.1	5.1		7.0	
	Financial investment personnel	0				

Current year (2020)	Executives	‘Currently being prepared’ Disclosure planned when the Compensation Committee decides to pay it based on results of the 2020 performance evaluation
	Financial investment personnel	

\* Payment method for our performance compensation: Pay 40% in cash in the year when performance compensation is determined, and pay the 60% balance by link with company stock price.

\* Company stock price-linking method: Based on the average of company stock prices at the end of each month during the performance measuring period, convert the 60% balance into stock and then pay 20% each for 3 years starting from the following year. The amount paid shall be the average stock price (in the fiscal year immediately before the time of payment) multiplied by the number of stock.

### 3) Classification of deferred compensation (based on amount accumulated at the end of the relevant year)

(Unit: KRW 100 mil)

Classification		Deferred compensation	Deferred compensation	
			Fixed	TBD
Previous year (2019)	Executives	17.9	4.1	13.8
	Financial investment personnel	0		
Current year (2020)	Executives	‘Currently being prepared’		
	Financial investment personnel	Disclosure planned when the Compensation Committee decides to pay it based on results of the 2020 performance evaluation		

### 4) Forms of deferred compensation (based on amount accumulated at the end of the relevant year)

(Unit: KRW 100 mil)

Classification		Deferred compensation	Deferred compensation			
			Cash	Stock	Stock derivatives	Others
Previous year (2019)	Executives	17.9			17.9	
	Financial investment personnel	0				
Current year (2020)	Executives	‘Currently being prepared’				
	Financial investment personnel	Disclosure planned when the Compensation Committee decides to pay it based on results of the 2020 performance evaluation				

### 5) Classification of deferred compensation (based on amount accumulated at the end of the relevant year, by year of accrual)

(Unit: KRW 100 mil)

Classification		Deferred compensation	Deferred compensation				
			t	t-1	t-2	t-3	Before t-3
Previous year (2019)	Executives	17.9	7.0	6.5	4.4		
	Financial investment personnel	0					
Current year	Executives	‘Currently being prepared’					



(2020)	Financial investment personnel	Disclosure planned when the Compensation Committee decides to pay it based on results of the 2020 performance evaluation
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No. 1) Separately state the amount of cumulative deferred compensation as of the end of relevant year, by the year of accrual

No. 2) Based on the balance after subtracting the amount paid in the relevant year

#### 6) Adjustment of deferred compensation

(Unit: KRW 100 mil)

Classification		Reduction amount of deferred compensation <sub>Note. 1)</sub>	Direct adjustment <sub>Note 2)</sub>	Indirect adjustment <sub>Note 3)</sub>	Amount exposed to direct or indirect adjustment <sub>Note 4)</sub>
Previous year (2019)	Executives	Δ0.6		Δ0.6	18.5
	Financial investment personnel	0			
Current year (2020)	Executives	‘Currently being prepared’ Disclosure planned when the Compensation Committee decides to pay it based on results of the 2020 performance evaluation			
	Financial investment personnel				

No. 1) Reduction from the amount of cumulative deferred compensation as of the end of the immediately preceding year due to direct adjustment (decrease in amount, return, etc.) or indirect adjustment (stock price change, etc.). Even when deferred compensation is reduced by reflecting performance evaluation, etc. but stock price change, etc. causes deferred compensation to actually increase, state it

No. 2) State reduction (amount) in deferred compensation due to direct adjustment (decrease in amount, return, etc.)

No. 3) State reduction (amount) in deferred compensation due to indirect adjustment (stock price change, etc.)

No. 4) Amount of deferred compensation potentially exposed to direct, indirect adjustment (based on cumulative amount as of the end of year)

#### 7) Severance compensation for retiring or resigning executives/employees

(Unit: Person, KRW 100 mil)

Classification		No. of recipients	Amount of severance compensation	Maximum payment per person
Previous year (2019)	Executives	0		
	Financial investment personnel	0		
Current year (2020)	Executives	0		
	Financial investment personnel	0		

Note) Statutory severance allowance under the Labor Standards Act shall be excluded from the severance compensation.