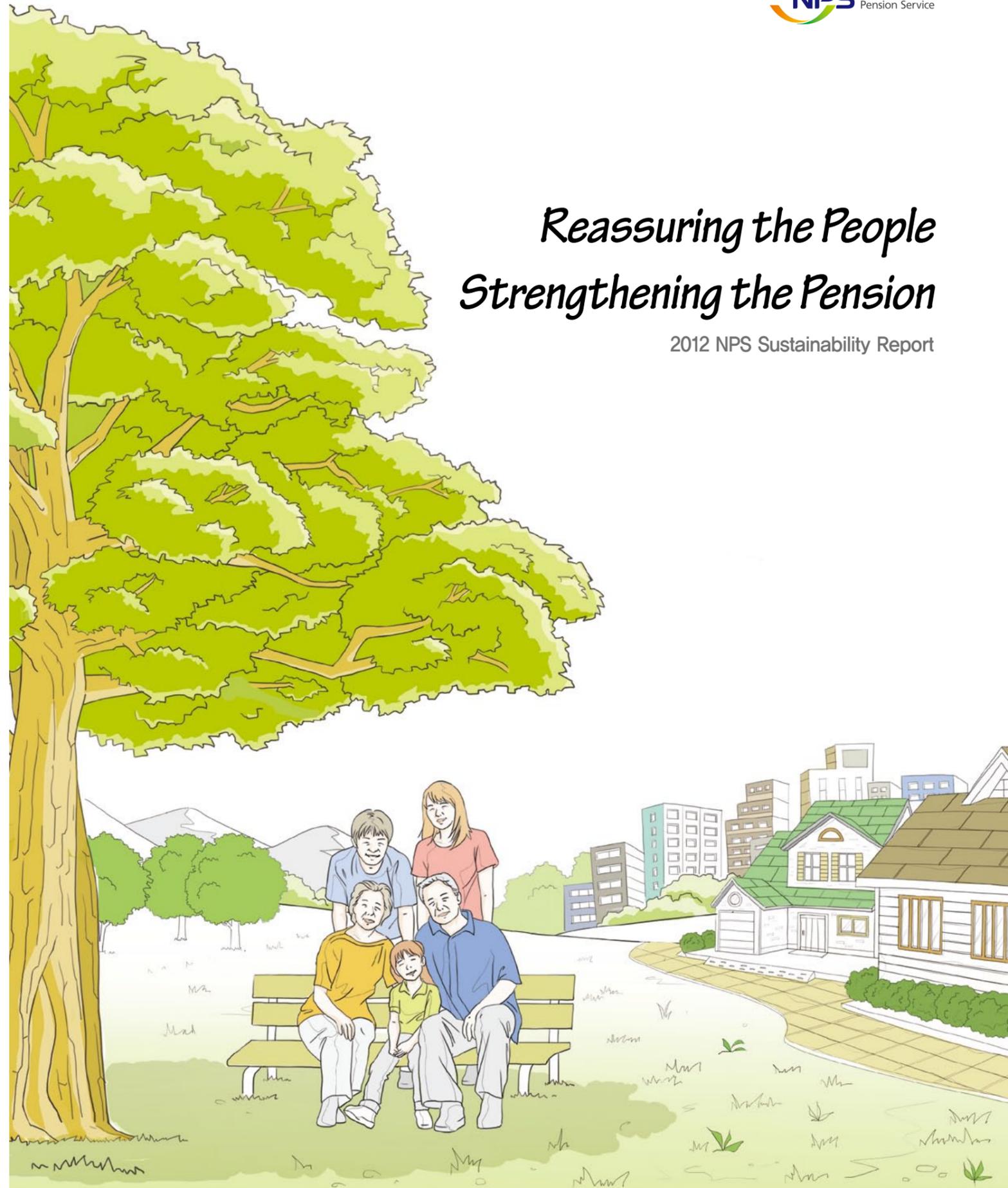


Nice Partner for a
Successful Life



Reassuring the People Strengthening the Pension

2012 NPS Sustainability Report



Overview

Characteristics of This Report

This first-issued 'Sustainability Report for the National Pension Service of Korea for 2012' includes social responsibility management activities of the National Pension Service (NPS). It focuses on important issues such as stakeholders' engagement and materiality assessment in which stakeholders have great interest. This social responsibility management report is scheduled to be made public annually to concerned stakeholders.

Period and Boundary of Reporting

This report highlights social responsibility management activities performed by the headquarters and regional offices during the calendar year of 2011. Some key qualitative performance covers some activities from 2012 while quantitative performance includes data.

The boundary of this report is the headquarters and regional offices of NPS. Where activities of some regional offices are subject to reporting, they are marked separately in this report.

Criteria and G3.1 Guideline Application Level

This sustainability report was prepared in accordance with ISO 26000 and G3.1 Guidelines of GRI (Global Reporting Initiative). This report was prepared to satisfy all requirements defined as criteria of the application level 'A+' provided by GRI G3.1 guidelines. The currency unit used in this report is the KRW(Korean won), and other units are specified in parallel with numbers.

Verification

Third-party verification was carried out to increase reliability and accuracy of reporting and data included in this report. A third-party verifier confirmed that this report fulfilled the requirement of the G3.1 Guidelines application level A+.

Contact

Address : Social Responsibility Management Section, General Administration Support Dept.,
NPS building, 13 Olympic-ro 35da-gil, Songpa-gu, Seoul

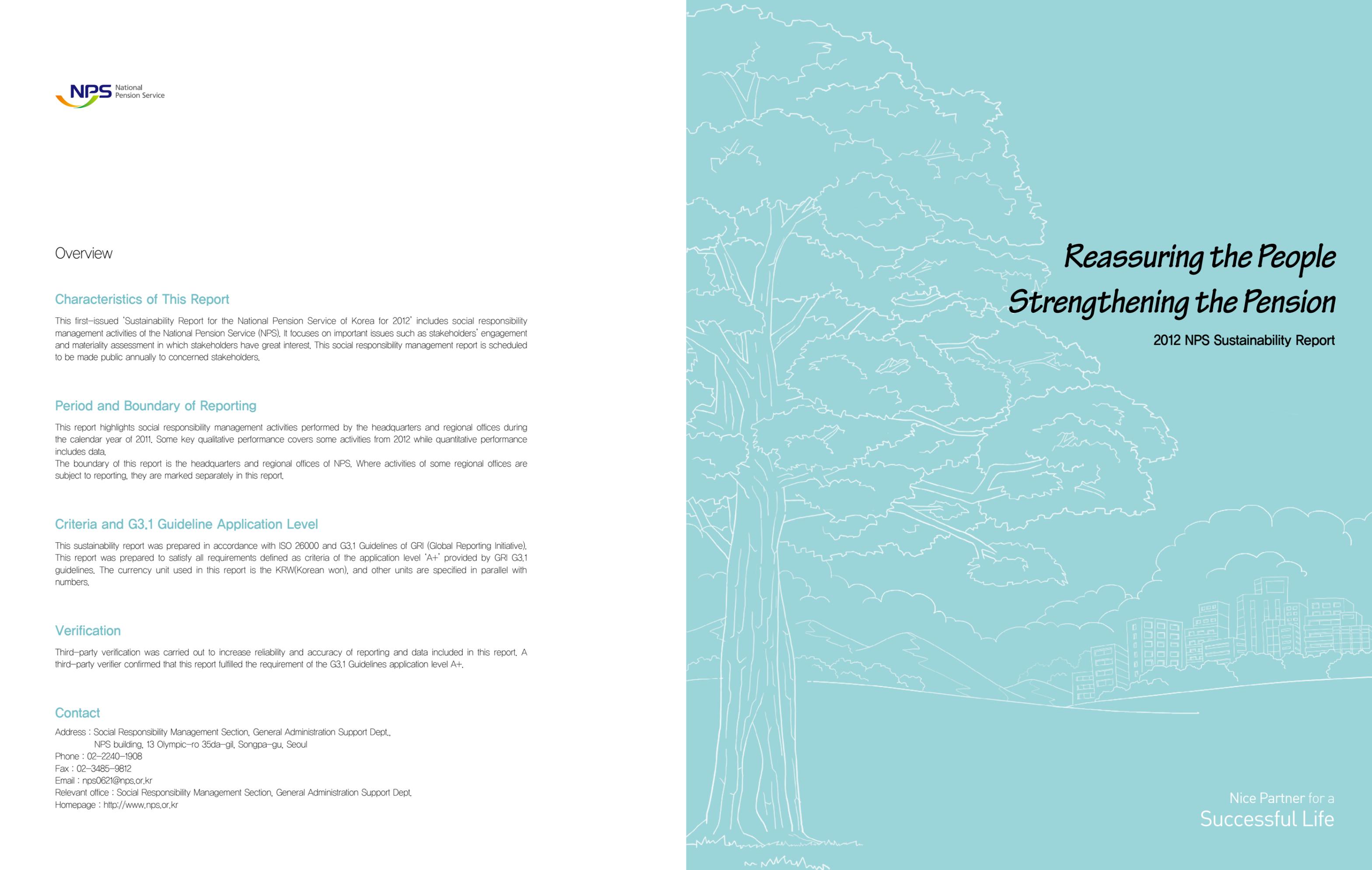
Phone : 02-2240-1908

Fax : 02-3485-9812

Email : nps0621@nps.or.kr

Relevant office : Social Responsibility Management Section, General Administration Support Dept.

Homepage : <http://www.nps.or.kr>



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2012 NPS Sustainability Report

Nice Partner for a
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2012

NATIONAL PENSION SERVICE SUSTAINABILITY REPORT

Nice Partner for a
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A Message from the CEO

Dear Stakeholders,

We are pleased to publish our first sustainability report, including a series of activities that the National Pension Service (NPS), on the 25th anniversary of its founding, has been doing to fulfill its societal obligations.

All the executives and employees of NPS have gone to great lengths to offer improved services to the public. As a result of the strength of our system management and the aggressive operation of the pension fund, NPS has evolved to become one of the top 4 pension funds in the world, with 20 million subscribers and KRW 367 trillion in reserve funds.

Recognizing corporate social responsibilities for the environment and society, NPS has established and promoted the strategic systems of social responsibility management centered on six strategic areas: trust management for customers, socially responsible investing, social contribution, ethical management, shared growth, and environmental management. We have been focused on these targets since October 2011 to proactively respond to ISO 26000, the international standard of social responsibility management.



“

Future with NPS will be bright.
Our hands toward you are not for merely showing an exaggerated
future dream but for growing up hope for future.”

Providing customized services for old-age preparation and supporting improved life quality for underprivileged groups

Korea is quickly transforming into an aged society, so the national pension system, a representative social safety net in an aging society, is becoming more important. NPS helps people prepare for their old age by providing personalized information according to their life periods. Also, it helps socially underprivileged groups improve their life quality by supporting effective services. It has strengthened rights protection for the disabled by preparing infringement remedies in the process of disability assessment and registration in 2011, and provided activity-supporting services to help the disabled live independent lives.

Stabilized fund operation and expansion of socially responsible investing

The global economic crisis has been prolonged due to Europe's spreading debt crisis. NPS has steadily diversified investments to foreign assets and alternative investment sectors to minimize risk and continue to increase fund revenue in this unstable world economy and through difficult management conditions. NPS initiated SRI (Socially Responsible Investing) in 2006 and has been expanding it ever since. Recognizing the importance of climate change and responsible investment, NPS joined the United Nations Principles for Responsible Investment (UN PRI) and clearly indicated the environmental, social and governance (ESG) principles on the guidelines for exercising voting rights in 2009. NPS has also carried out new ESG research in February 2011 and has reinforced responsible investment infrastructure.

Practice for co-growth and sharing

NPS seeks sustainable growth through partnership with small and medium enterprises (SMEs) by establishing the co-growth

implementation system where all the departments and divisions of NPS are involved. In link with NPS' businesses, it promotes and supports small operational companies engaged in the fund management area, and relieves them of the burden of paying pension premiums. Moreover, it expands purchase from SMEs in an active way and makes contributions to creating jobs in private businesses through giving assistance in the establishment of social companies and holding job fairs.

To make affluent local communities ever more prosperous, NPS now carries out enthusiastically various sharing activities considering characteristics of its businesses such as pension premium support for low-income subscribers, a donation campaign conducted by its employees, listening and feeling trips with the disabled, and revitalization of traditional markets.

At the moment many companies actively fulfill their SR activities and SR management is a condition of survival, not an option, NPS joined the UN Global Compact in October 2012 to meet the needs of our society for SR management on the international level and plans to continuously report to stakeholders the compliance status of the UNGC 10 principles covering human rights, anti-corruption, labor, the environment, and the ISO 26000 implementation performance.

Thinking of the year of 2012 as the first year of social responsibility management, all the executives and employees of NPS will carry out more active activities as a new role model for social responsibility to make future value creation for stakeholders.

Thank you again for your interest in and support for NPS.

November 30, 2012

Chairman & CEO of the National Pension Service
Jun, Kwang-woo

Jun Kwang-woo

Winning 'the Best Asia Pacific Pension Fund of the Year' award for three consecutive years

Beneficiaries exceeding 3.3 million

Building up a comprehensive system for privacy

Realizing 'One-Stop' service for the comprehensive welfare of the disabled

Pension donations campaign for low-income classes

Selected as one of the Excellent Organizations in the KSQI (Korean Industrial Services Quality Index) for call center services six years straight

Providing a personalized old-age planning services for preparing era of population aging

Preliminary social enterprise of 'NPS Cafe 36.5' opened

The highest level open employment of public institutions and social equity-based human resource management



Winning 'the Best Asia Pacific Pension Fund of the Year' award for three consecutive years

NPS gained KRW 64 trillion in profit from operations. We have an annual average profit rate of 7.3% while ensuring both stability and profitability of the pension fund. This excellent performance received its due recognition, and NPS has won 'the Best Asia Pacific Pension Fund of the Year' award from the Asia Asset Management magazine for three consecutive years.



Beneficiaries exceeding 3.3 million

Owing to continued institutional improvement and service innovation, beneficiaries exceeded 3.3 million people in 2012. NPS encompasses the role of pivotal social welfare institutions through its lending emergency life fund, and 'Silverloan' project for pensioners in 2012.



Building up a comprehensive system for privacy

NPS prevents inappropriate reading behavior in advance by establishing comprehensive measures for privacy and minimizing information access to all employees' personal information. In addition, NPS strengthens internal training and improves employees' awareness of personal information protection, so it was evaluated as one of the excellent organizations by the Ministry of Health and Welfare in 2011.

NPS Sustainability Highlights



Realizing 'One-Stop' service for the comprehensive welfare of the disabled

NPS realized 'One-Stop' service for the comprehensive welfare of the disabled from disability assessment to visiting services in order to support independent living and social engagement of the disabled. As a result, the number of new applicants for the activity support service has increased to 4,6 thousand in 2012.



Pension donations campaign for low-income classes

NPS' executive and staff members have donated a portion of monthly pension premiums targeting low-income families from their salaries and until now sponsored 910 people, of which 148 people have won pension entitlements. In 2011, the 'National Pension Donation Campaign' was started, and 63 people have donated about KRW 52 million as of September 2012.



Selected as one of the Excellent Organizations in the KSQI for call center services six years straight

By operating the system of direct connection with agents that bypasses ARS and the three-party communication system for 'the hearing impaired - communication relay center - NPS call center', NPS was selected as one of the excellent organizations six years straight, according to '2012 Korean Industrial Services Quality Index (KSQI)' surveys.



Providing a personalized old-age planning services for preparing era of population aging

NPS provides comprehensive old-age planning services to help people prepare for 'Happy Old Age'. Since starting the service in April 2008, NPS has consulted 1.41 million cases of old-age planning and educated 22,000 times as of September 2012, so 380,000 people of the prospective non-pensioners or low-pensioners have applied for the extension of the subscription period.



Preliminary social enterprise of 'NPS Cafe 36.5' opened

NPS, establishing the first public institution cafe for donation, 'NPS cafeteria, Cafe 36.5', provided jobs for 3 people from vulnerable groups such as the disabled and multicultural migrant women. And it supports youth and multicultural families with 10% of its sales, or 'Dream Cultivating Donations'.



The highest level open employment of public institutions and social equity-based human resource management

NPS newly employed 61% female, 52.1% local human resources and put into action open employment without discriminating based age, gender and education in 2011 and achieved the highest level of employment rate for the disabled by employing allocated 10% of the disabled. As a result of these efforts, NPS was selected as the best human resource development organization (Best-HRD) in the public sector by the Ministry of Public Administration and Security and the Ministry of Education, Science and Technology in 2011.

1. NPS: Planning a Happy and Prosperous Future

“NPS sees potential possibility in little seeds.”



Introduction of NPS

Established in 1987 with the objective of guaranteeing stabilized old age for all the people through pension payment¹, NPS has delivered a variety of pension and welfare services to Korean people.

Corporate Overview

Introduction of Organization

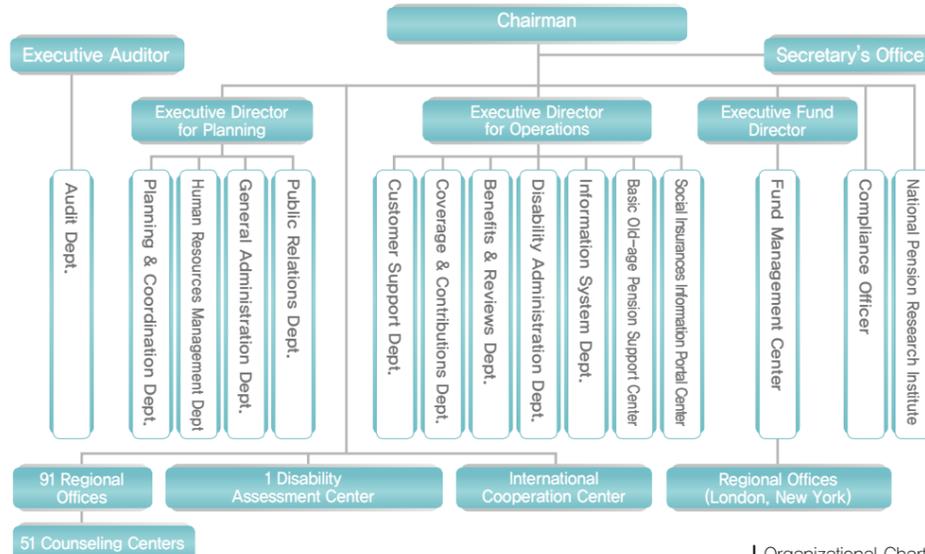
NPS (National Pension Service) was founded in 1987 to provide pensions in contingency of old-age, disability or death with an objective of contributing to stabilized livelihood and welfare enhancement. NPS' business expanded to the area of old-age planning to promote the welfare of the insured and the beneficiaries with systematic preparation for old age. In the year 2011, NPS implemented assessments for registering the disabled and support services for assisting activities of the disabled. It also strives to help social involvement of the disabled. According to data in 2011, the number of the insured and the pension beneficiaries amounted to about 20 million and more than 3 million 300 thousand respectively.

Organization name	National Pension Service	Organizational status	Headquarter : 11 departments, 2 Centers, Fund Management Center, Compliance Officer, and the National Pension Research Institute.
Chairman	Jun Kwang-woo		Regional offices : 91 local branches, 51 counseling centers, Disability Assessment Center, and International Cooperation Center
Foundation date	September 18, 1987		
Location of headquarters	13 Olympic-ro 35da-gil, Songpa-gu, Seoul	National pension fund	KRW 348.9 trillion (as of the end of 2011)
Employee No.	4,627		

| Organizational overview |

Organizational Structure

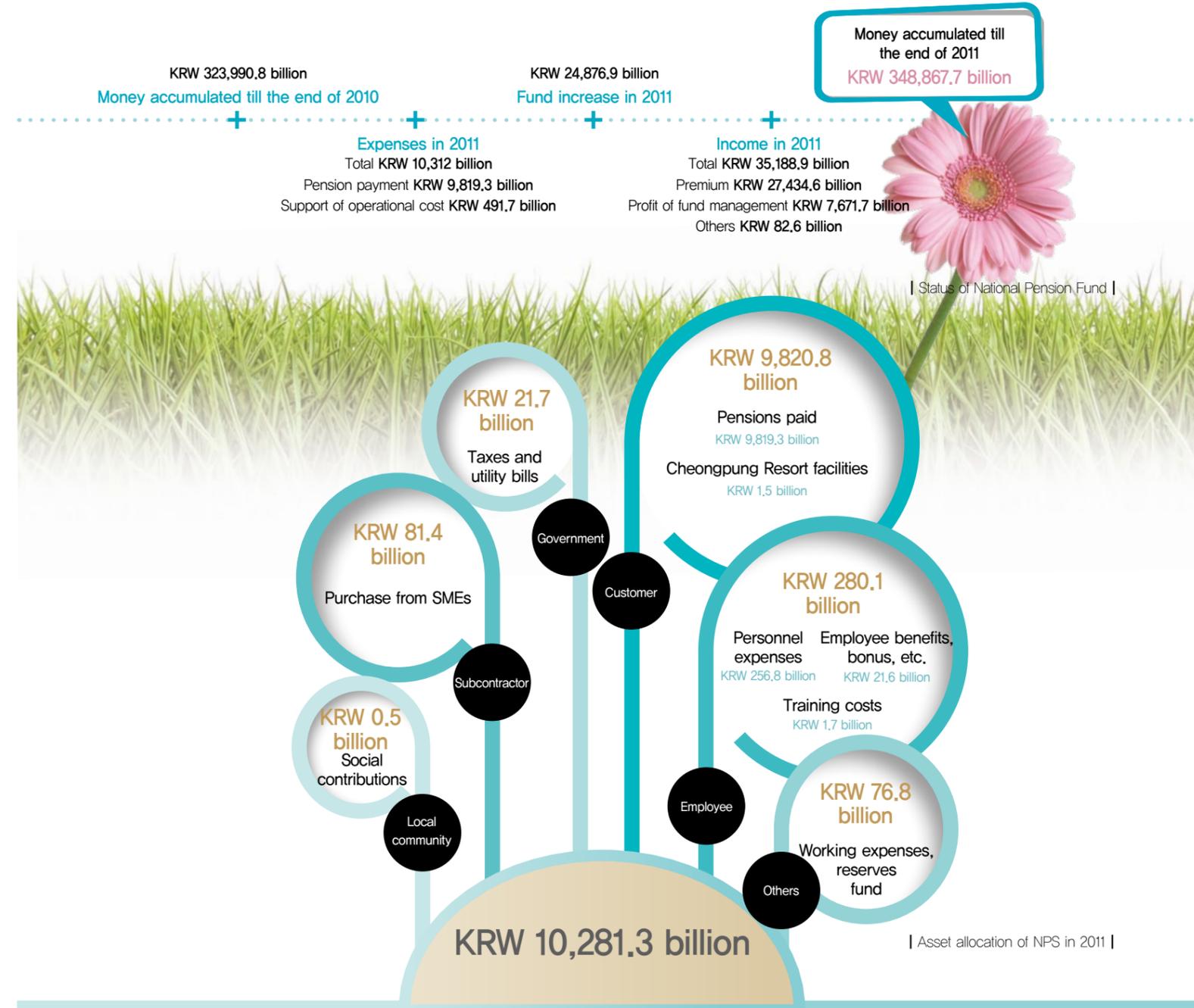
The NPS headquarters has 11 departments, 2 centers, a Fund Management Center, a compliance officer, and the NPRI (National Pension Research Institute). 91 regional offices, a Disability Assessment Center, and International Cooperation Center are operated separately. Overseas offices managed by the Fund Management Center are located in New York and London.



| Organizational Chart |

Allocation of Economic Value

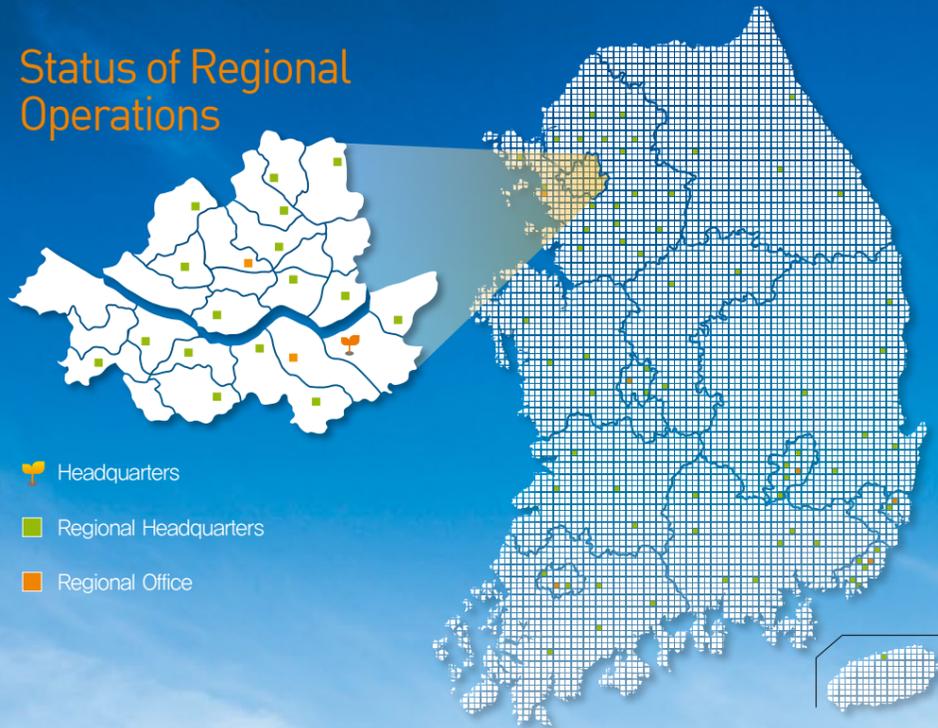
National Pension Fund is raised with premiums, operational profit of fund, reserves and the surplus amount on the result of final accounts of income and expense of NPS. During the period of 2011, NPS raised KRW 35,188.9 billion including pension premiums and operational profit of the fund. In parallel with the expense of KRW 10,321 billion including pension payments and operational costs, NPS accumulated KRW 348,867.7 billion, which was an increase of KRW 24,876.9 billion against KRW 323,990.8 billion reserved in the previous year. Expenses of NPS are available only within the boundary of budget approved by the government. The budget approved in 2011 was KRW 10,300 billion, which was used for customers, employees, subcontractors, local communities, the government and other NPS businesses.



| Status of National Pension Fund |

| Asset allocation of NPS in 2011 |

Status of Regional Operations



Hope to create future for all people

Our national pension was a true start for Korean welfare system that could respond to accidents and diseases in a systematic way, and ensure old age income by replacing individuals or families. NPS has sought to achieve everyone's future happiness against unpredictable hazards and inevitable uncertainties of future. NPS, now in its youth, will make a leap forward for much more happiness of people.

Status of Overseas Offices



Company History

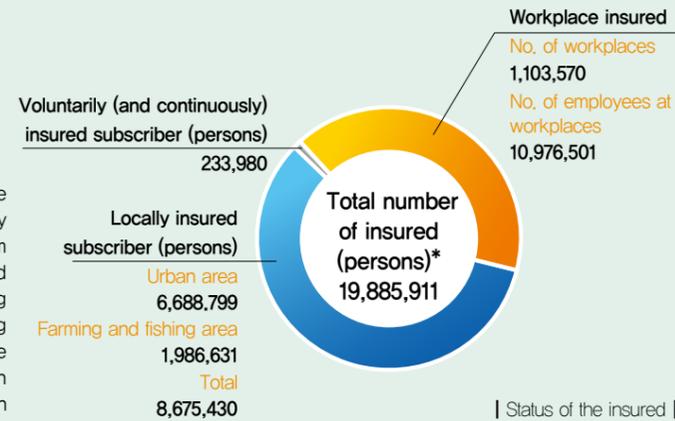


Key Business of NPS

Service for the Insured

- Managing and maintaining records of insured persons
- Imposing pension insurance premiums

The National Pension scheme is a social security system for the purpose of life stabilization and welfare enhancement of all Korean people by paying old-age pension, survivor's pension, disability pension etc. from financial source made with a certain amount of insurance money charged to national pension subscribers, employers and the government. Starting in 1988 as a pension program for workplace employees and expanding the coverage boundary of pension subscribers, NPS has now opened the age of nation-wide pensions. According to data in 2011, it has 19 million 886 thousand people insured, facing an impending age of 20 million subscribers insured.



Pension Payment Service

- Pension payment
- Lump-sum payment

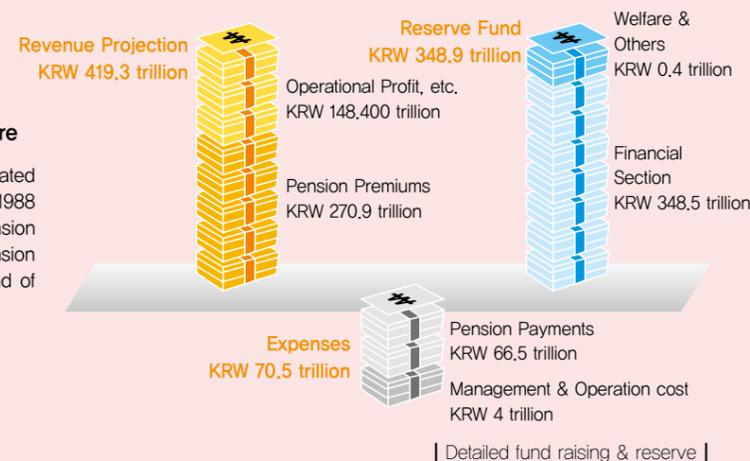
NPS provides old-age pension, disability pension and survivor's pension along with various beneficiary services. National pension is supposed to be paid to the insured in case his or her income decreases as a result of old age, disability or death. Up to 2011, the total accumulative number of beneficiaries was 3 million and 300 thousand persons. Provided that the insured person is unable to receive any type of pension payment, he or she will be rewarded with payment such as lump-sum returns, death lump sum, and disability lump sum.



Fund Management

- Stocks and securities trading
- Alternative investment in real estates and social infrastructure

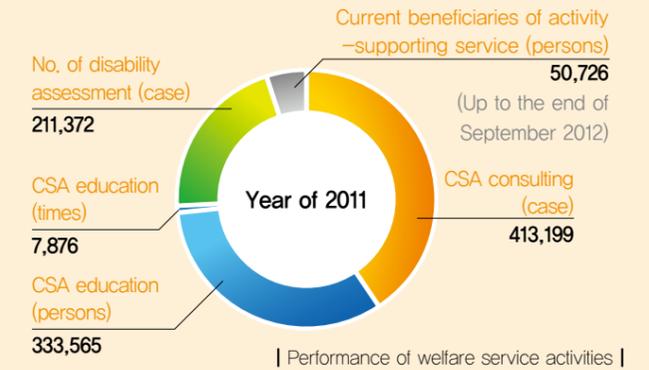
Management of the National Pension Fund is delegated to and operated by NPS in compliance with the National Pension Act. Founded in 1988 as a key financial source to support the finance of the national pension system, it has grown to become one of the world's top 4 public pension funds. The operational profit of NPF was KRW 148.4 trillion at the end of 2011, which occupies 35.4% of the total KRW 419.3 trillion collected.



Welfare Service

- CSA service
- Activity-supporting project for the disabled
- Disability assessments performed against Welfare of Disabled Persons Act

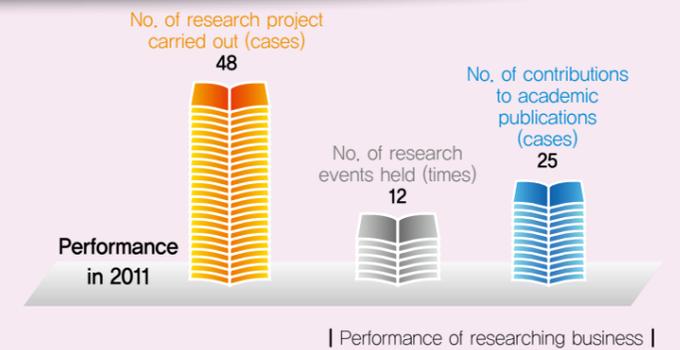
NPS provides CSA (Consulting on Successful Aging) service to ensure systematic preparation for old age and healthy old age lives of people. Since 2011, it has delivered disability auditing services which finally identifies and determines disability grades for the registration of the disabled. Besides, NPS gives supportive help for independence of the disabled and their enhanced life quality through providing activity-supporting service for severely disabled persons.



Research & Survey

- Research of pension scheme and social securities
- Study on how to accomplish effectiveness of fund management

NPS conducts a variety of researches and surveys through the National Pension Research Institute (NPSI). NPSI makes contribution to policy development with many researching activities related to the national pension in a direct or indirect way. These activities include development of generic improvement plans of the social insurance system, performance assessment of fund management organizations, and financial accounting for stabilization of long-term pension schemes.



International Cooperation

NPS carries out international cooperative activities to provide effective pension-related services for the Korean people and Koreans who live abroad, as foreigners' staying in Korea and Koreans' immigration to foreign countries have both been on the increase. NPS has built a global network through signing up social insurance agreements to ensure institutional support and provide pension benefits without stopping for Korean immigrants. Up to the year of 2011, NPS had signed social insurance agreements with 23 countries worldwide as part of an ongoing endeavor to protect Korean beneficiaries' rights.



* Workers at worksites which subscribe not less than 2 types of national pension or worksite subscribers (not less than 2 persons applied) of users are estimated by the unit of worksite.

Vision and Strategy of NPS

The National Pension Service continues to make every effort to become a world-leading welfare pension service institution, embracing the values of trust, obligation and passion, and realizing customer satisfaction and sustainable development.

NPS' Way to the Future

NPS 2020

NPS established a long-term vision of 'Global TOP NPS 2020' in September 2010 to gain a platform for a new leap by coping with the rapidly changing business environment and to actively implement government policies. NPS will grow to become the world's second-largest public pension by implementing a systematic strategy, widening pension benefits through paying annual pensions of KRW 32 trillion to 4.7 million beneficiaries, and stabilizing the finances of the national pension fund by reserving funds of KRW 924 trillion.

NPS-Wide Strategy

NPS has an original mission to contribute to livelihood stabilization of people by providing a variety of pension and welfare services of high quality, and a vision to be the best pension and welfare service institution by facilitating a happy future for all. NPS established the long-term management strategy to be the best pension and welfare service institution that takes into account domestic demographic trends, the international economic environment, and government policies. By implementing the five strategic objectives of strengthening national retirement income security, improving the value of pension service, expanding welfare service, enhancing its global competitiveness on the global competitiveness of fund management and expanding infrastructure for the sustainable growth, and 13 detailed targets, NPS tries to achieve the vision of the world's leading pension and welfare service institution by facilitating a happy future for all Korean citizens.

Mission	To contribute to livelihood stabilization of people and help them to enter old age pleasantly by providing a variety of pension welfare services of high quality				
Vision	To become the world's leading pension and welfare service provider and help people to enjoy happy and fruitful futures. (Nice Partner for Successful Life)				
Strategic Objective	Enhancement of Ensured National Retirement Income of People	Improving the Value of out Pension Service	Expanding Welfare Services	Strengthening the Global Competitiveness of Fund Management	Expanding Sustainable Growth of Infrastructure
Strategic Tasks	1. Expanding Pension Entitlement 2. Expanding Supportive Projects of Old Age Planning	3. Improving Service Quality for Pension Customers 4. Diversifying Support Services for Customers	5. Enhancing the Abilities of Disability Assessors 6. Establishing a Service System for Supporting the Independence of the Disabled 7. Planning New Welfare Services	8. Diversifying Domestic and Overseas Investing 9. Enhancing Risk Management 10. Improving Abilities of Fund Management	11. Reinforcing Social Responsibility Management 12. Cultivating and Enthusiastic Organizational Culture 13. Strengthening the Base of Research for Sustainable Growth

| Strategy chart |

Shared Value

The core values shared by all personnel of NPS are Trust, Obligation and Passion. NPS provides pension services, prioritizing trust with all customers and stakeholders to prepare for the future. And it is making every effort to perform its obligation to enhance the value of services so that customers can enjoy happy old age and affluent lives. With passion to be the best, NPS is cultivating qualities and abilities as a pension expert to emerge as one of the world's leading institutions.

Key Values	Management Philosophy
Trust	Trust management by sticking to the basics
Obligation	Value management by giving customers satisfaction
Passion	Advanced management for sustainable development

| NPS Way |

Management Philosophy

NPS performs management activities based on three management philosophies – trust management sticking to the basics, value management giving customers satisfaction, advanced management for sustainable development. It contains the commitment of NPS that it enhances national trust by faithfully fulfilling the basic mission, provides high-quality pension services until customers are impressed, and becomes an advanced national pension service by improving continuously.

To Achieve Sustainability in the World

Social Responsibility Management System

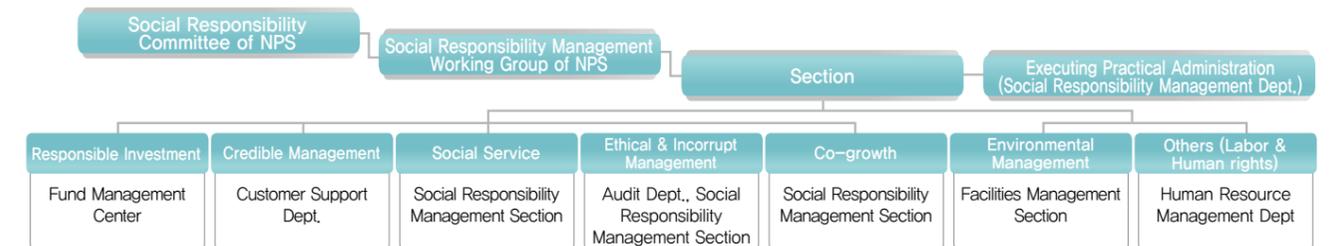
In 2011, NPS established a new SR management division and a SR strategy in order to react to national and international initiatives, including ISO 26000 in a proactive way, and to realize social responsibility as the fund and the pension scheme grows up. NPS' SR management strategy based upon its vision and key value has targets for action under the six strategy objectives of responsible investment, credible management, social service, ethical and incorrupt management, harmonized growth, and environmental management. All of these objectives and targets can be achieved by all employees' active involvement. Objective and targets of labor and human rights area are established and operated separately under overall corporate strategy.



| Chart of SR management strategy |

Organization and Activities of Social Responsibility Management

The decision-maker at the highest level of social responsibility management is 'Social Responsibility (SR) Committee' expanded from the former 'Ethical Management Committee'. It has a SR working group which establishes and implements action plans. Practical administrative enforcement associated with SR is carried out by a designated sub-committee of each area. Using the SR Advisory Council consisting of external professionals and consulting meetings with stakeholders, NPS receives many suggestions and reflects on them in its decisions. NPS developed a self-checking indicator for its inherent social responsibility based upon ISO 26000 in the year 2011. Through regular self-checking improvement of SR activities is achieved and internal stakeholders' ability is intensified. This year established rules of SR management are published and communicated to all employees through CSR cyber training. In response to the SR management level required internationally, NPS joined the UN Global Compact (UNGC) in October 2012. Accordingly, NPS has a plan to report continuously on the status of compliance with ten UNGC principles covering areas of human rights, anti-corruption, labor, and the environment.



| Organization of SR management implementation |

ISO 26000 requires that organizations integrate SR management strategy into generic corporate strategy. What is the future plan of NPS for this?

SR management system and generic corporate strategy cannot be considered as separate concepts. Now an important issue to be considered is how clearly SR management is organized and consolidated in the overall management strategy. In establishing overall management strategy, SR management strategy is considered and reinforced over time to reflect needs of stakeholders concerned with NPS. We must develop our key abilities and create sound in-house culture to achieve our essential obligations and social responsibility required by the government and the Korean people. If such a concept is internalized under our staff's awareness and activities, it is thought that NPS can have a much more positive impact on stakeholders.

Answered by Yi Jong-shin, Head of Planning & Coordination Dept.

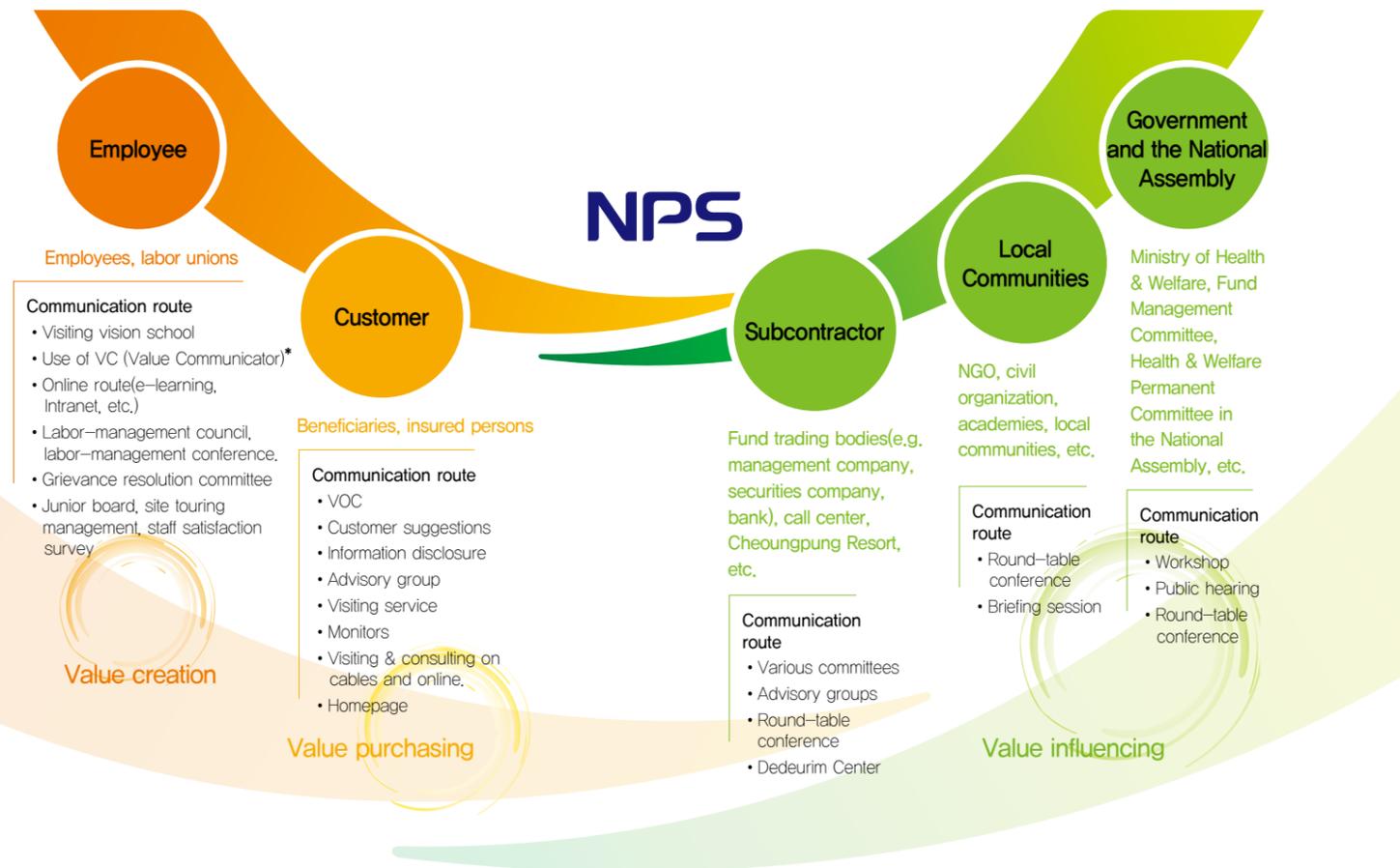
Stakeholders Standing with NPS

NPS understands that all stakeholders are the center of all activities sought by NPS and the key of social responsibility management.

Dialogue with Stakeholders

Classification of Stakeholders & Communication Route

To achieve effective communication with concerned interested parties, stakeholders are classified in terms of a value chain into three categories of value creation (employees), value purchasing (customer), and value influence (subcontractor, local communities and the National Assembly). Communication through appropriate routes determined by stakeholder-specific characteristics spurs communication, and suggested opinions of stakeholders are considered affirmatively in management activities.



| Stakeholder classification and communication route |

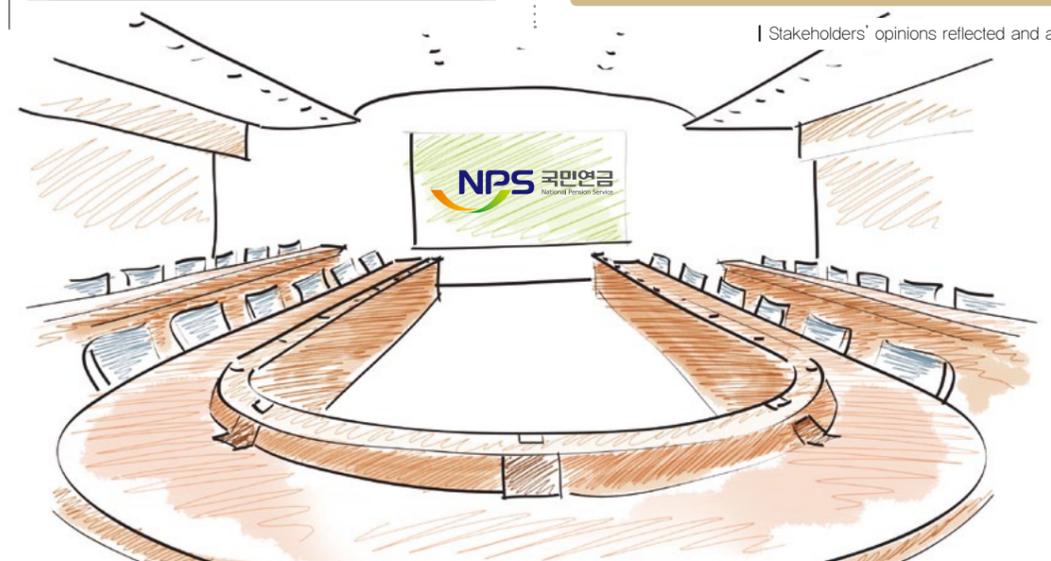
* VC (Value Communicator): Internal expert who shares, communicates and diffuses management issues, strategic issues, etc.

Communication Performance

Stakeholders' needs are reflected at the planning stage planning management system for the effective communication to share with them management objectives and activity performance. Systematic communication with authorities, the National Assembly, local governments and civil organizations is reinforced continuously.

Stakeholder	Opinion suggestion (request) through communication	Action taken
Employee	<ul style="list-style-type: none"> • Request for coordinating transference areas • Suggestion of one-to-one job training for newcomers such as disability auditors, etc. • Request for enhancing specialty of disability-concerned workers, and need for motivation 	<ul style="list-style-type: none"> • Publishing modified transference rules and giving appropriate consideration to each case of transference to improve internal satisfaction • One-to-one mentoring, job coaching, off-job training, etc. • Disability trial programs and training provided by external experts increased. (Yr. 2012)
Customer	<ul style="list-style-type: none"> • Request for email of many forms of notices • Request for marking returned interest of receiving reserve • CSA consulting and presentation for the insured 	<ul style="list-style-type: none"> • A method to spur use of emails established and performed. • Interests marked separately in levy notices. • Providing professional CSA consulting service and enlarging chances to improve awareness of NPS businesses
Subcontractor	<ul style="list-style-type: none"> • Recruitment support • Route-making for communicating opinions 	<ul style="list-style-type: none"> • Holding a job fair • Launching Dedeurim Center
The National Assembly	<ul style="list-style-type: none"> • Request for a site survey to identify worksites rejecting national pension subscription of wage workers 	<ul style="list-style-type: none"> • Actual condition surveys on 54,000 sites completed, and 67,000 employees newly insured out of obligation.
Government	<ul style="list-style-type: none"> • Request for actions to expand the pension subscription boundary to day workers 	<ul style="list-style-type: none"> • Individual notification based upon obtained construction site information of recruitment dept. • Site tour for checking reinforced
Civil Organization	<ul style="list-style-type: none"> • Request for improvement of understanding and awareness of the disabled 	<ul style="list-style-type: none"> • Culture-sharing agreement signed with KFOD (Korea Federation of Organizations of the Disabled). • Listening & Feeling tour taken together with the disabled
The Public	<ul style="list-style-type: none"> • Demand for expanding service accessibility for the disabled unable to move freely 	<ul style="list-style-type: none"> • Support Center for the disabled opened in 60 regional offices. • Dedicated supporting staff for the disabled allocated

| Stakeholders' opinions reflected and actions taken |



Experts' Opinions on NPS

NPS makes listening to the opinions of various stakeholders and considering them an important indicator for social responsibility management. NPS conducted in-depth interviews with key stakeholders from each selected key stakeholders' group in order to identify the detailed issues for the social responsibility management of NPS.



A Member of the National Assembly

Yu Jae-jung, a Member of the National Assembly

While controversial discussions continue on the exhaustion point of the pension fund, measures for improving the pension scheme should be actively discussed including whether benefits should be reduced or the allotment should be increased for the sustainability of the national pension. The improvement of the pension scheme, when the exhaustion point is at hand, will be embroiled in a huge backlash as shown in the case of Greece. I think a long-term approach is needed for the stabilization of national pension scheme.

Board of Directors

Kim Yeong-bae, Vice-chairman, The Korea Employers Federation

Because of the gap of the time between subscription and pension payment, NPS needs to manage expectations of subscribers by providing more accurate product/service information. Especially in the case of changing the pension scheme such as pensionable age and payment rate, NPS should establish the procedure to help subscribers fully understand the relevant change and to elicit consensus in order to relieve distrust. NPS should guarantee the subscribers' right to know by providing the information about the problems as well as benefits of national pension service.



Beneficiary

Bae Sanghyeon, Songpa Branch, Volunteer Group of Pensioners,

I think NPS operating a nationwide network can contribute tremendously to the local communities through contributions for the society. But a lot of the social contribution of NPS ends in the form of short-term events. NPS is needed to have postures and efforts to truthfully contribute to the society by actively using volunteer groups that have full commitment to service.



Personnel

Park Jong-pil, Policy planning Director, Labor Union

The governance of NPS consists of three groups such as employees, employers, and the government. The representative organizations in NPS are the Board of Directors, the National Pension Fund Management Committee, the National Pension Evaluation Committee. Labor, civic, and social groups such as NGOs are included in the decision-makers of NPS. Therefore, NPS should consider various opinions through the continuous contacts with various groups engaging in the governance, and through extensive management of the network ranging from the NPS' executives to working staff.



The Ministry of Health and Welfare

Ju Cheol, Assistant Junior Official, Department of Pension and Welfare, the Ministry of Health and Welfare

I think that the image that NPS should pursue is that of a mother. Where people can't carry out income activities actively because of old age or disability, NPS is an institution to ensure income through pension. Therefore, a friendly and warm image, like that of a mother, should be embodied in NPS. To do this, NPS should present a vision that it can ensure a stable life and relieve the worry for themselves and their families when the people are in trouble caused by old age or disability.

Fund Management

Huh Jae-hwan, Senior Fellow, KDB Daewoo securities

In the fund management, NPS should provide opportunities to leap upward by investing in promising small and medium local businesses which have technologies but run short of capital, rather than by investing only in listed companies. Especially the companies which NPS invests in will grow more and more as the investment effect increases and the reliability on them in the community increases. In addition, not seeking the pursuit of an excessive short-term rate of return, NPS should consider long-term rates of return to discover and maintain good and great companies.



Socially Responsible Investing

Ryu Youngjae, CEO of SUSTINVEST Inc.

NPS has created a responsible investment environment such as that found in financially advanced countries.. It has continuously expanded the scale of the responsible investment management for the past six years. NPS has played a leading role in the domestic responsible investment industry. In the future I hope NPS will be dedicated to the people by promoting the responsible investment appropriate to national pension and play a leading role as a global public pension institution.



Identification of Material Issues Related to Social Responsibility

To review material issues or identify new ones of social responsibility, NPS identifies major issues in accordance with GRI Guidelines for identification and the identification process defined in ISO 26000. These material issues are used to determine content of management reporting.

Analysis Methodology Applied in Materiality Assessment of 2012



Process for Identifying Material Issues of Social Responsibility

Recognition of Social Responsibility

/ Media Analysis

3,120 relevant available articles dated from 2009 to 2011 were analyzed to identify important issues related to SR management of NPS. Issues exposed to media proved to be customer concerns, fair operational practice, engagement in and development of local communities.

/ Benchmarking overseas peer companies

SR reports and responsible investment reports prepared by overseas peer organizations such as CalPERS (California Public Employees' Retirement System), APG (Holland's pension system) and Norwegian GPF (Government Pension Fund Global) were used to identify material social responsibility issues related to NPS.

/ Analysis of trend and impact

Material issues related to SR are identified through a questionnaire of employee survey in aspects of trend, impact, and internal ability. NPS identified the internal ability issue and other material issues that NPS has impact on or those that have impact on NPS.

/ Self checking of ISO 26000 application level

Using ISO 26000 application level checking tools developed under the sponsorship of Ministry of Knowledge & Economy, NPS identified its application level of social responsibility. Any improvement found out in this application level checking was utilized in determining reporting issues including vulnerable weaknesses.

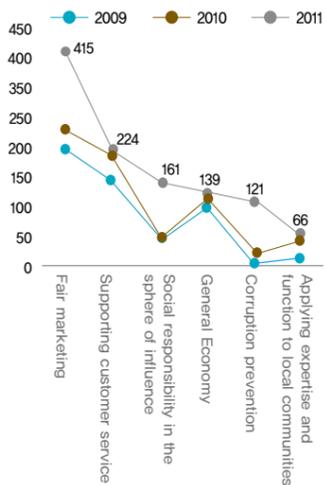
Stakeholders' Engagement

/ Expert interview

Key stakeholder groups are selected against legal, financial and operational responsibility and impact levels. An expert representing each stakeholder group is interviewed in depth to identify detailed issues of SR management.

/ Questionnaire survey

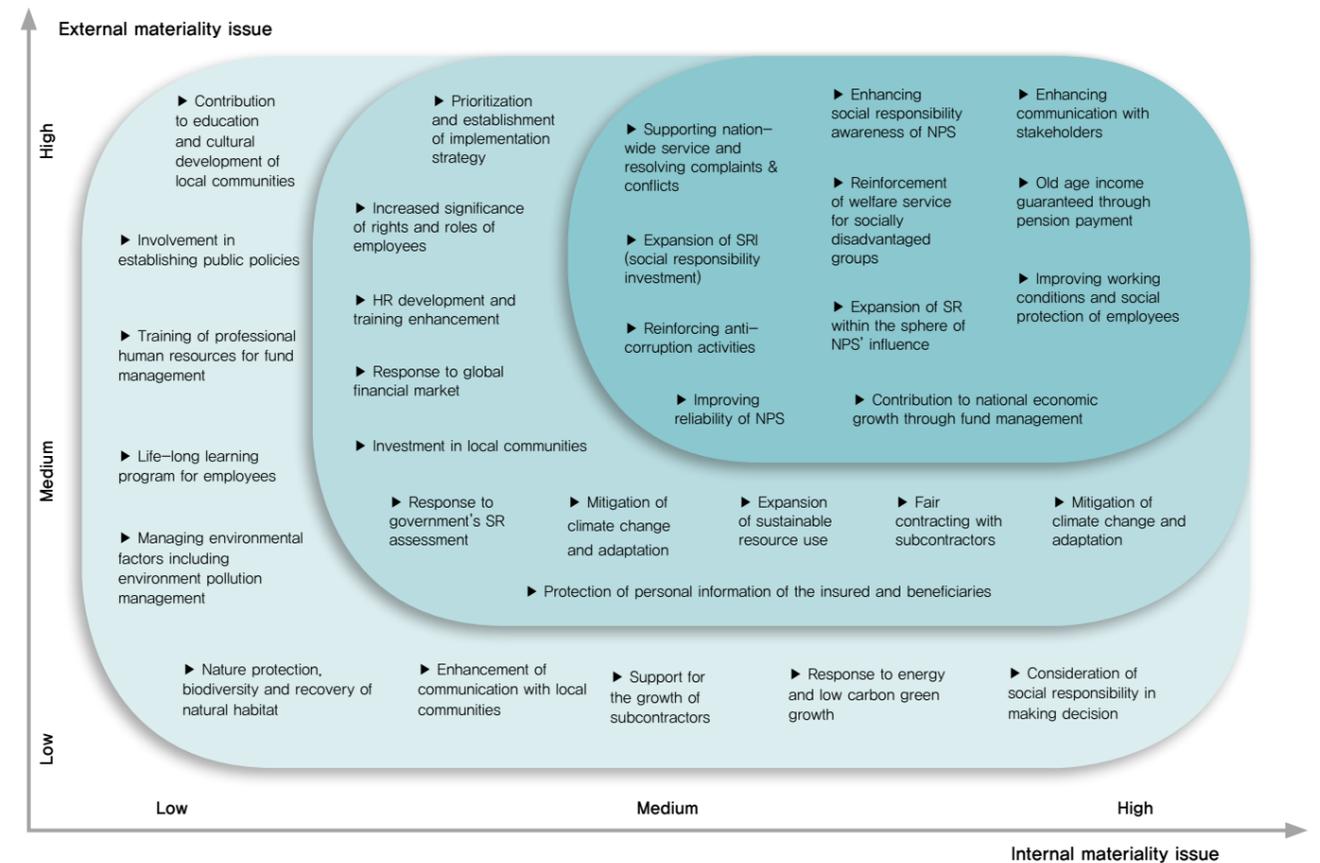
A questionnaire survey of opinions of NPS employees, customers, subcontractors, the government and local communities was conducted to gather various viewpoints of SR management of NPS. The period implemented was from August 23 to September 6 in 2012. Issues related to SR management identified from thoughts of many stakeholders were identified and then reflected in the following materiality test.



Result of the Media Analysis

Result of Materiality Test

A list of selected materiality issues is prepared by assessing impact NPS activities have and stakeholders' concerns through social responsibility analysis and opinion collection process. With this list of issues, significant issues are identified with the use of a materiality test matrix that includes two factors, one of which is economic, social and environmental impact, and the other is the economic impact directly related to NPS' management. The following diagram shows the methodology materiality issues that have been identified. This sustainability report seeks to show accurate and transparent information of the key concerns of stakeholders on the basis of identified materiality issues.



2. NPS: Implementing Responsible Management

*“Seeds meeting NPS today
will spring up buds of hope tomorrow.”*



Transparent Governance to Increase Corporate Value

Transparent governance to increase corporate value

As a public organization, NPS constitutes and operates a transparent board, a directing and reviewing group and decision-maker for management activities. Reliability of NPS is ensured by establishing a reasonable management system centered with NPS' board.

Board

Board Operation

Internal restraint and independence of board for establishing a greater transparent SR management system are obtained by engagement of non-standing board members gaining majority.

Two periodical board meetings are held in February and October, and provisional board meetings can be held more frequently. In total, ten board meetings were held in 2011 and the attendance rate of members was 94%. Reinforced deliberation prior to a board meeting resulted in minimized percentage of decision amendment. Preliminary reporting on agenda was established to revitalize board activities.

Category	2009	2010	2011
No. of board meetings held	12	11	10
Attendance rate	96	95	94
Prior deliberation rate	100	100	100

| Operational performance of board |

Board Structure

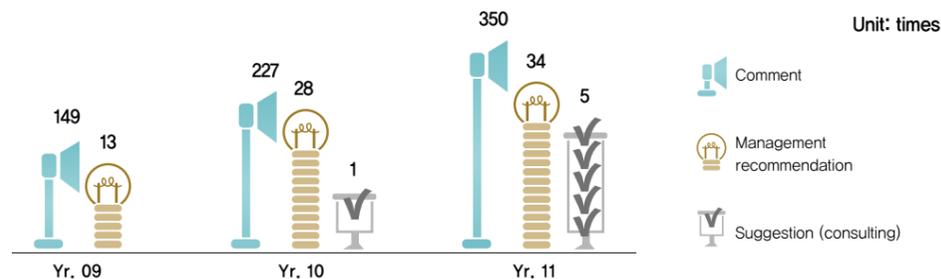
The NPS board is made up of 11 persons of 4 executive members and 7 non-standing members. The chairperson leading the board is CEO as specified in board regulation. Non-standing board members are appointed through recommendation by Minister of Health & Welfare. They are 2 representatives of employers, 2 of employees, 2 of the self-employed and a government pension policy management officer of the Ministry of Health & Welfare. Under the board are Member Recommendation Committee, Expert Committee, and Accounting Auditor Senior Committee. These committees fulfill their roles of controlling management.



| NPS board meeting |

Reinforcement of Board Role

NPS retains a field-specific candidate pool for non-standing members to reinforce a board-centered management system. Also, NPS accepts management recommendations from non-standing board members and reflects them in management policies. NPS upholds involvement of non-standing board members in internal and external activities such as touring management and contributions to press to enhance specialty and improve management effectiveness.



| Management involvement performance of non-standing board members |

Executive	Name	Position	Specialty
	Jun Gwang-woo	Chairperson	
	Lyu Ji-hyeong	Planning executive	
	Kim Min-su	Business executive	
	Yi Chan-woo	Fund executive	
Non-standing	Name	Position	Specialty
	Yang Seong-il	Pension policy officer, Ministry of Health & Welfare	Social welfare
	Yi Seoung-cheol	Executive Director, the Federation of the Korean Industries	Management
	Kim Yeong-bae	Vice-president, the Korea Employers' Federation	Management
	Kim Dong-man	Deputy chairperson, Federation of Korea Trade Unions	Labor, human rights
	Jeong Ui-heon	Senior vice-president, Korea Confederation of Trade Unions	Labor, human rights
	Kim Ae-gyeong	Director, Consumer Citizens' Association	CS
	O Chung-han	Financial executive, Korea Institute of Certificated Public Accountants	Finance

| Status of board members |

Performance Evaluation and Reward

Executive directors are subject to evaluation of implementation performance against agreed objectives. Management evaluation of public organizations includes assessment of efforts for and performance of operational transparency, ethical enhancement, responsible management, fair society realization, and harmonized growth. Chairperson of the board and personnel assess executive members' actions for accomplishing ethical management and management improvement. Then they pay bonuses differentiated by results of annual summarized assessment to executive directors. Reinforced performance evaluation of actions performed by non-standing directors is undertaken under 8 categories including qualitative evaluation twice a year.

Governance Structure of Fund

Introduction of Fund Management Committee

The Fund Management Committee under the Ministry of Health & Welfare is the decision-maker at the highest level of national pension management. This committee deliberates and makes decisions on significant issues related to national pension management. Members are 20 persons of 6 official members and 14 appointed members.

What Fund Management Committee Does

To ensure profitability and stability of national pension fund that has a large scale of influence on national economy and to consider the position of the insured in the decision making process related to fund management, more than half (12 out of 20) of committee members are chosen as representatives of the insured.

Committee meetings must be held at least quarterly. Attendance of more than half of registered committee members is required to open a meeting, and consents of more than half of attendant members is needed to make a decision. Agenda includes fund management guidelines, annual management planning, consultation of depositary interest rate, detailed management statements, and detailed statements of fund use. Fund Management Committee has a working evaluation sub-committee, investment policy sub-committee, voting exercise sub-committee, and performance evaluation & reward sub-committee to improve professionalism and effectiveness.



| Sub-committees under Fund Management Committee |



| Structure and role of committees under the board |



| Structure chart of Fund Management Committee |



| A meeting of Fund Management Committee in 2011 |

Risk Management for Sound National Pension

Fund management	Scheme operation (Qualification & payment)	Organizational operation (Personnel & accounting)
<ul style="list-style-type: none"> Comprehensive risk management system Internal controlling system Commissioned management system 	<ul style="list-style-type: none"> Pension clinic system Authority enhancement system Output management system 	<ul style="list-style-type: none"> Management information system Servicing analysis system Integrated fund management system
e-auditing system (Computerization of the all audit activities in the audit process)		

| IT-based internal management tool for each working area |

Risk Improvement of Crisis Management System

NPS has enhanced continuously a basis for performing audits by ensuring the independence of audit activities and expanding compliance audit teams. As a quasi-governmental organization, NPS first outsourced a public reporting service to prevent disclosure of internal reporter's identity. In this way NPS takes the lead in creating organizational culture of anti-corruption and transparency. For effective management of hazard and risk, NPS converted its focus from post exposures and disciplinary auditing into auditing management based on risk management. Also, an IT based audit system, including a pension clinic system and an integrated risk management system, improved effectiveness of risk management.

Category	Financial risk	Business risk	Management risk
Management activities	<ul style="list-style-type: none"> Reviewing credibility of financial statements Limiting budget of each item and business Preventing inappropriate use of company cards in restricted business types 	<ul style="list-style-type: none"> Checking risk elements in the pension business Analyzing risk elements of fund management on the basis of data and managing classified risk of trusted assets systematically 	<ul style="list-style-type: none"> Transparent decision making Disclosure of key management information such as company rules Two-way monitoring of irrationalities Prior monitoring of important management progress
Management system	<ul style="list-style-type: none"> Operation of internal financial management system and use of external accounting audits Management information system A system for monitoring use of company cards 	<ul style="list-style-type: none"> Pension clinic system Commissioning operation system for integrated risk management system 	<ul style="list-style-type: none"> Various committees such as board, risk management committee, etc. Disclosure of management system in the homepage Public reporting program e-audit system
Performance in 2011	<ul style="list-style-type: none"> Identifying and managing 45 items controlled internally for improvement Taking actions to improve the cash bag system related to use of company cards (Increased extra annual income of KRW 298 million) 	<ul style="list-style-type: none"> 3,005 numbered auto-abstracting, checking and improvement of 176 risk items including new business areas KRW 3,100 million won of budgetary saving by performing routine audits 	<ul style="list-style-type: none"> High satisfaction percentage (97.8 points) of users of opened management information Use of 'Web accessibility quality mark certified by National Information Society Agency Disciplinary actions taken to 24 employees for their breaches of service obligations

| Risk management system |

Risk Introduction of Internal Controlling System and International Financial Reporting Standard (IFRS)

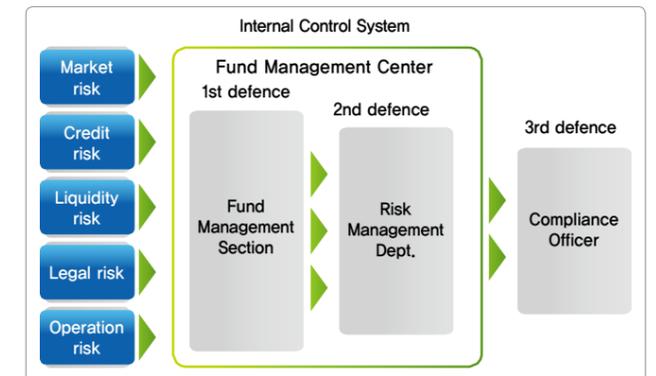
NPS makes efforts to improve transparency of accounting information by adopting international standards of financial reporting. Such efforts help to improve reliability and create a positive company image both in the country and in international society. For preparation of introducing international financial reporting standards ahead, reinforcement of expertise and case studies were completed in 2007. In 2011, a working task force was organized and impact analysis by a professional consultancy company prior to introduction was carried out. Improvement of the computer system was achieved and introduction of international financial reporting standards was completed successfully in 2012.

Fund-Risk Management

Crisis management and effective management responding to various types of risk are prerequisite for the survival of an organization because of the trend of worldwide economic deterioration. Significant risk of overall management including fund management is determined in advance and managed in a systematic way. Through establishing corporate risk management system as specified above, NPS seeks to overcome negative influence derived from a worldwide economic recession.

Risk-Risk-Management System

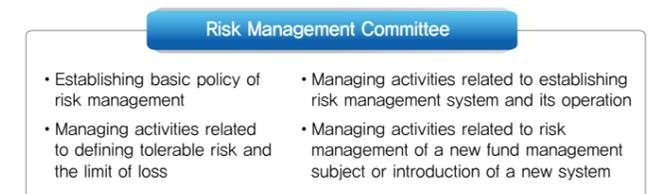
Investment is decided and executed according to the investment policy established by Fund Management Committee and all management departments under the Fund Management Center are involved in. As part of an independent risk management system, a risk management committee and a risk management task force implement risk management policy, and measurement and monitoring of risk awareness. In addition, risk elements are classified on the basis of risk factors (e.g. market risk, credit risk) and controls of each risk are determined and implemented for systematic risk management.



| Risk-factor management process |

Risk Decision-Maker of Risk Management

The organization established and operated to make decisions related to risk management is Risk Management Committee led by the CEO. To improve transparency and professionalism, 5 to 7 external professionals specialized in each business field around the CEO join the Committee for balance.



| Risk Management Committee |

Risk A Task Force for Risk Management

NPS has two types of task force, that is, a risk management team and a Compliance Officer, which are operated separately for effectiveness of risk management. Risk Management Dept. manages key issues of risk management under the Fund Management Center and reports issues directly to the Risk-Management Committee while the independent Compliance Officer under the chairperson of the board, separated from Fund Management Center in January 2010, reports items related to internal controls and legal compliance directly to the chairperson.



| Organizational chart of risk management |

3. NSP: Investing in Prosperity and Hope

“The aim of NPS’ investment in continuous growth is HOPE.”



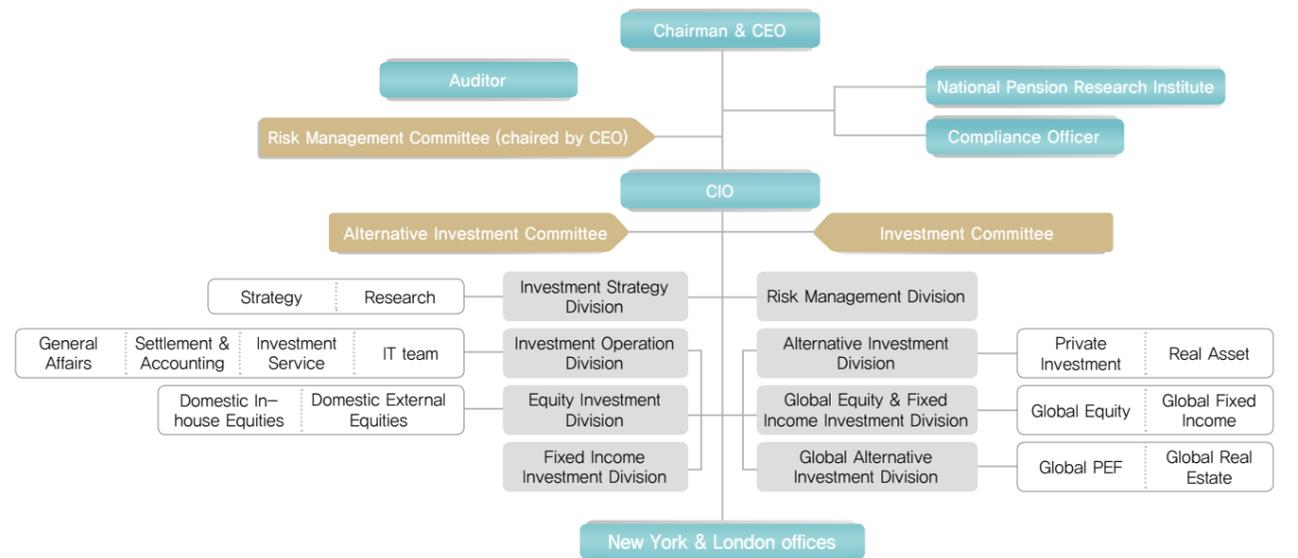
Sustainable Fund to Prepare for Future

The National Pension Fund is a valuable resource upholding finance of the national pension system. As NPS recognizes that national pension fund is a responsible reserve to ensure stabilized old age of all people, it does its best to fulfill care of duty as a good manager.

Stabilized Operation of Fund

Structure of Fund Management

Fund Management Center enhances stability and profitability of fund management by reacting alertly to a rapidly-changing investment environment. At present, the Fund Management Center operates 8 departments, 2 sections and 11 teams led by the head of the Center. Specialized organizations of Investment Committee consisting of best experts and the Alternative Investment Committee assist professional decision-making concerned with fund management.



| Organizational chart of fund management |

Principles of Fund Management

National pension fund is managed in compliance with Article 105 of the National Pension Act that defines the five principles of profitability, stability, public benefits and welfare, liquidity and independence. NPS maximizes profit to ease the burden of the insured, especially the next generation (profitability), and secures pension fund within the permitted limits of fluctuation in total profit rate and loss risk (stability). As the customers of the national fund are all Korean people and the amount of reserved fund implies a large importance in the national economy and the influence effect on the national economy and the financial market must be considered (public benefits and welfare). And harmonized pension payment must be managed in consideration to liquidity for seamlessness. Above all, where invested assets are sold, appropriate actions must be determined to minimize the impact on the national financial market (liquidity). Principles mentioned above must be applied in fund management and cannot be compromised (independence).

Prospect of Fund Management

In spite of global financial crisis in 2008 and European financial crisis in 2011, the trend of fund increase continues and generally the increase rate is also accelerated. According to data in March 2012, NPS is one of the world's largest four pensions, as its aggregated fund asset reaches KRW 365 trillion. It's estimated that the total amount of fund assets will increase to KRW 400 trillion at the end of 2012 and to more than KRW 1,000 trillion in 2020.

As the amount of fund increases, preparedness for all types of risk and sustainability of pension are necessary. To meet such requirements and respond to the shifted paradigm of fund management, stock investment and alternative investment get to have more importance in the mid and long term investment and overseas investment is on the increase.



| Historical record of accumulated fund (Unit : KRW 1 trillion, as of the year end) |

/ Securing stability through diversified investment

A balanced portfolio including a wider range of investable items was established to avoid one-sided bond-based investment and to improve long-term stability of pension finance amidst economic uncertainty through diversifying risk and securing an extensive base for the long-term profit of the fund.

/ Expansion of overseas investment and commissioned management

Overseas investment will be on the gradual increase and commissioned fund management will be expanded to get over problems caused by the limited national market. New York office was launched in June 2011 and London office in July 2012. These offices perform overseas investment activities including monitoring international financial market and searching for investment opportunities.

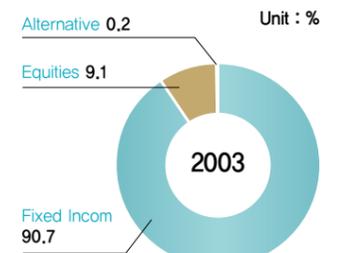
Establishment of Crisis Response System

To minimize fund loss and improve crisis management ability that people can rely on during global financial crises, NPS has developed a crisis response program and a crisis indicator, which enables early perception of financial crisis and systematic reaction required at each stage of a crisis.

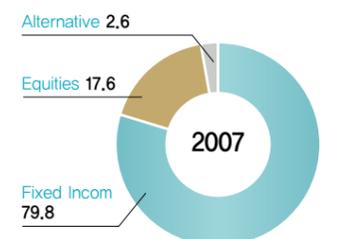
An emergency task force made up of team leaders or department managers will be organized to respond to each level of crisis. Actually systematic and proactive responses to global financial crises were carried out during the crises of America's credit downgrading, the European financial crisis, which began in 2011, and the downgrading of credit ratings of 9 countries in the Eurozone in 2012. So the validity of NPS' crisis response system was demonstrated.

Stage	Response	Stage	Response
Crisis Beginning	<ul style="list-style-type: none"> Responding organization – A crisis response task force (made up of team leaders) Decision making – Investment Committee Reporting – Risk Management Committee 	Crisis Critical	<ul style="list-style-type: none"> Responding organization – A crisis response task force (made up of team leaders) Decision making – Investment Committee or Fund Management Committee Reporting – Risk Management Committee or Fund Management Committee
	<ul style="list-style-type: none"> Response activities <ul style="list-style-type: none"> Monitoring tolerable risk and establishing response to unacceptable risk Maintaining trust of stakeholders Reviewing coordination of tactical asset allocation (TAA) 		<ul style="list-style-type: none"> Response activities <ul style="list-style-type: none"> Responding to unacceptable risk Reviewing change to annual fund management planning Reviewing coordination of strategic asset allocation (SAA)

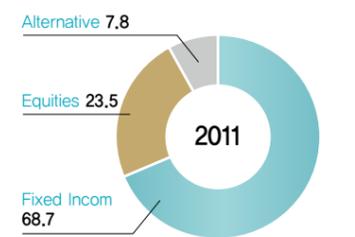
| Planning mid & long term asset allocation |



(Fund exceeded KRW 100 trillion)



(Fund exceeded KRW 200 trillion)



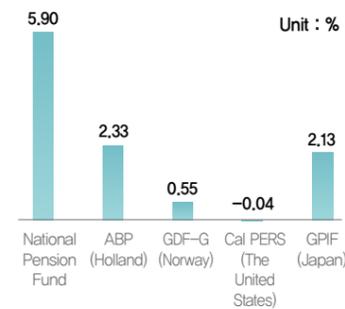
(Fund of about KRW 350 trillion)

| Historical diversification of fund portfolio |

Fund Management Performance

During the three consecutive years from 2011, NPS was recognized for its excellent management performance by winning the prize of 'Plan Sponsor of the Year in Asia', awarded by 'Asia Asset Management', a technical journal of financial investment in the Asia-Pacific region. NPS also got the prizes of 'Investment of the Year' from the 'The Asset' magazine, and 'Institutional investor of the Year' from the 'Asian Investor' magazine.

Despite the global economic crisis, NPS achieved good fund management performance and enhanced the sustainability of the fund. The profit from operations in the fiscal year of 2011 was KRW 7,671.7 billion, and the profit rate was 2.3%. NPS accomplished 12.8% of the average management profit rate, 5.8% in the bond investment area, and 7.4% in the alternative investment area. Being one of the world's four largest pensions, NPS was the top in the average profit rate of mid/long term (five years), and it is anticipated that NPS will be able to be ranked as the world's third largest pension by the time of 2014.



Comparison of average profit rates of mid/long term among major pensions

Item	Yr. 2011				Average of three years (2009~2011)	Average of five years (2007~2011)
	Profit rate (%)	Estimate (KRW 100 million)	Occupying percentage (%)	Profit (KRW 100 million) *		
Finance	2.31	3,484,681	99.9	76,631	7.33	5.90
Stock	-9.46	818,600	23.5	-76,784	12.75	4.92
Domestic	-10.34	621,395	17.8	-62,488	13.88	7.46
Overseas	-6.90	197,205	5.7	-14,296	6.69	-3.52
Bond**	5.73	2,394,141	68.7	131,017	5.79	6.11
Domestic	5.67	2,248,513	64.5	121,448	5.82	6.16
Overseas	6.59	145,628	4.2	9,569	5.25	5.50
Alternative	10.22	271,939	7.8	22,614	7.42	6.75
Domestic	9.02	155,442	4.5	11,973	7.35	6.69
Overseas	12.03	116,497	3.3	10,641	7.55	6.89
Welfare	-0.55	1,081	0.03	-7	-0.04	0.21
Others	1.39	2,915	0.1	93	1.85	2.69
	2.31	3,488,677	100.0	76,717	7.31	5.89

Trend of fund management performance



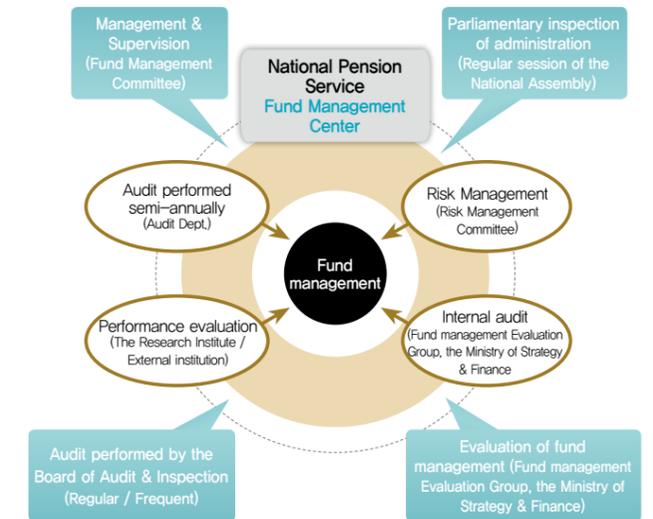
Prizewinning

Efforts toward Greater Transparency of the Fund

Improving national pension scheme for further transparency

A compliance monitoring team for internal control was organized to carry out prior compliance review for fund management and to check employees' ethical working attitude. This compliance review team enhanced our monitoring functions and management transparency.

The compliance support team, independent of the Fund Management Center, was organized under the chairperson of the board to ensure transparent fund management. Furthermore, as the boundary of fund management and the number of management personnel were on the continuous increase, an effective internal monitoring system was required. A computer system for internal control was established in August 2011 and the monitoring system including each investment stage (e.g. investment decision, contract signing, following up, etc.) was computerized. Infrastructure was established to ensure routine monitoring of fund management including post-monitoring activities for invested assets.



Fund management monitoring system

Anti-corruption Activities

For innovated fund management, NPS operates a task force of 15 members that are officers of the Ministry of Health & Welfare, and civil experts in order to prevent causing factors triggering corruption and maintain fair trading. The task force for fund management innovation established internal controls in August 2011 and amended company rules to meet the controls. To enhance the transparent selection of business partners, selection criteria and results of selection are made public. In selecting a business partner, use of external experts is expanded and granted privileges of former partners were prohibited.

Besides, re-employment of employees involved in corruption is restricted and lobbying organizations are subject to 'one-strike-out' rule. Private transaction of a person related to fund management is monitored through total inspection of all stock firms in the open market. The range of inspection was extended to spouses and lineal descendants as well as the relevant person. Detailed purchasing and selling was reviewed and actions to prevent private trading were intensified.

Periodical or irregular checking of compliance with codes of practice of persons associated with fund management was performed with a view to restricting personal stock trading of the relevant persons, preventing conflicts of interest, and banning any convenience benefit. As an effort to stop reoccurrence of breaches and expand compliance culture, NPS provides compliance training for personnel concerned.

Category	Existing action	Improvement
Selecting business partners	• Points marked to each item of evaluation are made public	• Detailed items, allocated marks and criteria of evaluation are made public
	• A list of selected business partners is made open in the homepage	• Evaluation marks are notified to each company
Reinforcing internal controlling system	• Stock purchasing is prohibited(stock selling allowed)	• Any type of stock purchasing and selling are all prohibited
	• No checking for spouses' stock trading	• Detailed stock trading of spouses is checked annually.
	• Trading with companies that provides inappropriate convenience benefit can be restricted	• 'One-strike Out' rule applied

Corrective actions for improving the task force for fund management innovation

Transparent Disclosure of Information

The insured, beneficiaries, and other stakeholders can easily understand status and progress of fund management using the homepage, where NPS provides information including fund management planning, fund management regulation, monthly status of management, status of commissioned management, result of performance evaluation, financial statement, result of business partner selection, and details of exercised voting rights for the public.

* Cumulative profit of relevant period

** Including profit and estimated value of short-term fund

Socially Responsible Investing to Implement Social Responsibility Management

NPS, a member of the UN PRI scheme and supporter of international initiatives, is aware of the importance of SRI (social responsible investing) and has a plan to expand the boundary of SRI gradually.

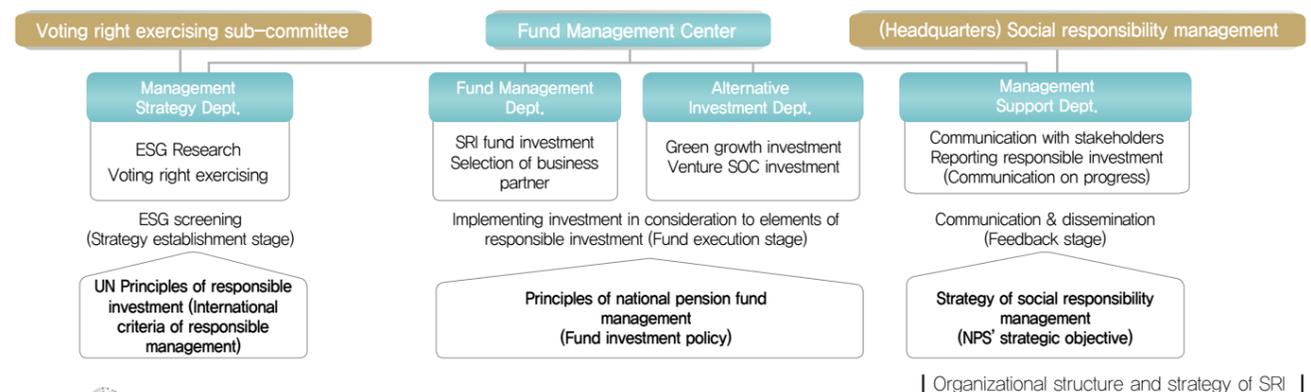
Establishment of Infrastructure for SRI

Principles of SRI

Due to the public characteristics of NPS with preference of long-term investment, establishment and implementation of a system for responsible investing appropriate to the national pension fund, is a target of every effort made by NPS. The scale of the fund for SRI (Socially Responsible Investing) that considers ESG (environment, society, and governance) as well as financial performance has been continuously enlarged since 2006. Thus NPS joined the UN PRI (Principles for Responsible Investment) in 2009 to perform more positive activities. NPS established and implemented a strategy of responsible investment through considering the characteristics of a national pension fund and internal and external environments according to 6 principles of the UN. It strives to improve performance of long-term fund management and make contributions to the long-term investing culture of the capital markets.

Organizational Structure and Criteria of SRI

The fund management process includes planning management under consideration of fund management principles at the management strategy planning stage including asset allocation. To implement responsible investing more systematically in the future, NPS undertakes ESG researches and pursues a SRI-related network with various national and international organizations. NPS already put emphasis on SR management in 2006. Elements of SRI are analyzed and the results of analysis are used for the operation of commissioned SRI stock fund. Also, the trend of expanding alternative investment, considering green growth, is identified now. As investing subjects are concerned, exercising stockholders' rights is more emphasized than playing the role of an investor. For this, NPS opened and operated a special channel to enhance professional exercising of voting rights. Fund Management Committee has a sub-committee for exercising voting rights, where important issues are reviewed by experts and careful decisions are made. In the future NPS will seek ardently to communicate and diffuse value of responsible investment by making social discussions on the value of responsible investment, and to lead a mature and responsible investing culture.



| Organizational structure and strategy of SRI |



What is the objective of NPS' SRI?

Social responsible investing is a form of integrated investment for which both social responsibilities such as the environment, society and governance, and sustainability are considered, along with financial indicators, in selecting an investment subject. The objective of SRI is to have a positive impact on long-term financial performance of an organization by considering ESG, non-financial potential risk factors when decisions for investment are made. Therefore the final goal of NPS' socially responsible investing is to increase profitability of the fund in the long term and reduce the financial risks of NPS.

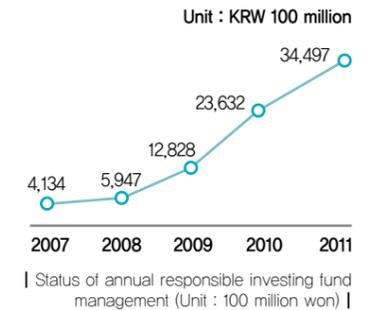
Answered by Yun Yeong-mok, Head of the Management Strategy Office at the Fund Management Center

Implementation of SRI

Expansion of Responsible Investment

/ SRI fund management

Where decisions for investments are made, non-financial factors such as ESG together with the existing financial analysis are analyzed to invest SRI funds in sustainable companies. The amount of SRI funds executed in 2011 was KRW 3.2 trillion. The investment performance of this SRI fund was 10.06 % of the annual average profit rate, which is 5.08% higher than the benchmarked profit rate. This performance contributes to the improvement of the profit rate of the national pension fund.

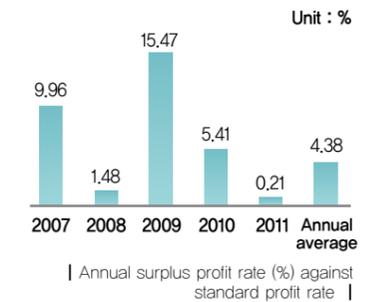


/ Investment in green growth

Investment in green industries such as renewable energy, environmentally friendly facilities, and waste resource management in active response to climate change is 150 % expanded from KRW 330 billion in 2010 to KRW 830 billion, which was invested in 17 projects and 68 companies. Also, in determining overseas investment in real estate, environmentally friendly standards including high-efficiency energy facilities and technologies to reduce environmental pollution are prioritized. For instance, KRW 2.8 trillion was invested in green buildings, such as the HSBC of the United Kingdom.

/ Investment in SMEs and ventures

To contribute to assisting small competitive venture enterprises lacking in financial ability and improving their profit rates, a venture fund has been managed since 2002. The newly invested money of 2011 was KRW 329 billion, which increased more than 80 % against the previous year, and the total invested fund money amounts to KRW 1.25 trillion. In addition, about KRW 3.2 trillion is executed for small and medium capitalized stock fund of which the investment boundary is limited to SMEs.



Exercising Voting Rights

/ Policy of exercising voting rights

The instruction for the execution of voting rights issued in 2010 by the Fund Management Committee defines ESG principles and considers NPS' effort to implement social responsibility. It also recommends that voting rights have to be executed to increase profitability of the fund and the long-term value of stakeholders. The intention of increasing the value of stakeholders is not 'to execute their voting rights in an active way'. The current trend, however, shows that much emphasis is put on stakeholders' positions to require more active execution because of NPS' position as a public pension and its share in the stock market.

/ Activities of exercising voting rights

NPS, a pension management expert, maintains independence of professional exercising of voting rights and complies with detailed standards for exercising voting rights. It also carries out thorough analysis of each issue related to execution of voting rights to identify conformance with original objectives of fund management.

The number of voting rights exercised by NPS during the year of 2011 is 2,175 and on the annual increase. Among the cases of execution, dissenting votes occupy 7.0 % of total number of executions, being increased against 3.7% in 2006. This shows the trend of an ongoing increase.

Year	No. of stock-invested companies	No. of executed stakeholder meeting	No. of items	Detail		
				Yes (rate)	No (rate)	Neutral (rate)
2011	591	556	2,175	2,022	153	0
				93.0%	7.0%	0.0%
2010	563	528	2,153	1,979	174	0
				91.9%	8.1%	0.0%
2009	581	494	2,003	1,865	132	6
				93.1%	6.6%	0.3%
2008	505	514	2,010	1,899	109	2
				94.5%	5.4%	0.1%

Note: Stakeholders exercise their voting rights for the company in which they have a share ratio of not less than 1%. If a stakeholder has less than 1% of share ratio, he or she is engaged only in important agendas.

| Details of exercising voting rights |



| Pensions 80 Seoul Summit 2010 |

Public Relationship with Stakeholders

/ Global network

In the summer of 2010, NPS held the 'Pensions 80 Seoul Summit 2010' to discuss about responsible investment of pensions and ways to overcome global environmental crises, including climate change. NPS has an intention to revitalize exchange of opinions among relevant organizations and seek to encourage responsible management. Through transparent reporting on responsible investing, including progress and performance of responsible investment, internal and external reliability of NPS will be improved greatly and will allow for NPS to demonstrate leadership appropriate to the entitlement of 'one of the world's largest pensions'.

/ Communication with stakeholders

Various types of communication are carried out to increase stakeholders' understanding of fund management performance and elevate domestic and international status of the national pension fund.



Winning the prize of 'Most Progressive Asset Owner'

Category	Key activities	Content
Internal communication	Round-table conference held with stakeholders	Communication with external working experts
	Organization for consultation of fund collecting methods among regional offices	Improvement of understanding through communication with regional office staff who are internal customers
Partner	Discussion with CEO	Discussion on current fund management issues with financial experts and business partners
	Cooperative relationships with business partners	Establishing cooperative relationships not as the other side of trading but as business partners
Expert	Global conference	International discussion on fund management, and sustainable investment in growth, etc.
	Participation in global initiatives	Participation in PRI and undertaking extensive discussion with relevant organizations.
The insured	Presentation	Presentation for the insured such as undergraduates, and response to customers through collaboration with regional
	Response to press	Improvement of insured people's understanding of fund through responding to press
Implementation reporting	Feedback of stakeholder survey	Procedure for collecting opinions of each stakeholder group
	Publication of reports	Publication of information including reports to improve understanding of the fund.

| Communication with stakeholders |



What do you think the role of the Fund Management Center (Management Support Division) is from a perspective of social responsibility management?

As NPS incorporated SR activities throughout the organization and established an SR management system in 2012, discussion on the relevant role of the Fund Management Center will be progressed in further detail. In relation to 'responsible investment' applied peculiarly in the fund management business among 6 SR management areas, management showed commitment to implement internal and external responsible investment as being stimulated by membership of UN PRI (UN Principles for Responsible Investment) obtained in June 2009. Therefore as a bridge of communication with stakeholders, and a channel of internal and external cooperative exchange of opinions, the Fund Management Center will carry out its supportive role of coordinating internal or external discussions for social awareness related to responsible investment. Besides, it will establish policy of responsibility management and prepare a COP (Communication on Progress) report, a sort of RI implementation report, considering all matters around NPS next year.

Answered by Kim Yong-guk, Head of the Management Support Dept. at the Fund Management Center

* During the regular session of Pension 8 Summit 2007 decision was made to expand membership to include public pensions in the region of Middle Eastern & Asia, which resulted in the launch of P80 Summit. Pension 80 Summit invites around 100 international participants that were representatives of various types of funds, pensions and sovereign wealth funds from over 30 countries such as the United States, the United Kingdom, Australia, Philippines and Pakistan along with officials of UNEP FI.



It is said that the national pension fund will be depleted. Is it really true?



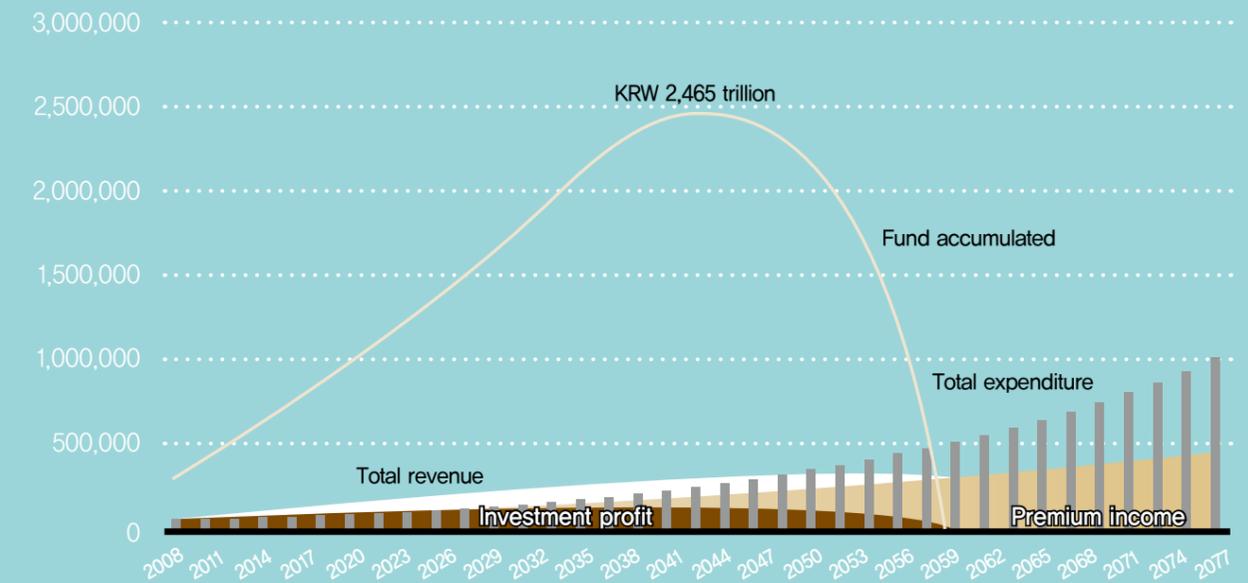
NPS operates the financial accounting system to evaluate the financial soundness from a long-term perspective and explore the direction of system improvement.

NPS estimates historical fund reserves for the following 70 years every five years in accordance with this system. According to the financial accounting in 2008, if the current national pension premiums and annuity payments system are maintained, with the condition that the structure having more revenue than expenditure for the next 20-30 years until 2060, it is anticipated that KRW 2,465 trillion will be reserved until the year of 2043. The deficit of the fund will occur from 2044 on, and the fund will be exhausted by 2060.

Based on this projection, NPS is making efforts to achieve a long-term stabilization of the national pension scheme. It is difficult to achieve the long-term stability of the national pension scheme only by raising a profit rate, but it is possible to achieve it on the basis of system improvement and growth of the society along with such efforts.

The national pension system first started with low premiums and a high payment system. But as Korea's low birth rate and aging population has become more entrenched, NPS operates the system in the direction of alleviating the burden on future generations through systematic improvements. NPS intends to cope with the issue of the fund exhaustion by comprehensively taking into account population structure, concern about the welfare of current subscribers and future generation's ability to pay out, including national finances.

Unit : KRW 1 billion



| Financial estimation of National Pension |

4. NPS: Our customers can rely on us

“The taller a tree grows, the bigger happiness becomes.”



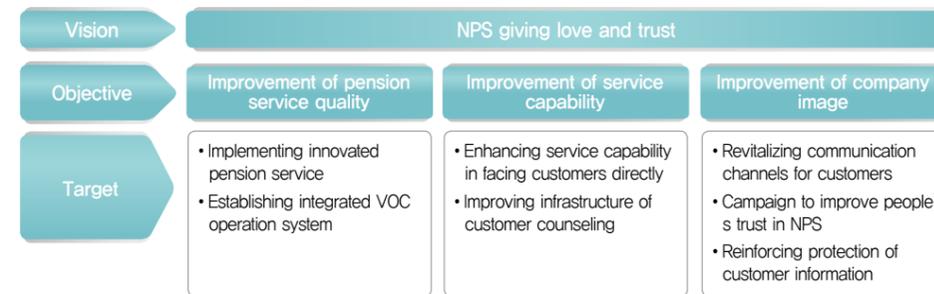
Customer Satisfaction Management to Deliver Happiness

To become amiable national pension to all people, NPS will cherish its connection with customers and enhance customer value further through mutual communication.

Customer Satisfaction Management of 'Customer First'

Customer Satisfaction Management System

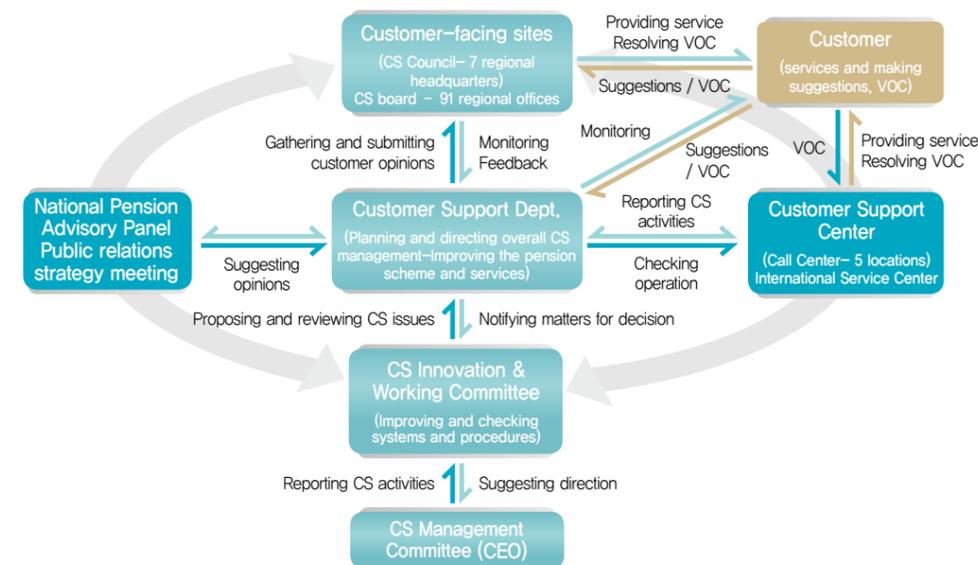
Vision of customer satisfaction is 'NPS giving love and trust'. A key objective is to improve the quality of pension service, service capability, and the company image.



| Customer satisfaction management system |

Organization and Role of Customer Satisfaction Management

The CEO, headquarters, and regional offices are interrelated to establish and operate organic customer satisfaction management with the center of CS (Customer Satisfaction) Management Committee led by the CEO.



| Operational organization of CS management |

Improvement of Pension Service Quality

/ Implementation of innovated pension service and prevention of 10 types of VOCs

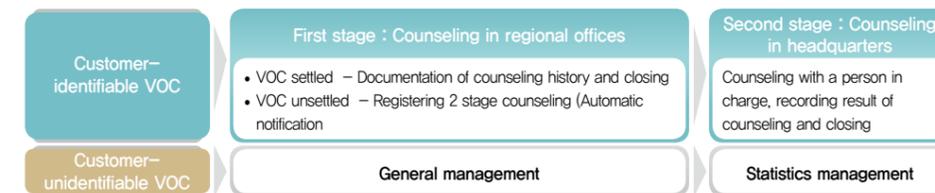
Various types and channels of VOCs are analyzed to select 10 key VOCs. For the cases of unsatisfactory service, the self-check sheet of customer satisfaction is prepared for regular review planning and continual actions for customer satisfaction are implemented. In July 2011, a program of five practicing items for good impression was implemented to improve customer responses and enhance ability to realize good impressions.

Program of five practicing items (Focused target)	Improvement
Familiarity	Setting up monthly CS targets and creating atmosphere of pleasant workplace.
One-stop processing	Information clerk placed in customer counseling room, and routine call-backs
Customizing	Applying an age-specific speech response method and operating a consultation group to handle multi-complaints.
Usher	Using text message notices and sending Happy Calls
Specialization	Revitalizing learning groups and implementing temporary substitute works thoroughly

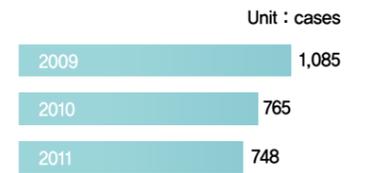
| A program of five practicing items for good impressions |

/ Establishment of integrated VOC operation system

A customer complaint counseling program was included within the integrated VOC operation system to respond to customers immediately in November 2011. Counseling is carried out in the two levels of regional offices and the Headquarter. Complaints raised at the regional office level can be shared immediately among all regional offices. A basis for improving service mind and capability of local employees was established.



| VOC management process |



| Status of handling complaints received |

Service Capability Enhancement

/ Enhancing service capability in facing customers directly

NPS provides a variety of practical service training in a systematic way to improve the quality of customer service, and enhances service quality by operating customer counseling training for which external professional training providers are used. A program for improving unkind attitudes of personnel was introduced in February 2011, and service mind and counseling capability were improved. Evaluation standard of kind service was reasonably upgraded and control of unkind personnel was reinforced along with enlarged incentives for kind service. As a result, a significant increase in staff kindness was realized in 2011, and the number of employees that demonstrated his or her own kindness increased from 1,111 in 2010 to 1,510 in 2011.

	Program	Training provider	Person & performance	Content
Basic	Counseling-experiential program	NPS Call Center	1,211 new and existing employees	Call response, improvements required, methods to respond to complaining customers, etc.
	Free private service training	Hanwha Life (MOU signed up)	324 Employees facing customers at 91 regional offices and 14 times	A method to respond to customer complaint calls, making pleasant workplaces, etc.
Advanced	Service training for unsatisfactory employees	Professional training provider	7 unsatisfactory employees in 2010	Upgrading service mind, changing customer attitude from complaining to faithfulness
	CS Way Course	Professional training provider	160 persons of newcomers and applicants	Introduction of following-up monitoring of counseling quality, service mind and emotional service

| Service capability training of employees |

/ Improvement of infrastructure of customer counseling

Counseling convenience and service accessibility must be improved to achieve the best service level. In July 2011, an immediate call response system established to satisfy customer complaints of non-received calling ensured 100% call back of non-received customer requests. By monitoring the status of receiving and immediate calling system, practical availability of customer calls was improved. Also, a historical counseling management program for all-life customers was improved to manage counseling details systematically.

Good counseling practices are shared through reviewing CS programs of regional offices. Experts of call center operations are used to diagnose the counseling quality of NPS employees and 2,805 employees were provided with improvement trainings over 122 times. In 2011, Korean service quality indicator (KSQI) of Call Center was 93 points and NPS call center maintained the first place in the public area for five consecutive years.

Unit : Points

Item	2009 (score)	2010 (score)	2011 (score)
NPCSI (Internal survey)	86.6	85.3	86.5
NCSI (Governmental survey)	81.3	84.3	87.0
Service counseling quality	83.3	85.5	90.3
CS monitoring	93.4	93.5	93.8

| Status of monitoring customer satisfaction |

/ Customer satisfaction reviews

Evaluation and analysis of service level of NPS as well as improved feedback can make customer satisfaction higher. The internal customer satisfaction survey apart from the one by the government is performed twice a year. Result of monitoring CS and counseling quality is utilized in providing feedback. NPS' national customer satisfaction indicator of 2011 was 87.0 points.

Improving Company Image

/ Revitalizing channels of customer communication

NPS collects customer opinions by operating a customer counseling category in its homepage in addition to categories of customer opinion collection and amity reports. Personnel comply with standard of service implementation and handle customer opinions within the specified duration of settlement. The trend of customer calling and public opinion is identified and communicated through the Gini-bulletin on a weekly basis to be utilized in practical activities performed by regional offices and to be shared with all employees.

Anyone that intends to suggest his or her opinion for improvement can visit NPS' homepage. Customer suggestions are reviewed quarterly to select best opinions. These best opinions are considered in the system improvement process and given with rewards. The reliability of NPS was improved by expanding the routes customers could use for voluntary engagement in NPS activities.

Unit : Cases

Route	Yr. 2009	Yr. 2010	Yr. 2011
customer suggestions	245	246	196
'Q&As' in the homepage	20,283	19,256	26,957
Reporting of amities	952	1,111	1,510

| Key performance of each channel |

/ Campaign for improving reliability

A nationwide campaign of 'Own My Pension', launched in July 1, 2010, to improve trust of the Korean people was held 334 times in 2010 and 419 times in 2011 in the. The campaign of 'Own My Pension' was conducted in subway stations, traditional markets, trail road entrances, local festivals, and fairs, which made it possible to contact with people very closely. The goal of such campaign was 'To explain benefits of national pension and root away any misunderstanding.' By carrying out easy and interesting activities such as dart games and Yes or No quiz, NPS communicates with people widely. Also, NPS provides counseling, CSA service, and pension estimate service to enhance civil response to national pension. After completing projects for improving reliability in 2010, Trust on pension service increased 10.4 % more against that of 2007. Result of public opinion analysis of CRM showed the increase rate of positive opinion of 44.7% and the decrease rate of negative opinion of 7.1%. The voluntary insured 10,500 persons proved harmonization with people pursued by NPS.

/ Further protection of customer information

Facilities for IT system including an old server were replaced to provide stabilized service for customers and achieve improvement. The improved IT system optimized customer information quality and enabled systematic management. All historical customer information is computerized and managed accurately and safely during all life period from subscription to payment. Especially, membership of an internet homepage was excluded and a periodical internal monitoring system was established to prevent information spillage and secure customer information.



| The campaign 'Own My Pension' |

1 Old Age Planning Service to Create an Affluent World

NPS sets up 'Happy Old Age Planning Center' to provide old age planning services for the elderly with insufficient preparation, and provides comprehensive information and services for all walks of life such as jobs, health and leisure, as well as finance.

Providing Old Age Planning Service

NPS promotes old age planning service in the active response to the national demand for the preparation of people aging to 100 years of age and to government policy toward Korea's aging society. Old age planning service is required to meet the need for the paradigm shift in the performance of new customer value creation.

The old age planning service, activities of counseling essential personalized old age planning information, provides various and comprehensive information on the old age life including finance, jobs, and health as well as national pension through nationwide branches of NPS and 'Happy Old Age Planning Center,' established at NPS' counseling center.

It becomes possible to provide personalized old-age planning service by providing different information according to life periods.

	No. of beneficiaries	Content	Characteristics
The first insured (20s to 30s)	One million 20 thousand persons per year	Explanation of national pension, management of income/expense	Centered with financial planning
The age of 40 (Turnover & Founding in 30s to 40s)	600 thousand persons	Needs of systematic preparation for old age, Planning multi-layered insurance	High importance of financial planning Low importance of non-financial planning
The age of 50 ((Turnover and Founding in 50s)	500 thousand persons	Diagnosing preparations of old age, balanced planning for later years	Balanced planning between financial area and non-financial area
Age requesting old age pension (60s)	180 thousand person	Planning later years including jobs and voluntary services	Balanced planning between financial area and non-financial area

| Customized counseling according to life periods |

Education based on Human Life Cycle

Since CSA service was implemented in 2011, education based on human life cycle has been provided using appointed training providers to accomplish understanding of national pension system and support preparation for old age, which is out of the boundary of the financial planning based on the existing national pension.

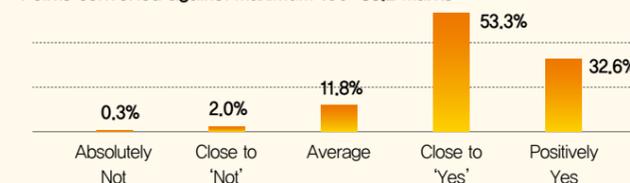
Performance of Old Age Planning Service

Since the beginning of the CSA service provision in April 2008, 1,410,000 instances of counseling, and 22,000 instances of old-age planning education have been carried out. Also, 380,000 people have applied for extensions of entitlement duration to the national pension. All the performance above is evidence that NPS has contributed to preparing for people's old age.

Result of questionnaire given to people provided with CSA service on its effectiveness shows that more than 80% of opinions agree that CSA service of NPS is highly professional and useful for preparing for old age.

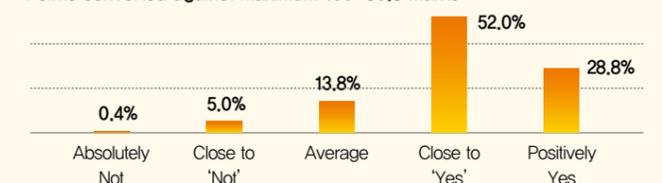
Professionalism

Points converted against maximum 100: 83.2 marks



Appropriateness

Points converted against maximum 100: 80.8 marks



| Result of questionnaire on old age planning service |

2

NPS Improving Welfare of the Disabled

NPS is a professional institution providing welfare service for the disabled and practices 'Happy Harmony with the Disabled' through disability registration audits and activity support service for the disabled.

Disability Assessment for Registration

NPS began disability screening work for the severely disabled in compliance with 'Welfare of Severely Disabled Persons Act' as it was recognized as an expert of more than 25 years of screening activities. It has performed overall registration audits of all forms of disabilities from April 2011.

Multiple doctors perform objective and standardized audits at the Disability Assessment Center and the regional headquarters.



| Disability Assessment Committee |

For the cases they can't judge only by literal interpretation on the standards of the disability rating or the ones of which they must consider physical or mental characteristics, the Disability Assessment Committee with welfare professionals reviews them intensively.

NPS prepared infringement remedies for disability rating drop, one of main complaints in the process of determining and registering disability ratings and made it obligatory to include the guideline of appeals in the notice of audit decision. Also, NPS strengthened the protection of the rights of the disabled by introducing the dissent application audit system, and the prior opinion statement system, etc.



| Visiting service |

Expanding Disability Support Service

NPS promotes the 'Home Visiting Service' that employees of NPS visit their houses for mobility disabilities and the disabled who live alone or in remote areas.

In addition, NPS strives to provide substantial benefits, such as 'Direct Medical Records Securing service' to obtain medical records directly from hospitals with a delegation of the disabled person, and 'Complementary Material Cost Support Service' to support additional screening costs and examination fees so that the disabled can avoid inconveniences in the course of disability registration audits.

Supportive Activities for the Realization of the Independent Living of the Disabled

NPS implements the activities support system for the disabled to uphold the independent living of the disabled and improves their quality of life from October 2011. This activities support system is a service to provide benefit for the disabled to carry out activities and participate in society. And NPS supports the pensioners by actively informing them of the system from the application stage and through various types of information services from local governments, local communities, and NPS itself. Especially, NPS secured dedicated staff and enhanced their abilities through intensive training. It provided training for 436 activity supporting institutions and 2,517 activity assistants to improve the level of payment benefits. In addition, NPS makes efforts to improve the service quality by providing information in the dedicated website (www.ableservice.or.kr).

NPS will faithfully fulfill its role as a hub of welfare services for the disabled and as a reliable partner to practice 'Happy Harmony with Disabilities'.



| Personnel training for the activity support program for the disabled |

3

The Research Center to Increase Sustainability of the National Pension

The Research Center makes contribution to improving sustainability of national pension by directing a way to strengthen social responsibility of fund management, and establishing programs of financial stabilization through long-term financial estimation of national pension.

Fund Finance Estimation

The Research Center prospects long-term finance of national pension by carrying out financial estimation every four years (1st in 2003, 2nd in 2008 and 3rd in 2013) to meet needs for financial stabilization interrupted by rapid aging and decreased birth rate. It also tries to establish financial stabilization programs and improve the existing pension scheme. In 2011, a virtual financial estimation model was established in 2011 to guarantee the successful completion of the 3rd financial estimation. Currently Actuarial/Financial Estimation Committee, Pension Scheme Development Committee, and Fund Management Development Committee are operated under the Research Institute.

Research on Scheme Improvement for the Disadvantaged

The Research Institute develops a method of improving the national pension scheme for socially weak and disadvantaged people, and carries out studies to ensure enhanced public income for social groups excluded from subscription. It studies on a plan of ensuring old-age income, an expanded method for guaranteeing public old age income of women, actions to improve the national disability pension scheme, and a premium support program for low-income groups. Best effort is made to establish safe social protection for vulnerable social classes. The universality of the national pension was expanded through enlargement of voluntary subscriptions, which was a measure to guarantee old age income for excluded persons. As premium support for the low income groups was considered in governmental policies from 2012, the national pension plays a pivotal role in ensuring old-age income of low income groups.

Study on SRI

After the Research Institute established a SRI policy of national pension fund, it undertook a study on measuring SR elements of the national pension fund portfolio in 2011, and performed analysis of SR elements of SRI fund in 2012 in sequence. The Research Institute recommends a strategy needed for fulfilling SR obligations imposed as public pension. Above all, during the research of SRI indicator development methodologies, The Research Institute estimated an indicator appropriate to national pension on the basis of consideration of non-financial elements such as environment (E), society(S) and governance (G). This indicator is used for fund management.

To meet ongoing social needs for SR obligations in fund management of public pensions, including national pension fund, a study on how to expand SRI of national pension is in progress in 2012.

1st financial estimation(2003)	<ul style="list-style-type: none"> Account deficit in 2036 and fund depleted in 2047 Amendment of the National Pension Act including changing of payment rate from 60% to 40%(July 2007)
2nd financial estimation(2008)	<ul style="list-style-type: none"> Account deficit in 2044 and fund depletion in 2060, 13 years later than the result of previous estimation of 2047.
Status of excluded groups and actions to ensure old age income (2010)	<ul style="list-style-type: none"> A Method for diversifying voluntary subscription to ensure old age income of excluded persons was recommended, and this resulted in the increase of voluntary subscribers from 90 thousand(2010) to 170 thousand(2011).
Study on how to support premiums for mitigation of blind deficiencies (2011)	<ul style="list-style-type: none"> A type of premium support was suggested for subscription of low-income temporary workers changing into site employees, and this suggestion was considered in the government's comprehensive measures for non-regular workforce (September 2011). These measures were put in force in January 2012.
Actions to guarantee old age income and respond to aging and income polarization (2011)	<ul style="list-style-type: none"> Suggestions are made for integrating the pension scheme in strategy of social investment such as education, service provision, and employment. A way to respond proactively to low fertility and aging is suggested.
Improvement of the pension payment scheme according to changed marriageable ability	<ul style="list-style-type: none"> Suggestions concerned with improvement methods are made for the pension scheme related to vulnerable social classes excluded from benefits of the family pension payment of NPS

| Summarized result of research on national pension |



What are key targets and performance of R&D related to social responsibility management?

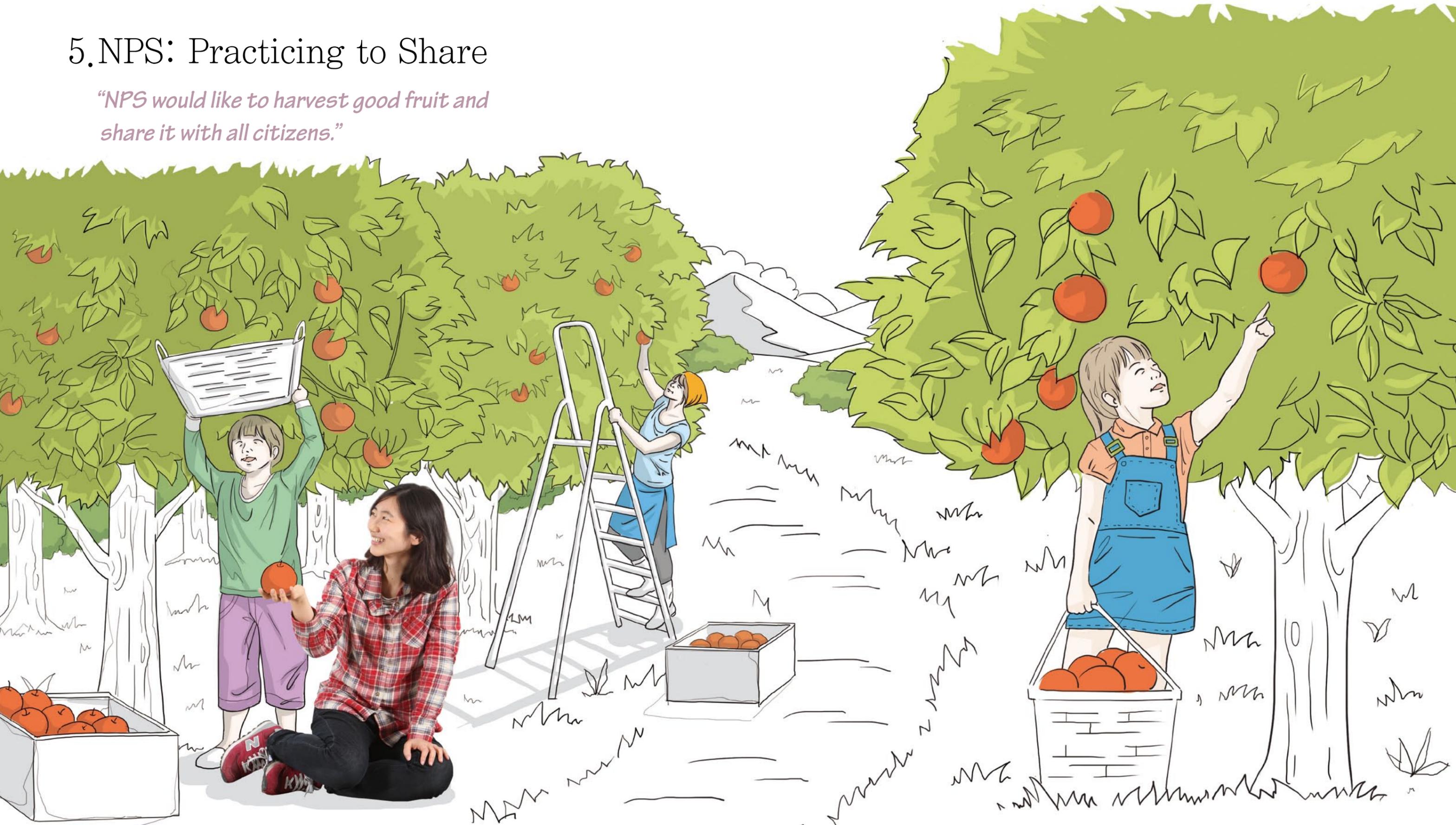
Many people show concerns about pension exhaustion. The Research Institute carries out studies on foreign cases of sustainability and performs actuarial estimation to prevent such accidents beforehand. The Research Institute seeks to find out a solution to stabilize finances and communicate with stakeholders through periodical seminars.

In terms of fund management, the Institute provides a selective investment strategy of SRI of public pension, and improves awareness of SRI through studies on selective indicator development. In 2012, analysis of SR elements of SRI fund commissioned by NPS is in progress to determine how to expand SRI of the national fund.

From an interview with Kim Seong-suk, Head of the National Pension Research Institute

5. NPS: Practicing to Share

“NPS would like to harvest good fruit and share it with all citizens.”



Involvement in Local Communities for Love—adding

Sharing warm hearts and creating a happy world is a wish and responsibility of NPS. NPS is actively performing various sharing activities which reflect the characteristics of NPS to build communities affluent with added love.

Sharing Management to Practice Love

Sharing Management System

NPS' social contribution activities promote the supportive activities connected with tasks focused on volunteer groups. It also seeks to carry out supporting activities for the disabled, community-loving practice activities and social service activities.

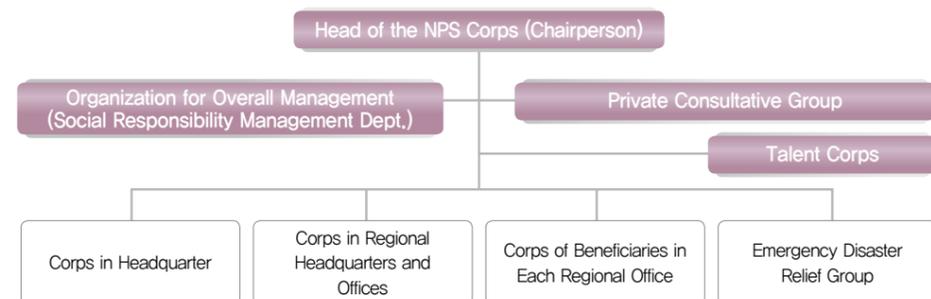


| Systematic strategy of sharing management |

Organization of Sharing Management

NPS Corps, launched with 81 volunteer groups nationwide in August 30 2006 and composed of 92 groups, provided service of 2142 times as of Yr. 2011.

The Corps reinforces social contribution programs connected with NPS' businesses including supporting pension premiums for low-income subscribers generated by employee's voluntary participation, policy considerations, and systematic organization. Each volunteer group promotes customized service activities maintaining close relationships with local communities.



| Structure of service organization |

Performance of the Sharing Management

NPS collects donations by deducting desired amount from their salaries to foster service culture among employees, and supports a certain percentage of employees' donations by applying matching grant for employees' donations. In addition, NPS implements social contribution policy to encourage employees' voluntary involvement through allowing its employees to do social contribution activities during working hours and to have vacation when donating blood, and developing a card points donating system.

NPS spent KRW 467.5 million towards its social contribution fund and its 4,145 employees (89% of all employees) took part in social contribution activities in 2011. The voluntary service hours per employee are 4.2 hours.

Unit : hours

Item	2009	2010	2011
Service hours	14,876	8,920	17,360

| Annual service hours |

Unit : KRW 1 thousand

Item	2009	2010	2011
Contribution by staff	226,979	132,964	189,518
Matching grant	183,778	225,035	206,280
Donations collection for poor neighbors, etc.	36,135	27,881	54,308
Others	28,870	22,818	17,370
Total	475,762	408,698	467,476

| Status of annual donation fund collection |

What is the focus of NPS' social service activities?

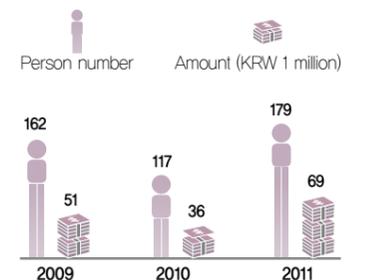
Social service activities meant donations through physical laboring in the past, but as the definition of it has expanded in recent years, it becomes possible to carry out contribution activities in a variety of fields associated with the characteristics of NPS. NPS is engaged in various activities related to its core business, such as a pension sharing campaign that beneficiaries give small part of their pensions to the elderly in need, activities of supporting pension premium for low-wage workers and a disabilities preferential hiring campaign. During the process of implementing these social contribution programs, NPS reflects stakeholder's opinions by considering business relevance of these opinions as much as possible.

Answered by Yi Su-min, Head of the General Administration Support Dept.

Social Contribution Activities that NPS Practices

Supporting Pension Premiums for Low-wage Workers

Supporting pension premium for low-wage workers is a project which supports a certain portion of premium for people who agree on the necessity of national pension, but do not pay pension premiums, with the employees' donations deducted from their salary on a monthly basis. As employees first started it voluntarily and consensus was formed about it, now it becomes NPS' representative sharing activity program. In 2011, employees supported unpaid premiums for the family of disabled children using their card points and NPS signed an MOU with the Community Chest of Korea and conducted a 'national pension donation campaign' where both the social leaders and recipients were involved. This pension donation support program is developed into a government policy and now is a business to support pension premiums for low-income workers at small workplaces with less than 10 workers in 2012.



| Status of premium support for low-income subscribers |

Focused Support for the Disabled

With use of Cheongpung Resort operated by NPS, a program of listening and feeling tours was developed, in which staff and the severely disabled become partners one to one. Four listening and feeling tours broadcast on TV were completed by 2011; an example of social sponsorship intended to disseminate sharing culture.

Also, NPS sponsored professional education centers for the disabled as well as disabled children, and provided opportunities for cultural experience by sponsoring musicals, theaters, and choirs. Moreover, a total of 7,959 computers were donated to organizations of the disabled during the period from 2006 to 2011. As result of revitalized activity support for the disabled, NPS won the Prime Minister's Award 2012 in distinguished service in information and culture given by the Ministry of Public Administration and Security.



| Listening and feeling trip with the disabled | | Prizewinning of the Prime Minister's Award 2012 in distinguished service in information and culture |

Reinforcing Ties with Local Communities

NPS set up sisterhood relationship with nationwide 33 rural towns and supported the shorthanded farming season in order to contribute to the development of rural communities. It also strives to revitalize traditional markets by running direct dealing markets and setting up sisterhood relationship with local markets. Moreover, NPS offered free medical service to underserved local residents together with a corporation named Korean Open Doctors Society and struggled for a way to live a stable retirement life through counseling about the national pension.

Particularly, NPS is strengthening ties with communities focused on Jeollabukdo area to which its headquarters is scheduled to move.

With exemplary exchange activities with local communities, NPS' social contribution program of 'One Village to One Institution' was certified in 2010 and it was given the Prime Minister's Award of Labor Exchanges and the Rural Love Grand Prize and chosen as excellent organization of urban and rural exchanges in three consecutive years.



| Cultural experience event for residents in a fishing village (Bangchuk Island) NPS has a sisterhood relationship with |

Social Service All Together

Each nationwide regional office of NPS is running a Corps, Pension Sharer, centered around beneficiaries so that they can feel worth and pride in their old-age life. 4,399 beneficiaries nationwide participated in the activities and revitalized donating their talents in various sections such as education, culture, etc. They carried out sharing activities in which employees could feel worth. NPS runs a variety of youth service programs so that youths, future customers, can experience sharing and develop well adjusted personalities.



| Kimchi-making service |

Job Creation

NPS, as the nation's largest institutional investor, organized a dedicated organization, the social responsibility management department in January 2012 and has promoted job creation in various ways. It created new employments through a job creation fund and the construction of the National Pension Hall and produced the effect of indirect job creation through social overhead capital (SOC) and expansion of venture investment. It will clarify the expansion of investment scale and the direction of implementation after analyzing the performance of the employment creation fund.

In addition, NPS shared jobs with 752 people by outsourcing its non-core businesses such as the Hall management and Cheongpung Resort operation. It created jobs for a total of 28,551 people in 2011. It contributed to the development of local communities by focusing on creating qualitatively excellent jobs of full-time work.

Unit : persons

Year		Total	Outsourcing	Orders of invested business	Partnership with private business area	Others (Fund investment)
2010	Regular	2,919	713	2,206	-	-
	Temporary	4,192	42	4,150	-	-
	Total	7,111	755	6,356	-	-
2011	Regular	6,354	710	5,413	3	228
	Temporary	22,197	42	22,144	2	9
	Total	28,551	752	27,557	5	237

| Performance of employment-creation in private enterprises |

Assistance to Founding Social Enterprises

After NPS signed up a MOU with Korea Social Enterprise Promotion Agency and Saramlove Incorporated Association for 'growth of social companies and diffusion of awareness', it established a donation Café named 'Café 36.5°' established for the first time by a public institution. Its establishment enabled provision of jobs for three persons from vulnerable groups such as the disabled, multicultural emigrant women, and return of 10% of income to society under the title of 'Dream Cultivating Donations'. NPS gives six youths under 18 and a multicultural family KRW 100 thousand on a monthly basis for supporting their dreams and hope.



| Ceremony for Dream Cultivating Donations |

Revitalizing Traditional Markets

As superstores nationwide are opened and traditional markets are neglected, NPS helps ensure the stability of the lives of the populace and contributes to the economic activities of local communities by revitalizing traditional markets. NPS set up a sisterhood relationship with markets in Jeonju, Jeollabukdo to which its headquarter is scheduled to move, and showed its commitment by holding a 'Go to Traditional Market Day' declaration. Each of the seven regional headquarters sets up sisterhood relationship with one market, signs an MOU with relevant organizations, holds a 'Go to Traditional Market Day' event once a month, and makes direct purchases of goods. Besides, NPS revitalizes traditional markets by converting staff incentives from cash into versatile (Onnuri) gift certificates. The purchase rate of versatile gift certificates was 0.54% in 2011, which exceeded the ratio (0.4%) recommended by the government (0.4%)



| Ceremony for One division to one market affiliation |

6.NPS: Making a Fair Society

"A tree can grow tall when surrounded by fertile land."



Ethical Management to Create a Clean Society

NPS strives to be a reliable national institution by operating incorrupt organizations.

Efforts for Ethical Management

The Ethical Management Implementation System

NPS spreads the ethical culture through employees' voluntary practice on the basis of the Chairperson's powerful commitment to promote the ethical management, NPS established the four implementation strategies – advancing ethical system, training ethical human resources, settling down and establishing ethical culture, and strengthening anti-corruption and integrity activities– in order to lay the foundation for sustainable growth through the establishment of ethical management.



| Ethical management system |

Objective and guidelines of ethical management are determined by the Ethical Management Committee, and Ethical Integrity Practice Committee implements and reviews departmental activities of ethical management. A person is appointed in each department and regional office as Ethical Integrity Practice Leader and all these leaders improve negative elements in their own departments or regional offices. A nation-wide campaign of anti-corruption practice was conducted in 2011. NPS led implementation of ethical management of public institutes by spreading good practices of anti-corruption through auditor meetings held by 'Anti-Corruption & Civil Rights Commission'. When signing in a contract, conditions of integrity is obligatory. Conferences of anti-corruption take place with stakeholders including subcontractor employees, and NPS' commitment to accomplish ethical management is shared in discussions.



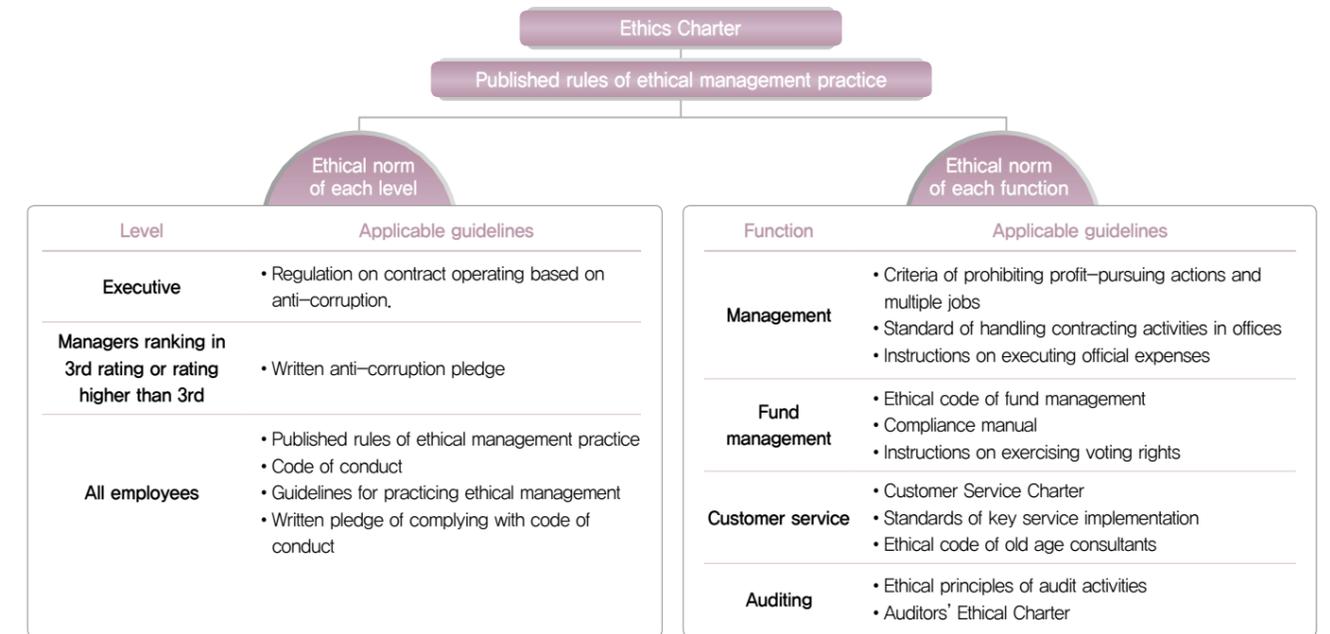
| Anti-corruption campaign |



| Organization of ethical management |

Strengthening Ethical Standards

Ethical code of practice is prepared at each level and each function on the basis of the Ethics Charter and published rules of ethical management practices. To promote practicability of ethical management, ethical standards, including internal reporting and reporter protection, were established and modified in 2011. Rules prepared by the National Pension Audit Committee and Alternative Investment Committee are reinforced for improvement of transparency in decision-making.



| Ethical norm of each level and function |

Ethics Training and Practicing Programs

NPS operates programs of ethics training and practices it to increase the level of employees' ethics. NPS has improved the training effect by the development and operation of education curriculum in offline education, rather than theory-based education while it reformed the online education curriculum to the interactive contents so that all the employees can participate in the education. In addition, it performed self-test for two items every week to check employees' ethics and established a new counseling entry about the codes of conduct. Also, NPS operates various practicing programs so that employees can embody practice ethics in their daily lives. Toward this goal, it expands theme programs such as integrity songs, integrity logo, ethical management practice guide e-book, and participatory programs including ethics yard archives, integrity cafe, and integrity mileage awards.



| A resolution ceremony for ethical management |

	Item	Training course	Trainee	No. of trainees
Online	Voluntary	A ethical training course selected personally	All employees	2,440
	Basic	Two courses including basic course of ethical management	All employees, fund management personnel	1,194
	Advanced	Study on cases of ethical management and the dilemma settlement process	Leaders of anti-corruption practice	108
Off-line	Basic	Two courses including itinerant training for regional offices	All staff	2,860
	Advanced	A professional course provided by a governmental branch or a private training provider	Ethical management personnel	24
	Specialized	Reading conversation of ethical management Interactive training appropriate to each working duration	Head of division at headquarters, Head of a regional office promoted	36 184

| Status of ethic management training |

Activating the Anti-corruption Public Reporting System for the Public Interest

NPS activates the anti-corruption reporting system for the public interest to foster a sound organizational culture to guard against corruption. NPS arranged systematic devices related to the operation of the anti-corruption reporting system through regulating identity protection for internal whistle blowers, such as banning disadvantages. NPS propagated its commitment for integrity to persons concerned with trading such as commission management corporations. It also guided the public reporting process on a regular basis against illegal or unfair misconducts by introducing a new system, "NPS Clean Letter." Various channels such as website, phone, fax, etc. for the reporters' convenience are in operation now. In particular, NPS prevents exposure of reporters' identities systematically and thoroughly by outsourcing the reporting channels for the purpose of providing assurances to internal whistle blowers. It's the first case among the quasi-governmental institutions.

	2009	2010	2011
No. of cases	1	3	8

| Number of public reporting cases |

Checking and Utilizing Ethical Management

A process for evaluating senior executives was established to check integrity of high-ranking officials, including executives and heads of regional offices in 2011, and the result of this evaluation was utilized as part of personal management information. In addition, all employees are evaluated to check for their ethical perceptions and result of evaluation is reflected in personal service performance at the rate of 10%. Completion of anti-corruption training provided at each stage of the working cycle is compulsory. NPS investigates its anti-corruption level through anti-corruption survey conducted by Anti-Corruption & Civil Rights Commission as well as reviewing policy of anti-corruption. Internally, NPS undertakes monitoring of ethical awareness of all employees. Ethical management is improved through monitoring and self-checking activities for transparency.

Unit : points

	Item	2009	2010	2011
External	Anti-corruption survey by Anti-Corruption & Civil Rights Commission (Comprehensive level of anti-corruption)	-	8.65	8.58
	Result of review of anti-corruption policies performed by Anti-Corruption & Civil Rights Commission	-	Excellent	Excellent
Internal	Evaluation index of personnel's ethical awareness	71.7	86.5	88.7
	Self-checking of transparency	-	80.0	86.0

| Performance of internal/external monitoring |

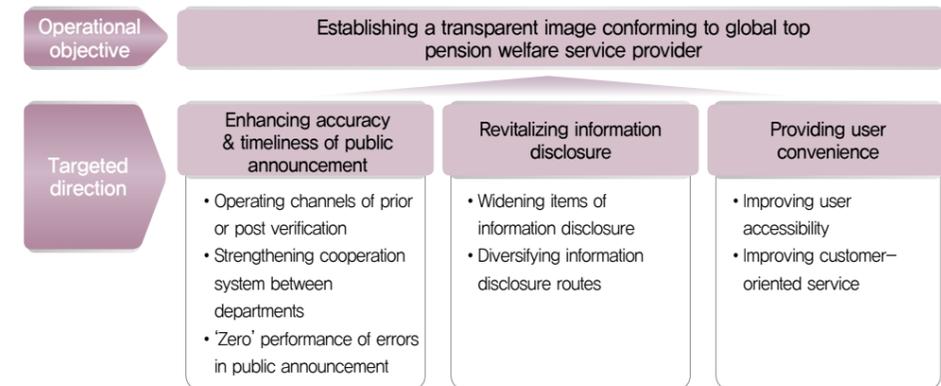
Transparent Information Disclosure to Protect Rights

NPS discloses its management information transparently through public notices, its homepage, etc., to meet people's right to know.

Open-minded Transparent Management

Promoting Transparency of the Management

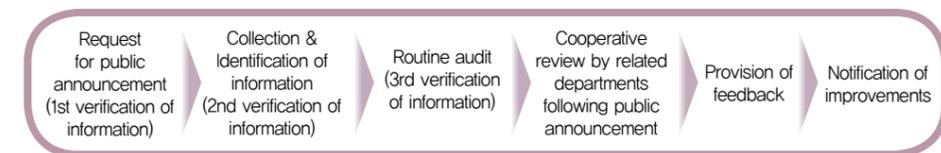
NPS is an institution responsible for an important task, the management of the people's retirement fund. It seeks to reassure people so that they can enjoy benefits from the pension welfare service. To meet this, NPS focuses on enhancing the accuracy and timeliness of public notification, activates information disclosure and improves users' convenience.



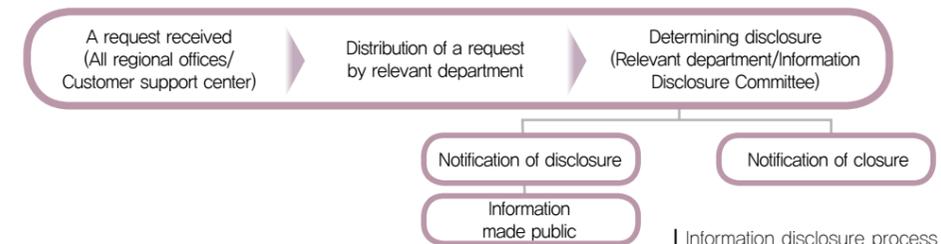
| Objective & targets of transparency improvement management |

The Management System of Public Notification and Information Disclosure

NPS announces the 119 items of management disclosure about fund operation and fund management by establishing an operating system of public notification and information disclosure in the homepage specifying 34 items of integrated disclosure on the Allo system. Business information and administrative information are also announced to the public for information disclosure in a website in accordance with the disclosure process.



| Public announcement process |



| Information disclosure process |



| Information disclosure homepage |

An Example of Ethical Management

There are cases that employees in the Fund Management Center of NPS held or transacted stocks during their tenures and were pointed out during the periodical comprehensive audit performed by the Department of Health and Human Services.

Audit evidence According to the comprehensive periodic audit reports prepared by the Department of Health and Human Services, it was revealed that 36 employees, more than half of the total 66 personnel in the Fund Management Center, have held stocks since 2008, and 12 of them have sold their shares. The Department of Health and Human Services pointed out, "If personnel of the Management Headquarter are permitted for free stock-for-sale, it is likely that impartiality of an audit is compromised in reviewing investment stocks."

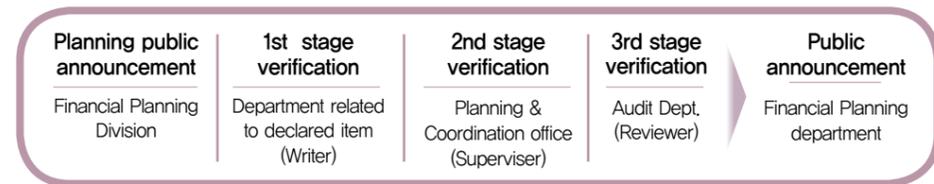
Action taken As a result, NPS established the internal control regulation to prohibit stock trading in principle and strengthened preventive actions to stop private transactions of personnel involved in fund management.

Monitoring & Feedback Prior and Posterior to Public Declaration

Monitoring and feedback prior and posterior to a public declaration ensures accuracy of information. Three-phased review is carried out before public declaration to improve accuracy of declaration. A person responsible for each item is designated to clarify his or her responsibility by operating the formal/informal duty system in the public declaration management process.

After and before an announcement, collaborative review by all responsible departments is performed quarterly to prevent insufficiency of public announcement. Currently, a total of 7 cases of insufficient announcement have been revealed and complemented. At the same time NPS makes efforts to operate a dual checking system through auditors' frequent reviews intended to modify disclosed information and improve accuracy.

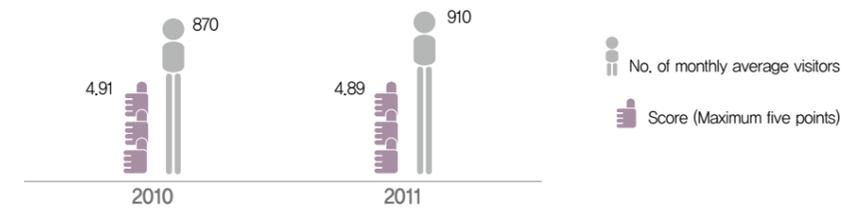
In addition, the Public Announcement Management Committee is in operation for the provision of feedback and improvement of deficiencies. The Committee endeavors to establish a proactive response.



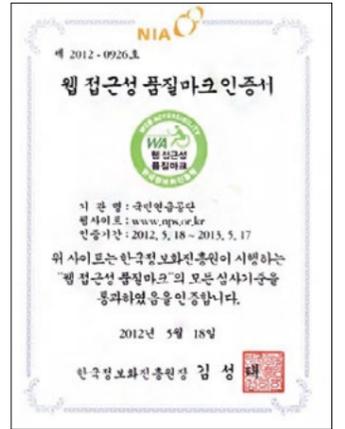
| Responsibilities of three-phased verification process |

Improvement of Information Service

NPS increased processing speed up to 3 times by replacing equipment such as a server and strengthening a support system to enhance the accessibility of the website users. And NPS abolished the procedure of signing-up and the authorized certificate registration and redesigned its website for the convenient use of the disabled and the elderly. As a result, in recognition of an excellent website for users to have access to, its website won a quality mark certification of web accessibility in the public institution area. In addition, NPS received a high score in the website satisfaction survey and had significant increase in average monthly visitors.



| Results of satisfaction survey of homepage users |



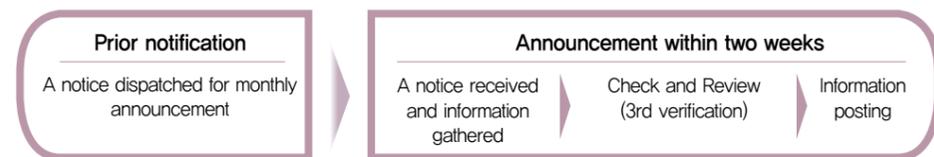
| Quality certification mark of web-accessibility |



| Homepage for mobile phone users |

Improving Timeliness of Public Announcement

NPS accomplished 'ZERO' performance of announcement delay by operating the prior notification process and using a checklist, including items to be announced publicly to check the process frequently at any time for the purpose of proactive prevention of announcement delay.



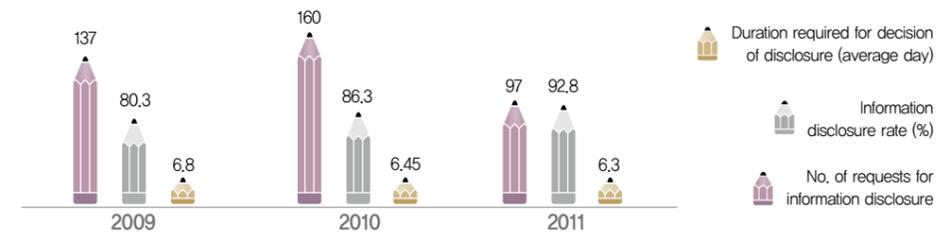
| Prior notification service process |

Diversified Information Disclosure Routes

NPS prepares various disclosure channels to meet the people's right to know by activating information disclosure. These are online channels such as a website, e-brochure, webzines, and newsletters for management information disclosure, and offline channels such as the magazine, 'National Pension', and leaflets, which provide information of the national pension at any time. In addition, NPS tries to communicate with people through mobile route operations, including a smartphone-only website and Twitter

Performance of Information Disclosure Activities

As a result of an ongoing effort to increase the percentage of information disclosed in accordance with disclosure requests and provide information constantly and proactively, the number of information disclosure requests showed a declining trend in 2011, and the lead-time of disclosure decisions was an average of 6.3 days, which continued to be shortened each year. NPS will expand the percentage of information disclosure and shorten the period of decision making continuously.



| Performance of information disclosure activities |

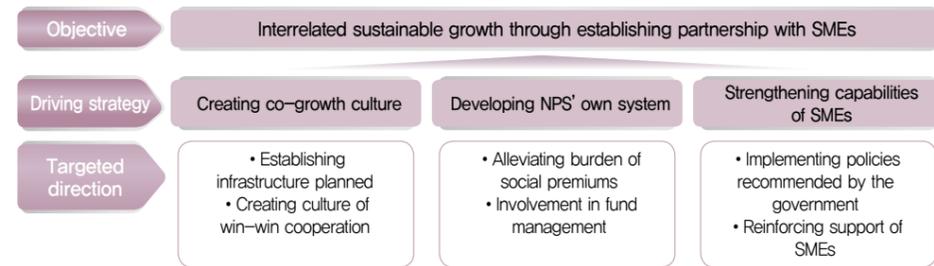
Win-win Management with Business Partners

NPS pursues establishment of trust and co-growth with subcontractors through commissioning companies, activating a call center, resort operator, and outsourcing companies.

Co-growth with Subcontractors

Objective and Strategy of Co-growth

NPS established a strategy of co-growth linked with its vision. The objective of co-growth with small and medium enterprises (SMEs) is to accomplish mutual sustainable growth through established partnership. Focused targets are set up under the three goals of co-growth culture creation, development of NPS' own system, and ability enhancement of SMEs.



| Strategy of co-growth |

Also, organization of co-growth management is established including all departments and internal evaluation process included in KPI is managed to obtain driving factors. Civil consulting meetings such as a fund management conference, an IT Outsourcing Management Committee meeting, and Cheongpung Resort management strategy meeting are utilized to implement active communication with subcontractors.



| Organization of co-growth management |

Transparent Contracting and Fair Relationship

Principle of human rights protection is considered in making decisions related to significant investment or trading with subcontractors. Lately, introduction of both naming the person responsible for contracting process and IFRS(international financial standard) are sought to improve transparency of contracting and accounting process. In 2011 Cross conformance audit was used to ensure the accuracy and transparency of contract auditing process. During this audit process, the most relevant person in charge of contracting



| A meeting for co-growth with business partners |

process is assessed in the 1st audit and other relevant person in the 2nd audit performed on a routine basis by the Audit Committee. And to guarantee appropriate profit of the disabled producers and small IT companies, not a single preliminary price but multiple preliminary prices are used to determine a supplier of private contract for purchasing goods produced by the disabled. The percentage of use of persons from small IT service companies expanded from 30% to 50%, and payment of service fee is divided into three stages of advance, intermediate and balance for improvement.

Strengthening SMEs' abilities

NPS purchased equipment worthy of KRW 3.87 billion for new building construction in 2011 and support suppliers through payment check and direct debit payment. To promote abilities of SMEs in the fund management area, NPS expanded the use of trusted management operated by new SMEs, and established use of preliminary trusted management, which secured involvement opportunity for small trust companies. KRW 360 billion was trusted to 12 selected trust management companies. Management companies achieving good performance are going to be upgraded to net equity trust companies.

Item	2009	2010	2011	
Purchase of goods produced by small companies	Total amount of purchase(A)	KRW 63.5 billion	KRW 70.7 billion	KRW 81.4 billion
	Total budget of purchase(B)	KRW 93.8billion	KRW 101.8 billion	KRW 112.3 billion
	Percentage of purchase from small companies	67.7%	69.4%	72.5%
Financial assistance	Advance payment	100% (KRW 2.6 billion)	100% (KRW 4.6 billion)	100% (KRW 5.6 billion)
	Direct debit payment to suppliers	-	-	KRW 2.4 billion
	trusted management	-	-	KRW 360 billion

| Performance of assisting SMEs |

Purchase Policy Implementing Social Responsibility

NPS prioritizes purchase of products from social or female-owned companies. In the year of 2011 direct purchase of products produced by social companies increased to KRW 635 million with the increase rate of 81.4% against the previous year. Consumables used by Cheongpung Resort are all purchased from social companies. Purchase from female-owned enterprises amounts to KRW 6.41 billion, a 38% increase from the previous year.

Item	Purchase goal	Purchase performance in 2011 (Unit : KRW 1 million)
Product of SMEs	More than 70% of total purchase amount of goods, services and construction	81,376
Technology development product	More than 10% of total amount of purchase from SMEs	1,095
Product of female-owned company	More than 4% of total purchase amount	6,041
Product of social enterprise	More than 3% of total purchase amount of goods and services	635
Goods made by the severely disabled	More than 1% of total purchase amount of goods and services	1,466
Goods made in Self-supported Retired Soldiers' Village	More than 5% of total purchase amount of goods buyable from Soldiers' Village	155
Green product	More than 90% of total purchase amount of the relevant item.	3,270
Onnuri gift certificate	More than 0.4% of operating cost of an institution	115

| Summary of obligatory/prioritized purchase |



What do you think NPS does well to develop joint growth with business partners and what does it need to improve on in the future?

Purchasing products of disability employment companies is encouraged as part of policy of preferential rights if only reasonable profit and more than 80% of the highest quality are ensured. Currently, NPS evaluates financial areas in selecting business partners, but I think it's necessary in the future that NPS should establish a policy that enables preferential treatment to companies as partners focusing on investment for social contribution such as women's welfare and senior preferential policies and complement the policy of partnership to ensure trading with sustainable businesses.

Answered by Yi Su-min, Head of the General Administration Support Dept.

7. NPS: Holding People Dear

*“With our warm reaching hands
we will make a greener forest.”*



Human Resource Management to Share Hope

NPS secures excellent human resources through a transparent recruitment process, supports open recruitment for vulnerable classes, and operates fair personnel management through a comprehensive advanced personnel system.

People-oriented Management

Executives and Staff Members

The employees of NPS are a total of 4,627 people. NPS contributed to stabilizing employment by changing 322 non-regular workers to full-time status in 2010 and reducing 417 non-regular workers to 13 in 2011. The number of women workers is 1,937, 41.9% of the total full-time workers and that of the women management as team leaders or higher positions accounts for 11.2% of 104 persons. The number of new women recruits was 399 out of 654, 61% of the total full-time workers in 2011.

Unit : persons

Category	Total	Senior management	Officials in general service						Researching service	Fund management	Technical service
			1st	2nd	3rd	4th	5th	6th			
Employee number	4,627	5	56	205	664	1,583	1,096	881	33	102	2
Male	2,690	5	55	200	566	1,045	437	283	20	77	2
Female	1,937	0	1	5	98	538	659	598	13	25	0

| No. of employees classified by the type of job and rating |

Unit : KRW 1 thousand

Item	2009	2010	2011
Basic pay	12,564	12,564	13,862
Fixed allowance	8,448	8,448	8,852
Performance allowance	11,131	1,131	1,248
Employee benefit payment	425	430	440
Total	22,568	22,573	24,402

| New employees' commencing salary |

Fair Recruitment

NPS is in compliance with the International Labor Organization conventions and domestic and international labor acts, and prohibits child labor and forced labor. Throughout the personnel management process such as recruitment and employment, NPS prohibits discriminations and abolishes restrictions on gender, age, education, and majors, and pursues ability- and competency-based recruitment. NPS applies wage and welfare in equality without discrimination based on gender in the same position, and the new employees' basic salary is the level of 225.22% compared to the statutory minimum wage* in 2011.

* Statutory minimum wage: based on criteria provided by the Ministry of Employment & Labor (KRW 902,880 per month and 40 hours per week)

Item	Unit	2009	2010	2011
Total number of employees	Person	4,817	4,762	4,627
No. of temporary employees	Person	625	417	13
No. of employment of the disabled(percentage)	%	(2.6)	(3.3)	(4.4)
Average length of service	Year	16.8	17.7	17.0
Absence rate	%	0.005	0.012	0.005
Retirement rate	%	0.95	16.42*	1.75

* 712 Employees of Health Insurance Service were transferred according to the integrated collection of four social insurances | Status of employment |

Open Recruitment to Consider the Socially Weak

NPS seeks for social equity-based recruitment by open employment for the disabled, local human resources, and high school graduates. It gives convenience such as expanded questionnaires for the disabled candidates and instructions for the deaf, and provides assistive technology devices for the disabled employees to increase their work efficiency. NPS took the recruitment trips mainly at the provincial colleges and universities and increased the recruitment of local human resources in Jeollabukdo area to which the Headquarter is going to move. And to expand high school graduate recruitment, it implements various kinds of support such as paying a wage of 92.5% level of college graduates' starting salary.

Unit : persons

Indicator	2009	2010	2011
Persons newly employed	35	15	654
No. of female employees (percentage)	10(28.6%)	6(40%)	399(61%)
No. of the disabled employed (percentage)	3(8.6%)	-	59(9%)
No. of employees for local impartiality (percentage)	8(22.9%)	3(20%)	341(52.1%)
No. of employees specialized in science and engineering	16(45.7%)	5(33.3%)	328(50.2%)

| Status of annual social and fair recruitment |



What efforts do you think NPS should make to embrace the socially weak?

NPS hires actively vulnerable classes like the disabled and high school graduates more than the statutory standards established by the government. NPS does not discriminate against treatment, and supports the disabled after employment so that they can adapt well to the working environment, and provides the high school graduates workers with educational opportunities and opportunities for promotion depending on task performance.

In the case of the socially weak, NPS steadily recruits female workers, which are about 40% of all employees, and in the case of married female employees, it established maternity and parental leave systems. NPS recommends them to utilize the leave, if necessary, in consideration to the balance between home and work. NPS doesn't discriminate for men and women in promotion. The company history shows that it had women of general directives of divisions and the heads of the Research Institute. Women can have opportunities to receive foreign dispatch education and women's leadership training if they want to be leaders to improve women's rights and encourage their social involvement.

Answered by Kim Mu-yeong, Head of the HR Management Dept.

Developing Human Resources to Grow Together

Efforts to Strengthen Human Resources

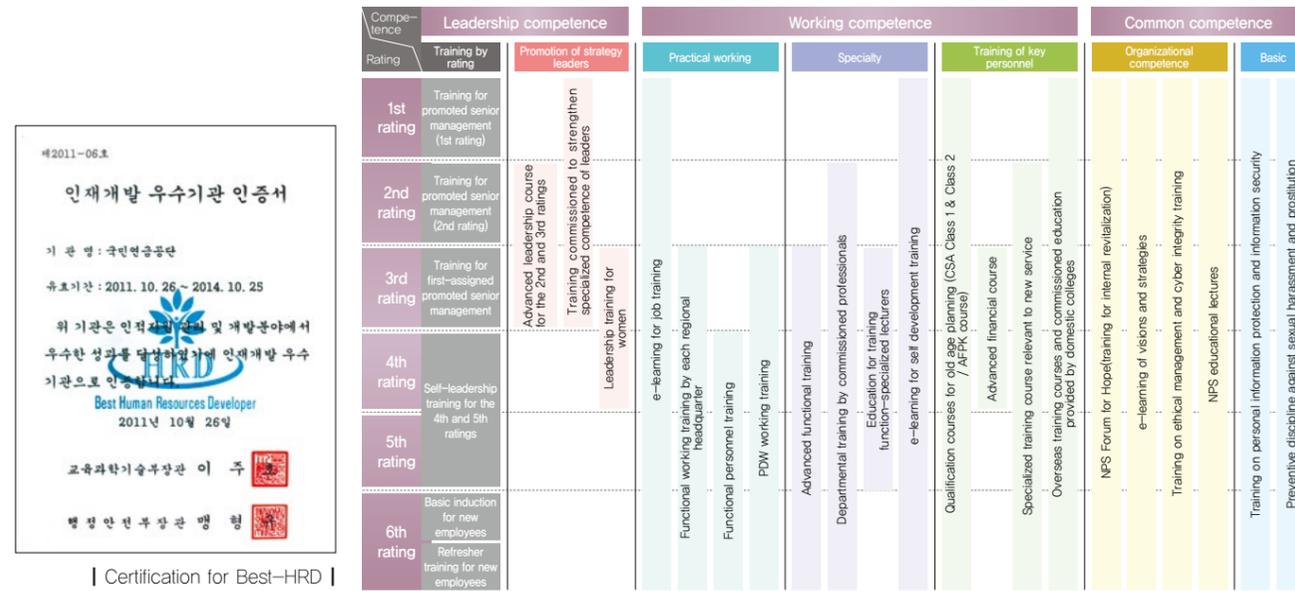
NPS strives to strengthen the capabilities of its employees as people's happiness partners and excellent pension experts on the base of the human image of the 'Expert in pension welfare who creates a happy and prosperous future with trust and passion.'



| HR enhancement management system |

Strengthening the Capabilities of Employees Through Training

NPS was selected as the best Human Resource Development Institutions (Best-HRD)* in the public sector in 2011 as result of establishing systematic human resource development planning, reflecting employees' needs and capabilities and operating HR management process. NPS reorganized a Cyber Training Institute for learner-centered regular learning, set up a Mobile Training Institution, and introduced smart-learning. In addition, NPS cultivated professionals specialized in each core business through operating systematic training process based on common competence, leadership competence and working competence. Various educational opportunities through the collaboration between industry and education organizations providing professional training are provided by NPS.



| Structure chart of training |

Type of jobs	2009		2010		2011	
	Person	Hour	Person	Hour	Person	Hour
1st rating	134	3,686	69	1,395	143	5,048
2nd rating	577	17,243	486	8,368	833	12,989
3rd rating	2,336	51,469	2,062	32,620	3,348	53,041
4th rating	5,348	104,810	4,953	70,627	8,554	109,107
5th rating	4,640	977,57	3,939	60,599	5,573	81,322
6th rating	1,785	417,39	1,565	30,714	6,127	102,283
Others(Fund, research, technology, service, etc)	167	3,340	85	1,503	487	4,224
Total	14,987	320,044	13,159	205,826	25,065	368,014

| Average annual training hours per person by each type of job |

Support for Cultivating Female Workforce

In December 2011, NPS abolished the restrictions in the promotion of employees who have childcare leave as the rate of female workforce increases, and expanded the flexible workweek in consideration to the balance between home and work. And NPS constantly tries to enhance the capabilities of female leaders by holding workshops and giving opportunities for training.

NPS encouraged employees to have more children and raise them by shortening working hours for pregnant women, running child care centers and providing parenting time. It established a route of communication for employees by 'Parenting Information Room'. And NPS provided various family-friendly education programs such as 'Happy Parents Coaching School' and 'Education for Happy Fathers'. NPS was certified as an excellent organization of family-friendly companies from the Ministry of Gender Equality and Family in November 2011.

- Officials suspended : All employees that have used maternity leave in the relevant year.
- Officials reinstated : Number of employees that are reinstated within the relevant year.
- NPS ensures the maternity leave period of not more than 3 years per a child and reinstatement of officials suspended.

Indicator	Unit	2009	2010	2011
No. of female employees(percentage)	Person	1,681(34.9%)	1,673(35.1%)	1,937(41.9%)
No. of managers ranking higher than team leaders (percentage)	Person	77(7.8%)	77(7.9%)	104(11.2%)
No. of female officials suspended with maternity leave (percentage)	Person	136(8.09%)	132(7.89%)	142(7.33%)
Rate of reinstatement after maternity leave	%	100%	100%	100%
No. of female employees using maternity leave	Person	176	191	215
No. of officials reinstated after a maternity leave	Person	91	119	125

| Status of promoting support for women resources |



| Ceremony for excellent organization of family-friendly companies |



| Certification for excellent organization of family-friendly companies |

* Best-HRD: A certification scheme in the human resource development area of public sectors. It is a scheme for certifying a good organization in the HR development area through audits performed by government and educational experts.

Supportive on-the-job Education for Retired Officials

NPS operates retirement-preparation programs for its employees to support and improve the quality of their lives after retirement. It provides education that they want such as business start-up, re-employment training and old life planning education. Until now it has supported education in a variety of fields, including education for interpreter, translator, social worker, care worker, realtor, career counselor, housing manager, and returning to farming.

Reasonable Reward-paying based on Performance

NPS operates a personnel management system based on abilities and performance, and relates evaluation result to promotion, assignment and payment. As result of the management evaluation in 2011, 6 out of 11 department managers are promoted with their excellent performances while 13 managers of low-performance were downgraded. The annual salary system started in 2011 and was applied more broadly to employees over 3rd rating. 658 persons in the position of directives or at higher levels (14.2%), whose rating ranges from 1st to 3rd, are subject to annual salary system. Differentiated performance-based bonuses are applied to all employees regardless of the type of rating, and the highest bonus is over two times more than the lowest one.

Result of evaluation		Use of result	
Performance evaluation	Evaluating organizational performance of each department & its assessment	Personnel management	Promotion, transference, Upgraded/downgraded assignment, re-contracting, etc.
	MBO(personal performance evaluation)	Training/Education	Domestic/Overseas subcontracted training, etc.
Ability evaluation	Evaluating individual ability	Basic annual salary	Accumulative difference of wage increase rate
		Performance-based annual salary	About 2.2 times differential gap between the highest and the lowest
	Multilateral evaluation	Ranking-based bonus	Expanded to the range of 1st to 3rd rating from 1st to 2nd rating
		Performance-based bonus	Over 2 times differential gap between the highest and the lowest

| Rewarding process |



Does NPS make any effort to make it a happy workplace for employees?

I think it's important to implement a fair personnel policy without discrimination against all the employees so as to make NPS a happy workplace. So NPS always strives to set up systematic systems so that employees enjoy impartial opportunities to contribute to the organization as much as they have exerted their capabilities and made effort.

Answered by Kim Mu-yeong, the Head of HR Management Dept.

Open-minded Communication between Labor and Management

NPS does best to make worksites more pleasant and to improve working conditions and the welfare of employees on the basis of positive communication between labor and management.

Harmonized Labor-management Culture

Establishing Sound Relationship between Labor and Management

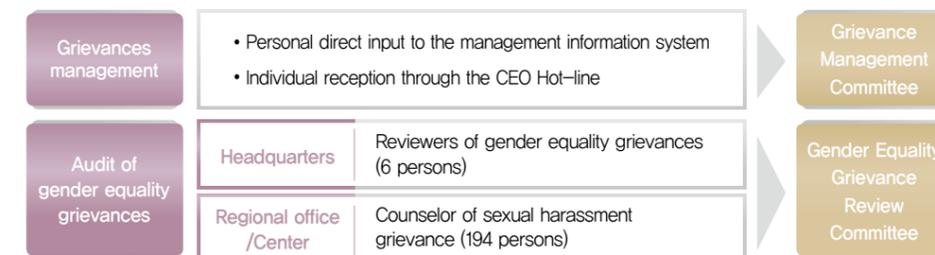
NPS recognizes right of freedom of association. 3,302 employees occupying 71.4% of the potential union members* of the national pension division under the National Public Transportation Society Service Labor Union are union members at present. In 2011, NPS management and its labor union signed up to a reasonable collective agreement, which became a platform to jump high to progressive relationship between labor and management. Management must notify important changes to management within seven days according to Article 20 of the collective agreement. Open-minded management is implemented to consider voices of worksites through active communication between labor and management.

Item	2009	2010	2011
No. of employees joining labor union	3,399	3,329	3,302
Percentage	70.6%	70.0%	71.4%

| Status of labor union members |

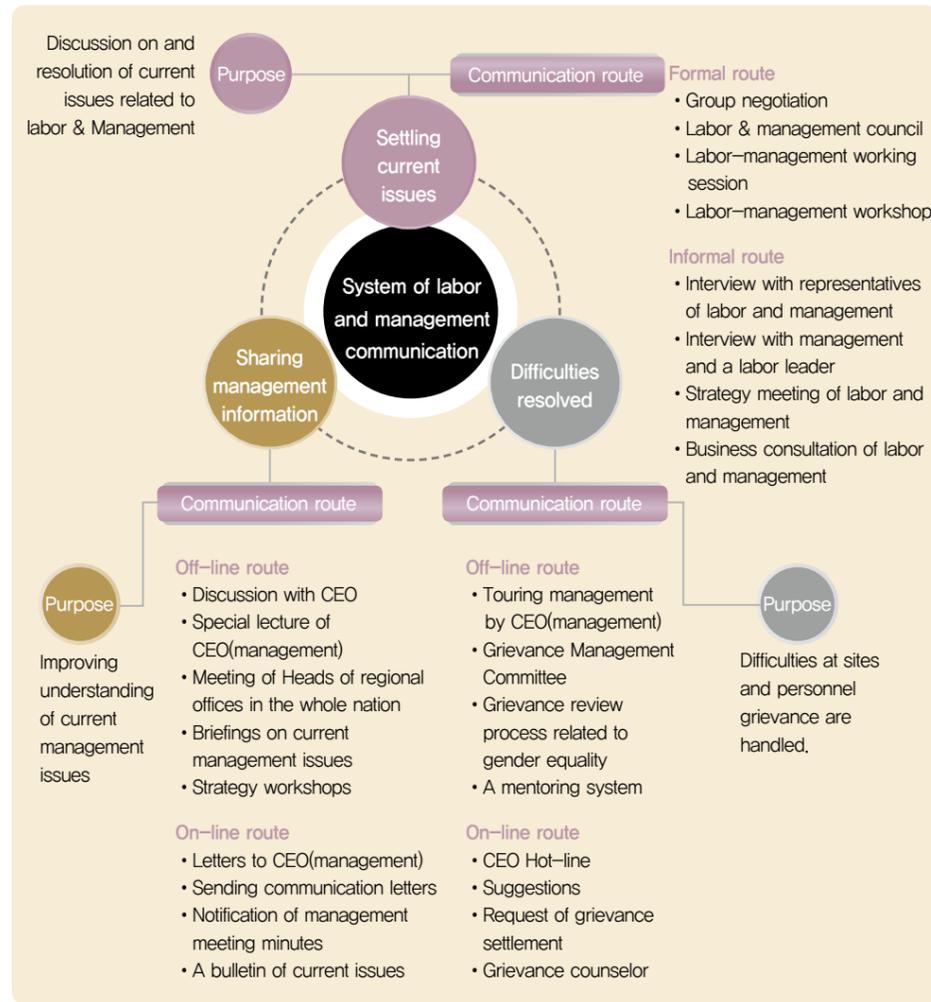
Communication Route

NPS makes positive effort to settle grievances of employees. Grievances input to the management information system are reviewed by the Grievance Management Committee where both labor and management participate. Result of review is notified to a relevant individual within ten days. A self-checking program, including issues concerned with maternity protection and gender equality, is operated as precautionary action. Reviewers of gender equality grievances and counselors handling grievance of sexual harassment respond actively to cases of damage occurring in NPS. As a result of such effort, performance of 'Zero-Grievance' associated with sexual equality was accomplished in the past three years.



| Grievance management process |

* NPS Labor union: The senior union is public transportation union under the Korean Confederation of Trade Unions. A person who is employed by NPS and specified in the Code of the Union can be a union member. (Member qualification of employees ranking in the 2nd rating, 3rd rating employee assigned upward, 3rd rating assigned directives (including Center Heads), and personnel allocated in the Union is suspended during the assignment period.)



| System of labor and management communication |

Year	No. of grievance requested	Grievance accepted	Acceptance rate (%)	Note
2009	365	233	63,8	Grievances of serious diseases and maternity are acceptable.
2010	170	122	71,8	
2011	203	142	70,0	

| No. of grievance and content |

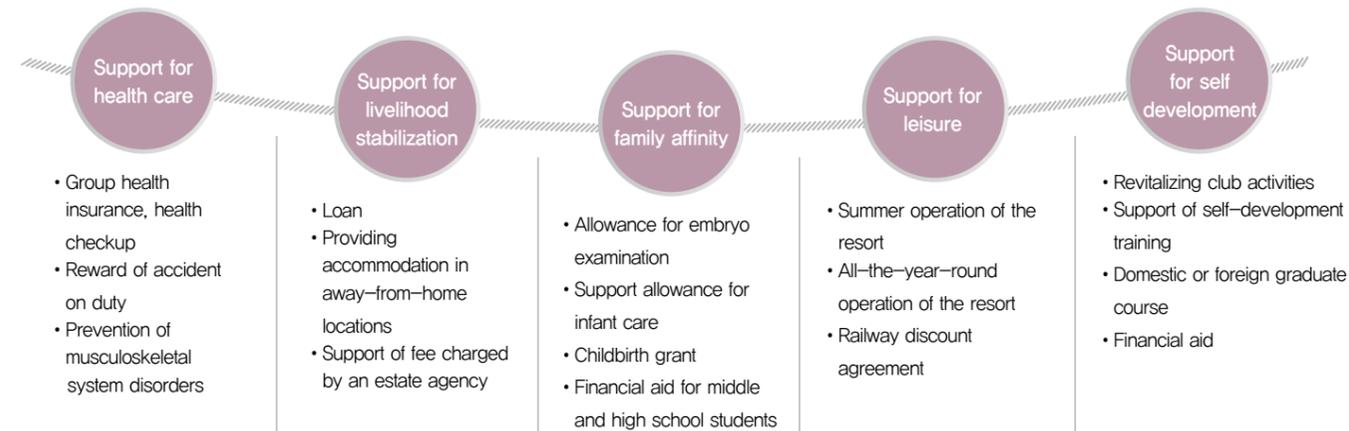
Occupational Health & Safety

NPS operates 'Occupational Safety and Health Committee' under 'Occupation safety and Health Act' and provides comprehensive medical check-ups every two years to employees aged 30 and over who have worked for more than three years and gives accident compensation for occupational injury or illness. As the employees' mental stress has increased due to public service work and the number of staff with skeletal illnesses by using computers for a long time has increased, it introduces an EAP(Employee Assistance Program) and provides preventive training and protection equipment in order to prevent musculoskeletal disorders. Furthermore, by conducting stress tests and individual counseling for mental health of employees, NPS helps them solve problems that have a negative influence on their job satisfaction and productivity.



Providing Various Benefits to employees

NPS help employees to lead happy and stable lives by providing various benefit programs which ranges from health care support, livelihood stabilization support and family affinity support to leisure support and self development support. In 2011, NPS converted its paradigm into focused non-monetary support to operate a more reasonable employ benefit system. A new point system for employees who has at least three children is included in the flexible benefit plan of NPS.



| Employee benefits |

How can NPS form the organizational culture in order to fulfill its social responsibilities?

I recognized the importance of organizational culture again in the desirable management of NPS as I witnessed that all the activities became rigid due to the labor-management conflicts. So NPS included social responsibility management in the induction of the organizational culture to the 614 recruits.

In addition, since employee satisfaction is directly related to the formation of social responsibility, strengthening motivation is essential, but NPS is forming an active organizational culture by revealing emotional aspects such as sticky camaraderie and high self-esteem about their workplace to overcome limitation which makes it difficult to expand incentives such as promotion and salary.

NPS will lead employees continuously to the contribution to the society in the future, by recognizing NPS' social responsibility and enhancing employees' awareness of mission related to their tasks. In addition, if awareness of social responsibility and the organizational culture are integrated, we will be able to cope with the changes of government policy and communication with stakeholders more effectively.

Answered by Kim Baek-gi, Head of the Strategy Management Section at the Planning & Coordination Dept.

8. NPS: Thinking of the Environment

“We will open a future world where people and the environment coexist.”



Environmental Management to Save the EARTH

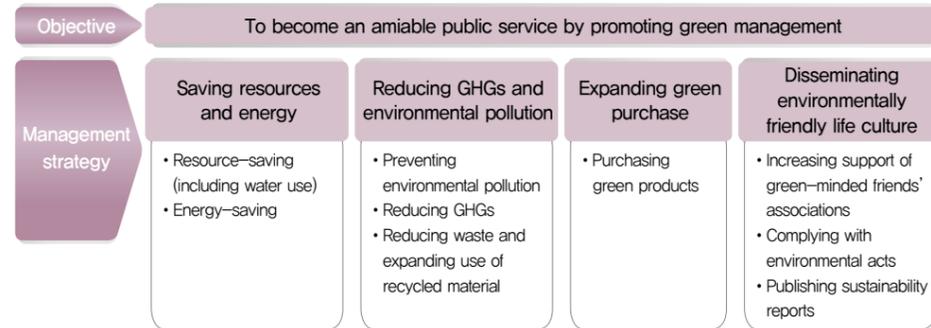
NPS leads a response to global climate change by striving to save energy and minimize GHG emissions



Responding to Climate Change

Environmental Management System

NPS strengthens environmental management over generic management activities to be loved by people. It tries to save resources and energy, to minimize greenhouse gas emissions and environmental pollution, and to fulfill its responsibilities for the environment through promoting green purchases in everyday life and environmentally friendly lifestyle.



| Environmental management system |

Organization of Environmental Management

Task force teams that implement the environmental management appropriate to their roles are operated for effective environmental management. An energy-saving promotion meeting is held twice a year to discuss about and decide key agendas. Energy-custodians designated throughout NPS perform practical energy-saving activities and diffuse energy-saving awareness.



| Organizational structure of environmental management |

GHG Emissions Management

As a basis for effective management of GHG & energy objective, the GHG emissions performance management system was established in May 2011. Emissions from GHG emission sources, such as buildings and vehicles used at all regional offices, are monitored and managed by NPS. GHG emissions in 2011 were 6.6% reduced to 3,344,54t of CO2 against emissions in 2010.

Item		Unit	2009	2010	2011	
GHG emissions	Direct	Fuel	tCOe/yr	320.79	299.43	278.66
		Vehicle	tCOeq/yr	50.93	70.01	38.78
	Indirect	Electricity	tCOeq/yr	2,472.33	2,693.53	3,027.10
		Total emissions	tCOeq/yr	2,844.07	3,008.98	3,344.54
GHG emissions in basic unit		t/m ² ,km	0.2278	0.2396	0.2694	
GHG Reduction rate		%	0	5.9%	6.6%	

Note: the application boundary of estimated data above is from headquarters.

| Annual GHG emissions |



| Geo-thermal electricity system 1 |

Expanding Use of Recycled Energy

NPS' compliance is accomplished by monitoring current status of environmental acts*. To be cooperative to a low-carbon green growth policy of government, NPS prepares for certification of environmentally friendly construction and constructs a new pension hall in consideration to nature-friendliness. The geo-thermal electricity system was applied in designing the Suwon and Yangsan pension halls. Chuncheon pension hall reduced cost of 120 million won by restricting GHG emission and was awarded with certification as it adopted the 1st rating energy efficiency.

Item	Environment-friendly characteristics
Suwon Pension Hall	Adopting geo-thermal electricity generation(322kw)
Yangsan Pension Hall	Adopting geo-thermal electricity generation(161kw)
Chuncheon Pension Hall	Adopting the 1st rating energy efficiency(Annual use of less than 300kw per m ²)

| Status of environmentally friendly construction |



| Geo-thermal electricity system 2 |

Making Effort to Save Energy

NPS-wide Implementation of Energy Management

NPS-wide energy management planning is established and implemented to restrict GHG emissions and reduce overuse of energy. NPS saves energy used in building maintenance and transportation areas in addition to use of products, and performs active training promotion activities aimed at improving awareness of energy use.



| Geo-thermal electricity system 3 |

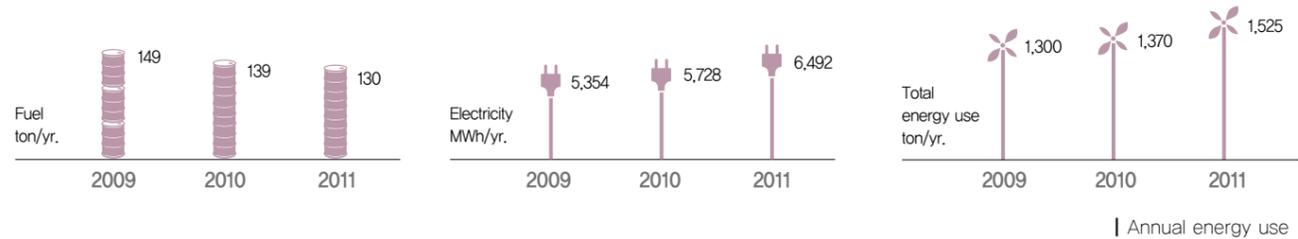
Category	Planning	Key performance
Building	<ul style="list-style-type: none"> • Establishing obligatory use of high efficiency energy equipment and material 	<ul style="list-style-type: none"> • Over 30% of lighting devices are replaced with LED lighting products from now to the year of 2012 - 9,721 LED lightings (30.5%) are exchanged. • High efficiency energy equipment and material are purchased • Installation of outdoor beauty lightning is banned • Overnight turn-off of outdoor advertisement boards(From 23:00 to sunrise)
	<ul style="list-style-type: none"> • Reasonable operation of elevators 	<ul style="list-style-type: none"> • Use of elevators at floors under the 5th is prohibited and operation by the even/odd number above 4th is applied (Elevators for patients and the disabled are excluded)
	<ul style="list-style-type: none"> • Maintaining adequate indoor temperature 	<ul style="list-style-type: none"> • Heating temperature is maintained below 19°C, and cooling temperature above 27°C
	<ul style="list-style-type: none"> • Water saving 	<ul style="list-style-type: none"> • Water-saving devices are equipped
Transportation	<ul style="list-style-type: none"> • Revitalizing use of hybrid or small cars • Searching for a method for limiting car use • Riding a bike and Increasing use of public transportation 	<ul style="list-style-type: none"> • Use of small or hybrid cars are revitalized(5 cars) • 'Day Selection for using a car ' is enforced
Training & Communication	<ul style="list-style-type: none"> • Attending training provided by a specialized organization • Designating every Wednesday as 'Green Day' 	<ul style="list-style-type: none"> • Public relations for energy saving are reinforced(e.g. intercom, promotional literature, publications, etc) • Wednesdays are designated as 'Green Day' and a energy-saving campaign is conducted
Others	<ul style="list-style-type: none"> • Decreasing paper use • Restraining use of disposables 	<ul style="list-style-type: none"> • Use of presentation slides in the meeting or training, summary sheets for approval, individual saving of printer use, etc. • Disposable materials consumption is measured to offer incentives of saving money • Environmental allotment is imposed to use of disposables, and using personal cups is encouraged.

| Corporate energy-saving planning and performance |

* Environmental acts applicable to general construction located in the metropolitan area: Water Act, Sewage Act, Waste Management Act, and Hazardous Chemicals Management Act

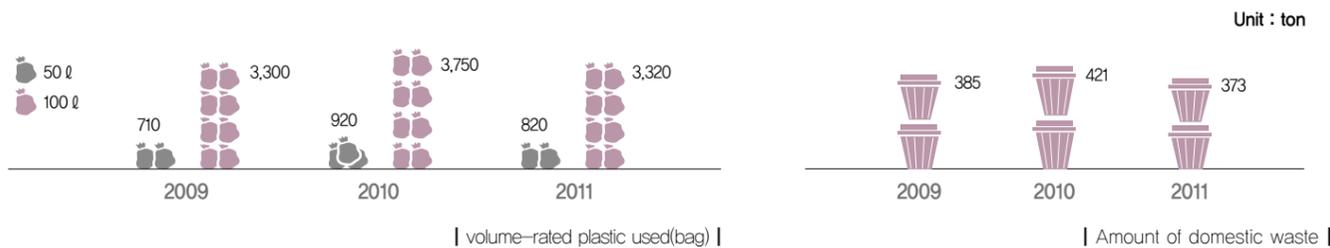
Energy Management and Environmental Investment

Continual improvement is implemented by analyzing the root cause of basic unit emissions and total energy consumption. High-efficiency energy materials are substituted and water-saving devices are installed to save energy. The energy-saving system was established to carry out controls of cooling and heating temperature, lighting management, and energy-saving activities. To practice energy saving in everyday life, every Wednesday is designated as 'A Practice Day of Green life'. Active effort including restriction of car use is sought for reduction of GHG emissions from vehicles. A management system for effective environmental management is established and investment related to environment is expanded. For example, activities for monitoring installed equipment are performed and energy-saving facilities are substituted. In 2011, equipment used in 11 regional offices are maintained and exchanged, which caused cost-saving of about 789 million 94 thousand won.



Waste Management

NPS manages and processes domestic waste, food waste, and designated waste in compliance with legal procedures, and makes effort to reduce emissions. It has installed waste bins for separate collection and storage boxes for paper cups/batteries/waste fluorescent lamps as well as outdoor waste storage facilities. In case that separate collection is impossible at the waste generation stage, staff members in full charge of separate waste collection are designated for thorough waste management.

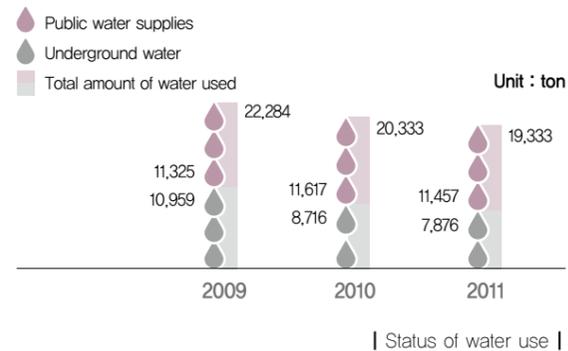


Air Pollution Management

NPS' effort to establish systematic management including periodical monitoring of indoor air quality and pollutants of pension halls to identify status of indoor environment is without stopping. As a control of indoor air pollution, ventilation facilities are complemented and regulation on handling indoor pollutants is established. A categorized activities plan is prepared to manage indoor air quality of publicly-used facilities, and air conditioning devices are cleansed and disinfected on a regular basis to ensure pleasant and safe indoor air.

Water Management

Water used in the Headquarter and regional offices is either supplied publicly or extracted from underground. Terminal treatment of wastewater is carried out through urban sewage treatment plants. Additional wastewater recycling facilities are not operated because NPS has no hazardous materials of various types that can have a negative impact on the environment.



Environmentally Friendly Green Management

Ecology Preservation Activities

Although worksites of NPS include no ecological preservation area, a strategy of responding to climate change is established as a start and much attention is paid to ecology protection activities. The annual planting event in a Planting Day contributes to the formation of forests, and Green Like-minded Friends' Association continues its activities for environment protection, such as picking-up waste.

A System for Responding to Environmental & Safety Accidents

Due to the latest occurrences of heavy snow, localized torrential downpour, and typhoons, response to contingency and emergency training system are modified. Prior safety checks of equipment prevent elements causing disasters and enable the precautionary awareness of hazard and active response to natural disasters resulted from climate change. Periodical safety tours twice a year as well as monthly internal safety checks are conducted to check equipment used in operation buildings of NPS. Also at occasional times when accident occurrence is possible, independent self-checks by regional offices or a travelling inspection by staff from headquarters is conducted at the same time. NPS provides fire prevention training for its employees and visitors not less than once a year and undertakes simulated response training against a safety accident.

Daily check	<ul style="list-style-type: none"> Sanitary facilities, water-supply and drainage facilities Boiler, hot and chilled water machine Parking facilities, meters, indoor temperature 	Quarterly check	<ul style="list-style-type: none"> All types of pumps, motor operation, etc. Cleaning(glass, fan coil, filter, etc.)
Weekly check	<ul style="list-style-type: none"> Landscape trees, generator, lighting facilities 	Half yearly check	<ul style="list-style-type: none"> Building structure(floor, wall, column) Precise inspection of fire protection system, etc.
Monthly check	<ul style="list-style-type: none"> Fire protection equipment, water supply pump Elevators and automatic control equipment Preventive disinfection, broadcasting & communication facilities 	Annual check	<ul style="list-style-type: none"> Periodic inspection (Boiler, hot and chilled water machine, elevators, and measurement of indoor air quality) Gas monostat (three years), electricity facilities(three years)

| Preventive checking activities for equipment management |

Training of Environmental Management

NPS-wide trainings and sharing activities through communication improve internal awareness of environmental management. A training program of 'Cyber Green Management' is operated for all employees and training related to overall environmental management improves professionalism of environment management personnel. Also, emotional consensus is diffused throughout NPS by activities including poster-making, energy reduction campaigns, and individual practice vows.

Expanding Green Purchasing

NPS buys products certified with either an environmental mark or good recycling (GR), which occupies 90% of the purchased products. NPS encourages environmentally friendly production activities of suppliers. Reduction of maintenance and disposal cost, and safety of human bodies are accomplished by green purchasing. Especially, prior review of prioritized purchases is a must to form the basis of green products purchase at the planning stage. At the contracting stage a special condition of purchasing green products is included in contract terms and conditions. Purchasing performance is managed by a computer system. The amount of purchasing green products in 2011 was KRW 3,270 million, 93% of total purchase amount.

Item	2009	2010	2011
Amount of green purchasing (KRW 1 million)	3,987	3,227	3,270
Green purchasing percentage (%)	97.7	89.7	93.0

| Status of green purchasing |



| A poster of an energy reduction campaign |

2012

NPS Sustainability Report

APPENDIX

Summary of Economic Performance

ISO 26000 Compliance Diagnosis Report

Assurance Statement of the Third Party Verifier

GRI G3.1 / ISO 26000 Index

UNGC & UN PRI Principles

Certification, Prizewinning, and Membership

Summary of Economic Performance

(Unit : KRW 1 million)

Summarized Financial Statements

Category		2009	2010	2011	
Pension business	Asset	Liquid asset	63,454	85,672	87,430
		Non-liquid asset	491,219	504,016	524,999
		Aggregated asset	554,673	589,688	612,429
	Liabilities	Liquid liabilities	41,748	79,582	56,828
		Non-liquid liabilities	619,844	629,368	652,644
		Aggregated debt	661,592	708,950	709,472
	Capital	Capital money	0	0	0
		Others	-106,919	-119,262	-97,043
		Aggregated capital	-106,919	-119,262	-97,043
Fund business	Asset	Liquid asset	52,517,470	79,915,230	73,248,853
		Investment asset	228,257,770	249,425,058	276,848,679
		Other non-liquid asset	321,994	324,725	360,609
		Aggregated asset	283,097,234	325,665,013	350,458,141
	Liabilities	Liquid liabilities	3,836,283	690,207	453,156
		Other non-liquid liabilities	1,618,567	984,055	1,137,293
		Aggregated liabilities	5,454,850	1,674,262	1,590,449
	Net asset	Basic net assets	335	335	335
		Reserve & surplus	264,555,950	294,788,855	325,439,479
		Net asset coordinated	13,086,099	29,201,560	23,427,878
		Aggregated net asset	277,642,384	323,990,750	348,867,692

Business Operation Performance

Item		2009	2010	2011		
No. of the insured (person)	Total number of the insured*	18,623,845	19,228,875	19,885,911		
	Workplace subscriber	Workplace	979,861	1,031,358	1,103,570	
		The insured	9,866,681	10,414,780	10,976,501	
	Local subscriber	Urban area	6,754,838	6,722,625	6,688,799	
		Farming & fishing area	1,925,023	1,951,867	1,986,631	
		Sub-total	8,679,861	8,674,492	8,675,430	
	Voluntary subscriber(continual)	77,303	139,603	233,980		
	No. of beneficiaries	Pension beneficiarie	Old age	2,288,580	2,496,122	2,685,251
			Disability	109,564	116,767	123,114
			Survivor	410,538	450,852	491,916
Sub-total			2,808,682	3,063,741	3,300,281	
Lump sum beneficiaries		Disability	3,836	3,447	3,480	
		Return	154,119	141,347	136,628	
		Death	9,759	9,893	11,631	
		Sub-total	151,739	154,687	167,714	

Item		2009	2010	2011	
Operational profit rate by each Type of asset**	All financial sections	Unit	10.41	10.39	2.31
	Stocks	%	45.40	21.86	-9.46
	Domestic	%	51.00	25.41	-10.34
	Overseas	%	26.50	13.04	-6.90
	Bond	%	3.98	7.52	5.73
	Domestic	%	4.09	7.59	5.67
	Overseas	%	2.23	6.52	6.59
	Alternative	%	-0.92	8.66	10.22
	Domestic	%	4.06	7.71	9.02
	Overseas	%	-21.09	10.47	12.03

* Workers engaged in workplaces which subscribe to at least two types of national pension or workplace subscribers (at least two workplaces applied) of users are both estimated by the unit of workplace.

** Based on the profit rate of booked average balance

ISO 26000 Compliance Diagnosis Report

Dear NPS Management and Stakeholders,

Criteria of Assessment

KSA (Korean Standards Association) developed a 'Checklist to evaluate implementation level of social responsibility'. The checklist provided by ISO 26000 includes the performance evaluation of the social responsibility implementation process and 7 core subjects of social responsibility; organizational governance, human rights, the environment, labor practices, fair operating practices, consumer issues, and community involvement and development. KSA checked the implementation level of social responsibility of the NPS (National Pension Service) in accordance with the ISO 26000 checklist.

Boundary of Assessment

KSA carried out evaluation of the areas of generic internal activities, mid and long-term strategies, social responsibility activities, and the implementation process of the sustainability management strategy. The result of check is determined on the basis of reviewing internal documentation including relevant policies, activities, performance data and estimating system.

A Method of Assessment

KSA performed the 1st stage preliminary check through interviews with internal stakeholders in the departments involved in publication of social responsibility management reports. During the 2nd stage evaluation, the verification team visited the headquarters of NPS, investigated documentation related to internal evaluation and review, and interviewed relevant personnel.

Result of Assessment

As result of evaluation, NPS achieved 884.9 points out of maximum 1000 points, which showed the 4th implementation stage of social responsibility management. Such result demonstrates that awareness level of personnel required to implement social responsibility is very high and that policies and practices of NPS' operational system are well established.

Core subject	Maximum score	Evaluation score
Process	360	310
Performance	640	574.9
Total	1000	884.9

I. Assessment of Social Responsibility Management

Process: 310 points out of maximum 360

On the basis of management commitment of social responsibility, NPS established a new social responsibility management division and strived to publish the first social responsibility management report to show its tendency to enhance implementation activities. Especially, NPS manifested its commitment of social responsibility management through supporting international initiatives, including UN Global Compact and UNPRI.

Result of Process Assessment

8 stages of SR management process	Achievement percentage (%)
Recognition of social responsibility	88.00
Identification of and engagement with stakeholders	90.00
Analysis of core subjects and issues of social responsibility	93.33
Prioritization, establishment of strategy for implementation and planning	80.00
Implementation	90.00
Communication	80.00
Verification	93.33
Improvement	80.00

II. Assessment of 7 Core Subjects: 574.9 points out of maximum 640

NPS' implementation level of expectations in relation to 7 core subjects of ISO 26000 is generally seamless. Especially implementation of fair operating practices such as anti-corruption activities is excellent. Implementation of engagement in local communities and improvement is also considered to be on an excellent level.

Result of Subject-specific Assessment

7 core subjects	Achievement percentage (%)
Organizational governance	90.0
Human rights	91.4
Labor practices	95.2
The environment	74.0
Fair operating practices	97.4
Consumer issues	93.3
Community involvement and development	96.7

ISO 26000 Compliance Diagnosis Report

III. Recommendation for Subject-specific Improvement

The following is recommendations for improvement in the area of each core subject.

① Organizational governance

NPS-wide strategy of social responsibility management is implemented with a one-sided line. In terms of mid and long-term prospective, NPS should integrate social responsibility management strategy into overall corporate strategy to implement operation in the future.

② Human rights

Working conditions and management of training of employed women is satisfactory. As documentation of separated policy, guidelines and audit criteria of human rights is insufficient, and documentation of both relevant policy including suppliers and guidelines is recommended.

③ Labor practices

NPS' effort to manage physical and mental health of personnel including introduction and operation of an EAP (Employee Assistance Program) is outstanding. However, accusations and labor-management disputes occur continually because of opinion difference existing between labor and management. Communication with internal stakeholders for harmonized agreement between labor and management should be promoted in the future.

④ The environment

With the operation of Energy Saving Committee, NPS responds to environmental issues such as greenhouse gases. Also NPS implements policy of use of high efficiency energy products in compliance with government policy. But areas for improvement are limited to management of environmental performance according to governmental policies and absence of designated personnel. An environmental performance management system including allocation of designated persons should be established in the future.

⑤ Fair operating practices

Level of both the institutional operation of fair operation practices such as the internal irrationality reporting practice and the transparency related to contracting process is very high. However, as bureaucratized characteristics seem to exist in the institutional operation, NPS should pursue the improvement of effectiveness in the institutional operation and mid/long term revitalization of social responsibility for suppliers.

⑥ Consumer issues

NPS collects VOCs of Korean people on a monthly basis and tries to use them to achieve management improvement. Also an advanced monitoring system for information protection is implemented to promote personal information protection management. Nevertheless, a customer-related training program should be developed, including a program associated with customer health and safety protection, and the promotion of sustainable consumption should also be pursued.

⑦ Community involvement and development

NPS contributes to creating new employments related to business working and establishing enhanced credibility through local community assistance activities determined by considerations of business characteristics. To satisfy the reinforcement of consultation with local stakeholders during engagement activities performed in local communities, consultative groups should be organized and revitalized to identify needs of local communities and support meeting these needs.

Conclusion

The implementation level of social responsibility is generally excellent. Recognition of social responsibilities is disseminated throughout the organization and establishment of implementation processes in conformance with ISO 26000 is very positive. To consider opinions of various types of stakeholders, integrated management of stakeholders' opinions through communication with society and clear understanding of stakeholders' expectations should be accomplished in the future.



October 1 2012

Kim Chang-yong,

President of Korean Standards Association

Chang Ryong Kim

Assurance Statement of the Third Party Verifier



Assurance Statement

related to The National Pension Service's, Sustainability Report 2012, for the calendar year ending 31st December 2011

Terms of Engagement

This Assurance Statement has been prepared for National Pension Service.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by National Pension Service (NPS) to assure its Sustainability Report 2012 for the calendar year ending 31st December 2011 ("the Report"). The Report relates to the sustainability performance data and information for NPS's activities in Korea.

Our terms of engagement covered NPS's head office in Seoul and its domestic branch offices where NPS has operational control.

Management Responsibility

NPS's management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with NPS.

Ultimately, the Report has been approved by, and remains the responsibility of NPS.

LRQA's Approach

Our verification has been conducted against the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G3.1).

The objectives of the assurance engagement were to:

- Confirm that the Report meets the requirements of GRI G3.1's application level A+
- Validate NPS's self-declaration for GRI G3.1's application level A+
- Evaluate the reliability and accuracy of specified sustainability data and information.

To form our conclusions the assurance was undertaken as a sampling exercise and covered the following activities:

- Reviewing NPS's stakeholder engagement process, material issues and related information
- Benchmarking NPS's material issues against our own independent analysis of stakeholder issues which was done by evaluating external media reports and reviewing other sustainability reports written by NPS's peers in comparable industries
- Understanding how NPS determine, respond and report on their material issues
- Interviewing senior management to understand NPS's reporting processes and use of sustainability performance data within their business decision-making processes
- Interviewing key personnel to understand NPS's processes for setting performance indicators and for monitoring progress made during the reporting period
- Verifying NPS's data and information management systems and reviewing supporting evidence made available by NPS at their head office Kukmin-Yeonkum Building, 13, Olympic-ro 35 Da-gil, Songpa-gu, Seoul, Korea in accordance with our contract for the verification of data and information disclosed in the Report. Note 1: Economic performance data was taken direct from the audited financial accounts
- Checking that the GRI G3.1 index allows stakeholders to access sustainability performance indicators.

Assurance Statement of the Third Party Verifier



LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that NPS's Report does not meet GRI G3.1's application level A+.

It is also our opinion that NPS has not excluded any material issues and that their reporting processes provides reliable sustainability performance data and information.

However, whilst performance data in our opinion is reliable, it was determined that the environmental data was not complete; only the environmental data for NPS's head office was reported.

LRQA's Recommendations

NPS should consider :

- Improving the data management systems to ensure accuracy and reporting consistency with the requirements of GRI Sustainability Reporting Guidelines G3.1.
- Including environmental performance data from those branch offices under its operational control
- Increasing, throughout its organisation, the understanding of what social responsibility is. NPS could do this by providing further awareness training and ensuring that their sustainability strategies and commitment to reporting are embedded in day to day activities.

Dated: 4th December 2012

Verifiers

Signed

Hack-Ryang Kim

Dave Mateo

On behalf of Lloyd's Register Quality Assurance

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

LRQA Reference: SEO 6016402

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Due to inherent limitations in any internal control it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The English version of this statement is the only valid version. The Lloyd's Register Group assumes no responsibility for versions translated into other languages.

GRI G3.1/ISO 26000 Index

● Reported ○ Partially Reported ○ Not Reported N/A Not Applicable

Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level
	Stakeholder Inclusiveness Principle	6.8.2	Community involvement	18–19	●
	Boundary Protocol	6.6.5	Promoting social responsibility in the value chain	Overview	●
1. Strategy and Analysis					
1.1	Statement from the most senior decision-maker of the organization.	6.2	Organizational Governance	4–5	●
1.2	Description of key impacts, risks, and opportunities.	6.2		4–5, 28–29	●
2. Organizational Profile					
2.1	Name of the organization.			10	●
2.2	Primary brands, products, and/or services.			14–15	●
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	6.2	Organizational Governance	10	●
2.4	Location of organization's headquarters.			12	●
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.			12	●
2.6	Nature of ownership and legal form.			26–27	●
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).			10	●
2.8	Scale of the reporting organization.			10	●
2.9	Significant changes during the reporting period regarding size, structure, or ownership.			10	●
2.10	Awards received in the reporting period.			92	●
3. Report Parameters					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.			Overview	●
3.2	Date of most recent previous report (if any).			–	N/A
3.3	Reporting cycle (annual, biennial, etc.)			Overview	●
3.4	Contact point for questions regarding the report or its contents.			Overview	●
3.5	Process for defining report content.			22~23	●
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.			Overview	●
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).			Overview	●
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.			Overview	●
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.			Overview	●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).			–	N/A
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.			–	N/A
3.12	Table identifying the location of the Standard Disclosures in the report.			86–90	●
3.13	Policy and current practice with regard to seeking external assurance for the report.	7.5.3	Verification	84–85	●

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Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level
4. Governance, Commitments, and Engagement					
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	6.2	Organizational Governance	26–27	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	6.2		26–27	●
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	6.2		26–27	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	6.2		26–27	●
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	6.2		26–27	●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	6.2		26–27	●
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	6.2		26–27	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	6.2		16–17	●
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	6.2		27	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	6.2		27	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	6.2		28–29	●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	6.2		17, 36	●
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	6.2		92	●
4.14	List of stakeholder groups engaged by the organization.	6.2		18	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	6.2		18	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	6.2		18	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	6.2		19	●
Economic (Disclosure on Management Approach)					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	6.8/6.8.3/6.8.7/6.8.9	"Community involvement and development / Community involvement / Wealth and income creation / Social investment"	11	●
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	6.5.5	Climate change mitigation and action	76–77	●
EC3	Coverage of the organization's defined benefit plan obligations.	6.4.4/6.8	Conditions of work and social protection / Community involvement and development	70	●
EC4	Significant financial assistance received from government.			11	●
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	6.4.4/6.8	Conditions of work and social protection / Community involvement and development	66	●
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	6.6.6/6.8/6.8.5/6.8.7	Promoting social responsibility in the value chain / Community involvement and development / Employment creation and skills development / Wealth and income creation	63	●
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	6.8/6.8.5/6.8.7	"Community involvement and development / Employment creation and skills development / Wealth and income creation"	67	●
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	6.3.9/6.8/6.8.3/6.8.4/6.8.5/6.8.6/6.8.7/6.8.9	Economic, social and cultural rights / Community involvement and development / Community involvement / Education and culture / Technology development and access / Wealth and income creation / Social investment	51–53	●
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	6.3.9/6.6.6/6.6.7/6.7.8/6.8/6.8.5/6.8.6/6.8.7/6.8.9	Economic, social and cultural rights / Community involvement and development / Community involvement / Education and culture / Employment creation and skills development / Technology development and access / Wealth and income creation / Social investment	53	●

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Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level		
Environmental (Disclosure on Management Approach)							
				76	●		
EN1	Materials used by weight or volume.	6,5/6,5,4	The Environment / Sustainable resource use	78	●		
EN2	Percentage of materials used that are recycled input materials.			77	○		
EN3	Direct energy consumption by primary energy source.			77	●		
EN4	Indirect energy consumption by primary source.			77	●		
EN5	Energy saved due to conservation and efficiency improvements.			77-78	●		
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.			77-78	●		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.			77-78	●		
EN8	Total water withdrawal by source.			78	●		
EN9	Water sources significantly affected by withdrawal of water.			78	●		
EN10	Percentage and total volume of water recycled and reused.			78	●		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	6,5/6,5,6	The Environment / Protection of the environment & biodiversity, and restoration of natural habitat	-	N/A		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.			-	N/A		
EN13	Habitats protected or restored.			-	N/A		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.			-	N/A		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.			-	N/A		
EN16	Total direct and indirect greenhouse gas emissions by weight.	6,5/6,5,5	The Environment / Climate change mitigation and action	76-77	●		
EN17	Other relevant indirect greenhouse gas emissions by weight.			76-77	●		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.			76-77	●		
EN19	Emissions of ozone-depleting substances by weight.	6,5/6,5,3	The Environment / Prevention of pollution	-	N/A		
EN20	NOx, SOx, and other significant air emissions by type and weight.			-	N/A		
EN21	Total water discharge by quality and destination.			-	○		
EN22	Total weight of waste by type and disposal method.			78	●		
EN23	Total number and volume of significant spills.			-	N/A		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.			-	N/A		
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.			6,5/6,5,4/6,5,6	"The Environment / Sustainable resource use / Protection of the environment & biodiversity, and restoration of natural habitat"	-	N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.			6,5/6,5,4/6,6,6/6,7,5	The Environment / Sustainable resource use / Promoting social responsibility in the value chain / Sustainable consumption	-	N/A
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.			6,5/6,5,4/6,7,5	The Environment / Sustainable resource use / Sustainable consumption	-	N/A
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.			6,5	The Environment	-	N/A
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	6,5/6,5,4/6,6,6	The Environment / Sustainable resource use / Promoting social responsibility in the value chain	77	●		
EN30	Total environmental protection expenditures and investments by type.	6,5	The Environment	79	●		

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Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level
Social: Labor Practices and Decent Work (Disclosure on Management Approach)					
				66, 68, 71	●
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	6,4/6,4,3	Labour Practices / Employment and employment relationships	66	●
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.			67	●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6,4/6,4,3/6,4,4	Labour Practices / Employment and employment relationships / Conditions of work and social protection	73	●
LA4	Percentage of employees covered by collective bargaining agreements.	6,4/6,4,3/6,4,4/ 6,4,5/6,3,10	Labour Practices / Employment and employment relationships / Conditions of work and social protection / Social dialogue / Fundamental principles and rights at work	71	●
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	6,4/6,4,3/6,4,4/6,4,5	Labour Practices / Employment and employment relationships / Conditions of work and social protection / Social dialogue	71	●
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	6,4/6,4,6	Labour Practices / Health and safety at work	72-73	●
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.			72-73	●
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	6,4/6,4,6/6,8/6,8,3 /6,8,4/6,8,8	Labour Practices / Health and safety at work / Community involvement and development / Community involvement / Education and culture / Health	73	●
LA9	Health and safety topics covered in formal agreements with trade unions.	6,4/6,4,6	Labour Practices / Health and safety at work	72-73	●
LA10	Average hours of training per year per employee by gender, and by employee category.	6,4/6,4,7	Labour Practices / Human development and training in the workplace	68-69	●
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	6,4/6,4,7/6,8,5	Labour Practices / Human development and training in the workplace / Employment creation and skills development	70	●
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	6,4/6,4,7	Labour Practices / Human development and training in the workplace	70	●
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	6,3,7/6,3,10/6,4/6,4,3	Discrimination and vulnerable groups / Fundamental principles and rights at work / Labour Practices / Employment and employment / relationships	26-27	●
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	6,3,7/6,3,10/6,4/ 6,4,3/6,4,4	Discrimination and vulnerable groups / Fundamental principles and rights at work / Labour Practices / Employment and employment relationships / Conditions of work and social protection	66	●
LA15	Return to work and retention rates after parental leave, by gender.		Discrimination and vulnerable groups / Economic, social and cultural rights	69	●
Social: Human Rights (Disclosure on Management Approach)					
				62, 71	●
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	6,3/6,3,3/6,3,5/6,6,6	Human Rights / Due diligence / Avoidance of complicity / Promoting social responsibility in the value chain	36-37, 62	●
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	6,3/6,3,3/6,3,5/ 6,4,3/6,6,6	Human Rights / Due diligence / Avoidance of complicity / Employment and employment relationships / Promoting social responsibility in the value chain	62	○
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	6,3/6,3,5	Human Rights / Avoidance of complicity	57	●
HR4	Total number of incidents of discrimination and corrective actions taken.	6,3/6,3,6/6,3,7/ 6,3,10/6,4,3	Human Rights / Resolving grievances / Discrimination and vulnerable groups / Fundamental principles and rights at work / Employment and employment relationships	71	●
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	6,3/6,3,3/6,3,4/6,3,5/ 6,3,8/6,3,10/6,4,3/6,4,5	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Civil and political rights / Fundamental principles and rights at work / Employment and employment relationships / Social dialogue	71	●
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	6,3/6,3,3/6,3,4/6,3,5 /6,3,7/6,3,10	Human Rights / Due diligence / Human rights risk situations / Avoidance of complicity / Discrimination and vulnerable groups / Fundamental principles and rights at work	66	●
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.			66	●
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	6,3/6,3,5/6,4,3/6,6,6	Human Rights / Avoidance of complicity / Employment and employment relationships / Promoting social responsibility in the value chain	57	●
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	6,3/6,3,6/6,3,7/ 6,3,8/6,6,7	Human Rights / Resolving grievances / Discrimination and vulnerable groups / Civil and political rights / Respect for property rights	-	N/A
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		Due diligence / Human rights risk situations	62	○
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."		Resolving grievances	58, 71	●

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Profile	G3.1 Content Index	ISO 26000	ISO 26000 Core Social Responsibility Subjects & Themes	Page	Reporting Level
Social: Society (Disclosure on Management Approach)					
				50, 56, 62	●
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	6.3,9/6.8/6.8,5/6.8,7/6.6.7	Economic, social and cultural rights / Community involvement and development / Employment creation and skills development / Wealth and income creation / Respect for property rights	50–53	●
S02	Percentage and total number of business units analyzed for risks related to corruption.			35, 58	○
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	6,6/6,6.3	Fair Operating Practices / Anti-corruption	57	●
S04	Actions taken in response to incidents of corruption.			35, 58	●
S05	Public policy positions and participation in public policy development and lobbying.	6,6/6,6.4/6,8.3	Fair Operating Practices / Responsible political involvement / Community involvement	47, 51	●
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.			–	N/A
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6,6/6,6.5/6,6.7	Fair Operating Practices / Fair competition / Respect for property rights	62	N/A
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	6,6/6,6.7/6,8.7	Fair Operating Practices / Respect for property rights / Wealth and income creation	–	N/A
S09	Operations with significant potential or actual negative impacts on local communities.		Community involvement and development	–	N/A
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		Community involvement and development	–	N/A
Social: Product Responsibility (Disclosure on Management Approach)					
				42	●
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	6,3,9/6,6.6/6,7/6,7.4/6,7.5	Economic, social and cultural rights / Promoting social responsibility in the value chain / Consumer issues / Protecting consumers' health & safety / Sustainable consumption	45	●
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.			–	N/A
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6,7/6,7.3/6,7.4/6,7.5/6,7.6/6,7.9	Consumer issues / Fair marketing, factual and unbiased information and fair contractual practices / Protecting consumers' health & safety / Sustainable consumption / Consumer service, support and complaint and dispute resolution / Education and awareness	42–44	●
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.			–	N/A
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6,7/6,7.4/6,7.5/6,7.6/6,7.8/6,7.9	Consumer issues / Protecting consumers' health & safety / Sustainable consumption / Consumer service, support and complaint and dispute resolution / Access to essential services / Education and awareness	42–44	●
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	6,7/6,7.3/6,7.6/6,7.9	Consumer issues / Fair marketing, factual and unbiased information and fair contractual practices / Consumer service, support and complaint and dispute resolution / Education and awareness	42–44	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.			–	N/A
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	6,7/6,7.7	Consumer issues / Consumer data protection and privacy	44	●
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6,7/6,7.6	Consumer issues / Consumer service, support and complaint and dispute resolution	–	N/A

UN Global Compact & UN PRI Principles

The UN Global Compact's ten principles in the four areas

In October 2012, the National Pension Service signed up the 'UN Global Compact', an international agreement on corporate social responsibility under a UN scheme. Now NPS supports and implements the UN GC's ten principles in the four areas of human rights, labour, the environment and anti-corruption.

Human Rights	Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2: make sure that they are not complicit in human right abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4 : the elimination of all forms of forced and compulsory labour;
	Principle 5 : the effective abolition of child labour; and
Environment	Principle 6: the elimination of discrimination in respect of employment and occupation.
	Principle 7 : Businesses should support a precautionary approach to environmental challenges;
	Principle 8: undertake initiatives to promote greater environmental responsibility;
Anti-Corruption	Principle 9: encourage the development and diffusion of environmentally friendly technologies.
	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery



UN PRI (Principles for Responsible Investment)

The National Pension Service obtained membership of the UN PRI (Principles for Responsible Investment) in 2009, and endeavors to improve its long-term management performance of fund and enroot a long-term investing culture in the capital market with commitment to the following six principles for responsible investment of the United Nations.

Principle 1. We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4. We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5. We will work together to enhance our effectiveness in implementing the Principles.
Principle 6. We will each report on our activities and progress toward implementing the Principles.



Publication of 2012 NPS Sustainability Report

Person responsible :

An Seong-geun, Head of Social Responsibility
Management Section

Person appointed :

Kim Chang-jun, Deputy Head of Social Responsibility
Management Section
Seon Jeong-hyeon, Manager

Contact

Address : National Pension Service, 13 Olympic-ro
35da-gil, Songpa-gu, Seoul
Phone : 02-2240-1908
Fax : 02-3485-9812
Email : nps0621@nps.or.kr
Relevant department : Social responsibility management
section, General Administration Support Dept.
Homepage : <http://www.nps.or.kr>