

Building Up Trust between generations





About This Report

The National Pension Service (NPS) has published a Social Responsibility Management Report annually since 2012 to transparently disclose its relevant activities and performances to the stakeholders. This publication is the seventh report, which includes issues related to social responsibility management that stakeholders are interested in, along with various activities and plans that the institution is implementing to actualize social values.

Reporting Period and Scope

The NPS Social Responsibility Report 2018 highlights social responsibility management activities and performances from January to December 2017, and important management activities from 2018 are also included. There are not any critical changes in the reporting scope, boundary, and measurement methods compared to those of the previous reporting period. Any revisions of information from previous reports are indicated in the text.

Reporting Principles and Standards

This report was developed in accordance with the Core Options of the Global Reporting Initiative (GRI) Standards while also reflecting ISO 26000 and the Ten Principles of UN Global Compact (UNGC). A third-party assurance was carried out by an independent agency to enhance suitability and credibility, and the assurance statement can be found in the appendix.

Inquiry for Report

For any further information or inquiries, please contact us below. More details are also available on the homepage (<http://www.nps.or.kr>).

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Cover Story

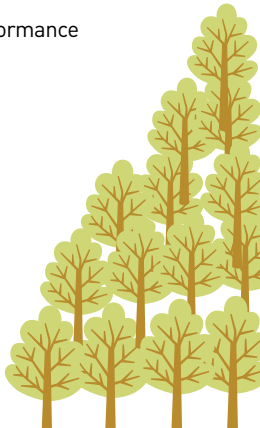


"Building a Rich Forest based on Trust"

The cover of the report portrays the NPS guiding the people through a journey toward building a rich forest by planning their strong future through pension service.



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We will soar as
an institution that builds
public trust and
leads social values.



Dear valued stakeholders,

The National Pension Service (NPS) has operated the National Pension Scheme to secure stability in the post-retirement lives of the public since 1987. Over the past 30 years, NPS has become a comprehensive welfare service institution based **on trust** and care of the citizens.

As a result of our efforts in providing 'more pension funds to more people', as of August 2018, we accomplished 21.9 million members in the system and 4.7 million recipients. Moreover, the National Pension Fund amount was accumulated to KRW 650 trillion and became one of the top three pension funds in the world. The NPS was awarded 'the Pension Fund Investor of the Year' for achieving the annual profit rate of 5.6% and accumulated profit of KRW 314 trillion. In addition to the solid operation of the fund, we are contributing to the national economy by introducing the stewardship code and strengthening investment in social responsibility.

The NPS set a slogan for social values as 'National Pension that Adds Value to Our Lives' and endeavors to create social values connected to its business in order to achieve social responsibility as 'Your Trusted Lifetime Companion in the Age of Centenarians'. In particular, we plan to carry out sustainable growth by respecting the government's political guidelines related to social values and reflecting the core values of government affairs including job creation and human rights management into social value strategies.



Trust, We will grow into a trusted institution.

The NPS became the most outstanding institution in ethical management by receiving 1st Place in the Anti-corruption Initiative Assessment of Public Institutions for two consecutive years, and 2nd Place in the Comprehensive Integrity Score (1st among relevant institutions) as a recognition for sophisticating its anti-corruption/integrity implementation system and spreading integrated culture. We are also preemptively promoting human rights management by engaging in pilot projects of the National Human Rights Commission of Korea to fulfill our responsibilities of protecting and respecting national human rights.



Passion, We will build an organizational culture where one can work with joy and passion.

The NPS contributes to create social value through work-life balance and life quality enhancement by expanding flexible working hours (flextime) and flexible work arrangements. We established joint labor-management organizations to practice open management and created a labor-management culture of shared growth to form advanced labor-management relations.



Sharing, We will create shared values through business-driven social contribution.

The NPS executes shared value-creating social contribution activities by providing support for pension insurance payments and overseas transfer of the pension system to achieve 'Happy Community, Making a Peaceful World'. In addition, the NPS began participating in the job-sharing activity by reducing working hours of all employees and thus hired new employees and transitioned every part-time employee to full-time. This shows NPS's efforts in promoting employment stability and creating a society without discrimination.



Responsibility, We will fulfill our social responsibility entrusted by our nation.

In July 2018, the NPS announced the introduction of 'Stewardship Code' that reinforces exercise of voting rights held by institutional investors. This set of principles not only enhances long-term profit of a fund, but also strengthens transparency and independence of the exercise of voting rights on national fund, thereby enabling us to fulfill social responsibility as a public pension. The NPS also carries out environmental responsibility by practicing environmental management and expanding eco-friendly living culture through construction of eco-friendly offices and investment on eco-friendly companies.



Fairness, We will exercise shared collaboration and build a fair society.

The NPS practices win-win management by aiding small and medium enterprises (SMEs) in forming the foundation for fair competition and identifying benefit-sharing related to business in order for them to achieve market competitiveness for practical growth. Moreover, we develop investment guidelines considering the level of compliance with win-win growth and invest in funds specialized in SMEs/ventures. Therefore, we are able to support investment and sales routes of the SMEs by accelerating their growth.

Based on the trust and faith of the people built for the last 31 years, the NPS aims to create social values to contribute to national happiness and development, beyond simply playing a role of a comprehensive welfare service institution. We will keep working toward becoming a trusted institution with social responsibility as a public service provider.

Sincerely, 2018
Chairman & CEO
National Pension Service

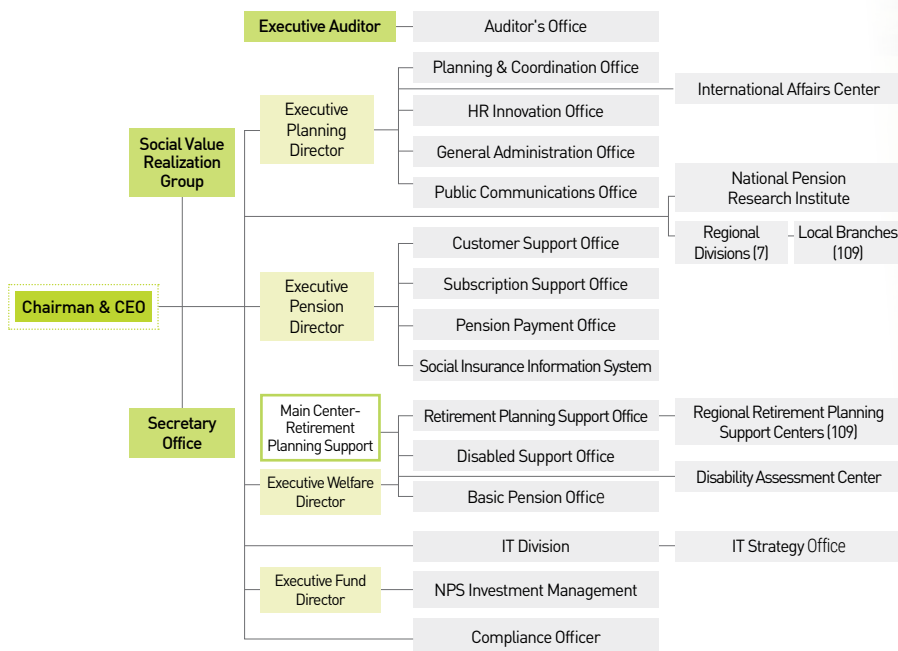
김성주

About NPS

The NPS has contributed to social stability and welfare of Korea by providing pension payments in regards to old ages, disabilities and deaths since its foundation in 1987. As of August 2018, the total number of subscribers has reached 21.9 million and the pension service was provided to 4.7 million recipients. The amount of fund reached KRW 650 trillion, making it possible for us to provide various welfare services.

Organizational Structure

The NPS established the Social Value Creation Organization under the Chairman in June 2018 and operates thirteen divisions, one organization, one center, the IT Headquarters, and the Compliance Division based on the Headquarters. The subdivisions include 109 local offices, the Disability Assessment Center, the Center for International Affairs, and the National Pension Research Institute.



NPS Milestones

Foundation of NPS/Implementation of National Pension Scheme

- Dec. 1986 Enacted the National Pension Act
- Sept. 1987 Founded the National Pension Corporation
- Jan. 1988 Implemented the National Pension Scheme (toward worksites with 10 or more employees)
- Jan. 1992 Expanded the Scope of National Pension Scheme (toward worksites with 5 or more employees)
- Jan. 1993 Commenced payment of the Special Old-age Pension Benefit

1987-1994

Sept. 18, 1987
Signboard-hanging Ceremony of NPS







Enhancement of Reputation of NPS/The Era of Pensions for All Koreans

- Apr. 1995 Established the National Pension Research Center
- July 1995 Expanded subscriptions to agricultural and fishing villages
- Apr. 1999 The Era of Pensions for All Koreans began (subscription expanded in urban areas)
- Nov. 1999 Established the NPS Investment Management Center

1995-1999






Mar. 2 1995
Presentation for Farmers and Fishermen's Pension



					
Name of Organization	Competent Ministry	Foundation Date	Foundation Base	Location of Head Office	No. of Employees
National Pension Service	Ministry of Health and Welfare	September, 1987	Article 24 of the National Pension Act	180, Gijiro, Deokjing-gu, Jeonju-si, Jeollabuk-do, Republic of Korea	5,739 persons







(As of December 31, 2017)

NPS Value System

Mission	Vision	Core Value				
Secure stability in lives of the public through sustainable pension payment and welfare services	Your Trusted Lifetime Companion in the Age of Centenarians					
		Trust	Passion	Sharing	Responsibility	Fairness

Major Business Sectors

The NPS contributes to the stable lives of the people by providing pension payment and plays a role of a 'comprehensive welfare institution' that covers all areas of social security by operating and supporting old-age basic pension, retirement planning service, and activities for the disabled.

	<ul style="list-style-type: none"> - Manages and maintains records of subscribers - Imposes pension premiums - Issues certificates - Operates a social insurance support project, 'Durunuri' 		<ul style="list-style-type: none"> - Guides to claiming pension payment - Provides pension payment - Manages changes to beneficiaries - Provides support services for beneficiaries
	<ul style="list-style-type: none"> - Executes policies of national pension fund management - Manages domestic/overseas stocks, bonds, and alternative assets - Manages fund/accounting transparently - Discloses management performance properly 		<ul style="list-style-type: none"> - Provides retirement planning services - Aids the disabled for disability assessment and daily activities - Runs NPS Silver Loans - Performs work capacity assessment toward national basic living security recipients
	<ul style="list-style-type: none"> - Concludes and executes social security agreements - Manages the interests of foreign beneficiaries - Conducts transfer of advanced system and international cooperation 		<ul style="list-style-type: none"> - Conducts research on pension scheme and social security - Conducts research on plans for efficiency of fund management - Propagate key trends of pension scheme



Enhancement of the Public Trust/Stability Period of Scheme

- July 2003 Expanded the Scope of National Pension Scheme to worksites with 5 or more employees (from January 2006)
- July 2007 Renamed as 'National Pension Service'
- Jan. 2008 Established the Disability Assessment Center
- Apr. 2008 Initiated the Civil Service Annuity Service (CSA)
- Apr. 2009 Established the International Center (for foreigners only)



2001-2010

May 14, 2009
Opening Ceremony of the International Center

Growth as a Comprehensive Welfare Service Institution

- Jan. 2011 Consigned the affairs in relation **to collection** of contributions to the National Health Insurance Service (NHIS)
- Apr. 2011 Performed the disability rating assessment (of all levels) in accordance with the 'Act on Welfare of Persons with Disabilities'
- Oct. 2011 Initiated the activity-supporting projects for the disabled
- Dec. 2012 Began the work ability assessment of the national basic living security recipients
- July 2014 Commenced the basic pension support services
- July 2015 Relocated the Head Office to Jeonju, Korea
- Dec. 2015 Commenced the retirement planning service toward all Koreans
- Feb. 2017 Relocated the NPS Investment Management to Jeonju, Korea



2011-2018

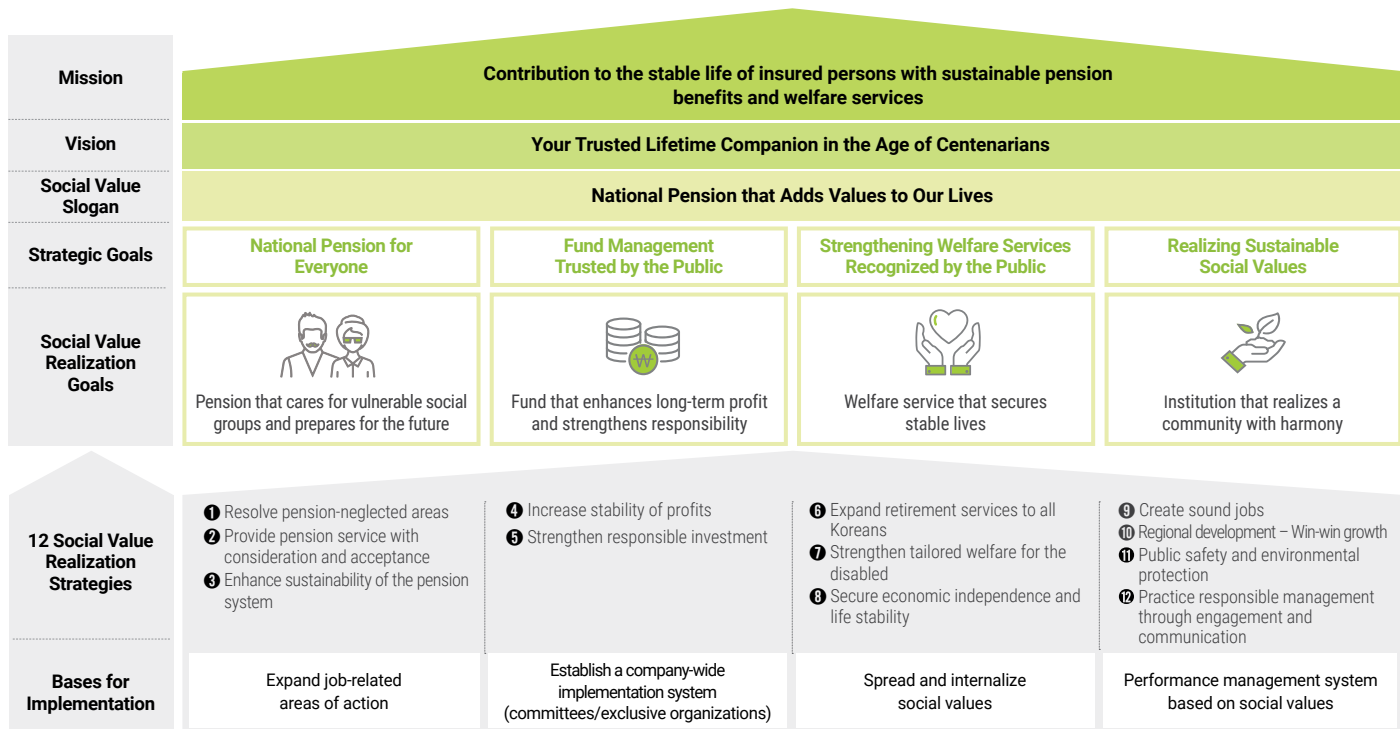
July 22, 2015
Ceremony of the Head Office Relocation to Jeonju

Social Value Strategy



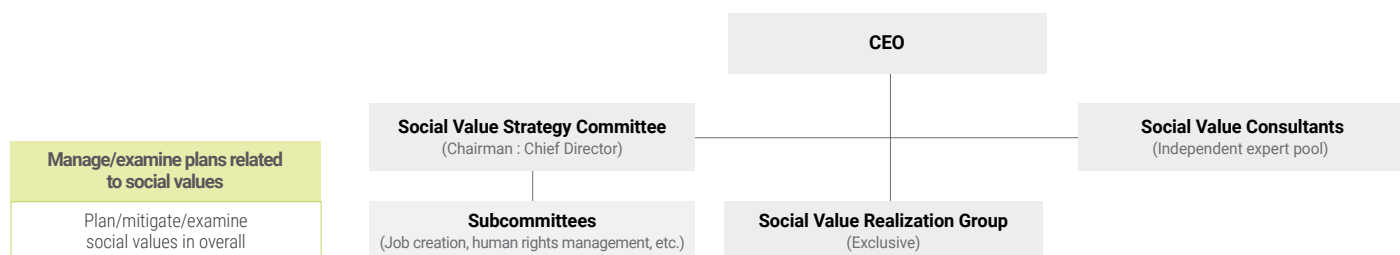
Reestablishment of Strategies for Social Values/ Social Responsibility Management

The NPS reestablished the social value strategies connected to its management goals in consideration of governmental policies related to social values and initiatives for social responsibility management. The 'National Pension that Adds Values to Our Lives' was set as our social value slogan. We reflected social values not only connected to our business, but also those required at public institutions including job creation, human rights, and public engagement.

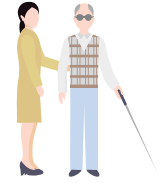


Establishment of Exclusive Organization for Social Values

The NPS established the 'Social Value Realization Group' to strengthen its role as the decision-maker and a control tower for policies in regard to realizing company-wide social values. The Social Value Strategy Committee was formed to collect strategies and major policies related to social values. Moreover, we plan to efficiently conduct tasks for social value creation by operating subcommittees for job creation, human rights management and social contribution and the Social Value Consulting Committee composed of independent experts.







The Future of NPS that achieves Social Values



Realization Tasks and Performance Indicators

The NPS selected the 'Four Realization Goals for Social Values' by analyzing the relationship between its business and social values in order to solve social issues. We deduced 12 realization strategies connected to our mid- and long-term management goals and identified execution tasks and performance indices for each area through intensive and in-depth discussion at each department.

Realization Goals	Social Issues	Realization Tasks	Performance Indices	As Is (~2017)	To Be (2023~)	
 <p>Pension that cares for vulnerable social groups and prepares for the future</p>	Increased concerns about post-retirement poverty due to lack of preparation	Resolve pension-neglected area	New subscribers from the socially vulnerable group	3.3 million persons	3.6 million persons or more	Sustainable Business NPS, a Life-Long Partner of the Public
	Increase in portion of old-age/disabled recipients	Provide pension service with consideration and acceptance	Customer satisfaction score	87.5	93 or more	
	Anxiety/conflict in maintaining/improving the scheme	Enhance sustainability of the pension system	Sustainability of the pension scheme	Current system	Improve scheme and enhance sustainability	
 <p>Fund that enhances long-term profit and strengthens responsibility</p>	Needs for enhancing long-term profits contributing to financial stability	Increase stability of profits	Overachieving the actual value profit rate	100%	100%	
		Strengthen responsible investment	Establish/execute principles of recipient responsibility	- (newly introduced)	Introduce/execute stewardship code	
 <p>Welfare service that secures stable lives</p>	Insufficient preparation for retirement	Expand retirement service to all Koreans	Score of awareness of retirement planning	92	94	
	Uniform support for disabled	Strengthen tailored welfare for the disabled	Rate of disability assessment in-time	98.0%	98% or higher	
	Lack of earning security for basic living	Secure economic independence and life stability	Achieving 70% rate of legal payment of basic pension	94.7% (66.3%)	Achieve 100% (70.0%)	
 <p>Institution that realizes a community with harmony</p>	Lack of trust in public institutions	Practice responsible management through engagement and communication	Comprehensive integrity score	Grade 1	Grade 1 (highest grade)	
			Organizational culture index	87.5	91 or higher	
			Human rights management system	Build basis for human rights management	Sophisticate human rights management	
	Growth without employment Lack of jobs	Enhance quality of employment and work	Human resources index	4.2	4.4	
			Create sound jobs	No. of job creation	6,147 persons	10,000 persons or more
	Concentration in Seoul Capital Area	Regional development – Win-win growth	Sustainability management index	AAA	AAA (highest grade)	
	Conglomerate-oriented economy		Rate of preferred purchase of SMEs	81.5%	85% or higher	
	Concerns about disasters Environmental pollution	Public safety and environmental protection	Rate of greenhouse gases reduction	28.68%	30% or higher	
Rate of information security/facility safety			Zero	Zero		

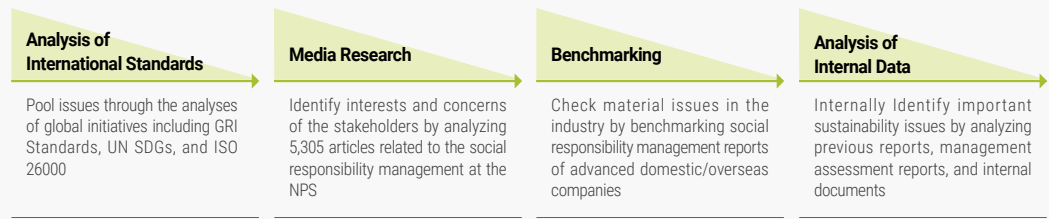


Materiality Test Process

The NPS developed this report in consideration of the 4 reporting principles of the Global Reporting Initiative (GRI): ‘sustainability context’, ‘materiality’, ‘stakeholder engagement’, and ‘completeness’. In addition, we identified major issues related to social responsibility management through the analysis of international standards, media research, benchmarking, analysis of internal data and stakeholder surveys and derived final issues to be reflected in the report.

Step 01 Creating the Issue Pool

The pool of 27 issues were comprised based on the economic, environmental and social impacts of management activities of the NPS through the processes of analyzing international standards, media research, benchmark of advanced companies, and internal data.



Step 02 Prioritizing Social Responsibility Management Issues

In order to prioritize the potential issue pool, we quantified the results collected from the analysis of international standards, best practices, media research, expert evaluation, and internal/external stakeholder surveys. Through this process, we developed the Materiality Test Matrix regarding issues of interests from internal/external perspectives.

Summary of the Stakeholder Survey

Purpose	<ul style="list-style-type: none"> Identify actual/potential issues related to social responsibility management Survey the awareness of social values and human rights management of the NPS 						
Targets	Key stakeholders (employees, subscribers/recipients of national pension, partners, local communities, research institutes, and others)						
Period	Oct. 23 2018 – Nov. 6 2018 (approx.. 2 weeks)						
Participants	1,694 out of 8,923 persons of internal/external stakeholders						
Process	<table border="1"> <tr> <td> Step 1 Derive Major Issues related to Social Responsibility Management <ul style="list-style-type: none"> Conduct Materiality Test on 27 issues in economic, social and environmental sectors Strengthening customer information protection, stable operation of pension scheme, exposure of fund management, and strengthening ethical management were selected as major issues </td> <td> Step 2 Survey the Rate of Awareness for Execution of Social Values <ul style="list-style-type: none"> Conduct Materiality Test on 13 areas of Social Value Framework Act in connection to business of the NPS Human rights protection, providing health welfare, and strengthening exposure were selected as major issues </td> <td> Step 3 Study of Human Rights Management <ul style="list-style-type: none"> Perform surveys that identify correlation and importance of the 10 Areas of Human Rights Management in relation to the NPS Customer human rights protection, anti-discrimination in employment, and establishing human rights management system were derived as high-priority issues </td> </tr> <tr> <td> <ul style="list-style-type: none"> Study on human rights management is used as result of identifying awareness and checking status of internal/external human rights management </td> <td> <ul style="list-style-type: none"> Survey results were applied in the stage of prioritization external human rights management </td> <td> <ul style="list-style-type: none"> Results of the importance analysis were used to identify execution tasks for social values of the NPS </td> </tr> </table>	Step 1 Derive Major Issues related to Social Responsibility Management <ul style="list-style-type: none"> Conduct Materiality Test on 27 issues in economic, social and environmental sectors Strengthening customer information protection, stable operation of pension scheme, exposure of fund management, and strengthening ethical management were selected as major issues 	Step 2 Survey the Rate of Awareness for Execution of Social Values <ul style="list-style-type: none"> Conduct Materiality Test on 13 areas of Social Value Framework Act in connection to business of the NPS Human rights protection, providing health welfare, and strengthening exposure were selected as major issues 	Step 3 Study of Human Rights Management <ul style="list-style-type: none"> Perform surveys that identify correlation and importance of the 10 Areas of Human Rights Management in relation to the NPS Customer human rights protection, anti-discrimination in employment, and establishing human rights management system were derived as high-priority issues 	<ul style="list-style-type: none"> Study on human rights management is used as result of identifying awareness and checking status of internal/external human rights management 	<ul style="list-style-type: none"> Survey results were applied in the stage of prioritization external human rights management 	<ul style="list-style-type: none"> Results of the importance analysis were used to identify execution tasks for social values of the NPS
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Step 03

Materiality Test Results

The NPS derived 10 material issues through the Materiality Test and developed relative contents by considering the aspects and scope of the report. The results are reported in two parts: 'NPS, a Life-long Partner of the Public' for the key performances through business and 'NPS, a Leader of Social Value Creation' for performances of the social responsibility management.



Key Reporting Issues

Priority	Material Issues	Topic	Internal Reporting Scope	External Reporting Scope				Correlation to Report Summary	
				Customers	Partners	Local Communities	Governmental Institutions		
1	Stable operation of the pension scheme	-		○				National pension for everyone	Performance of sustainable business operation of the NPS
3	Publicness of fund management	-	○	○			○	Fund management trusted by the public	
2	Anti-corruption/Ethical management	Anti-corruption	○		○		○	Promoting anti-corruption/ethical management	NPS trusted by the public
6	Strengthening human resources management	Employment	○					Strengthening human resources management	NPS that works with passion and joy
8	A company culture that is good to work for		○					A company culture that is good to work for	
4	Performing social contribution activities	Local Communities				○		Implementing social contribution activities	NPS that leads shared value creation
7	Contributing to local community development	Indirect Economic Impacts				○		Strengthening sound job creation	
10	Efforts for environmental conservation	Emissions				○	○	Efforts for environmental conservation	NPS that fulfills social responsibility
5	Strengthening customer information protection	Customer Privacy	○	○			○	Prioritizing safety of the public	
9	Creating a Win-Win Growth culture	Procurement Practices				○	○	Creating a Win-Win Growth culture	NPS that creates fair society

NPS, a Life-long Partner of the Public

NPS, a Leader of Social Value Creation



CSR Highlights

The Quadruple Win including 'Best Practice in Asia-Pacific Region'

At the Regional Social Security Forum for Asia and the Pacific hosted by the International Social Security Association (ISSA), the NPS was awarded the '1st Prize for Best Practice in the Asia-Pacific Region' for its provision of one-stop private affairs service through the Social Insurance Information System. Moreover, we received Grand Prizes for 'expanding pension subscription of part-time workers' and 'providing service through mobile devices,' and the Excellence Prize for 'retirement planning service through connection with relevant institutions', thereby being globally recognized for our superiority in the operation of the National Pension Scheme.



to Introduce Stewardship Code

In July 2018, the NPS introduced the Stewardship Code, which is a guideline for exercising voting rights of institutional investors to enhance long-term profits of the fund and to secure independence and transparency of the shareholder's rights. The Stewardship Code allows the institutional investors, including the NPS, to work as a deputy by actively engaging in companies' decision-making processes, playing a role of shareholders, and transparently disclosing its activities to the public and customers. It is expected to have positive outcomes of enhancing soundness of governance and values of companies in a long-term perspective.



Achieved 1st Grade in the Anti-corruption Initiative Assessment for 2 Consecutive Years

The NPS enhanced the awareness and standard of integrity through focused improvement of integrity-vulnerable areas in the previous year and endeavored to spread the culture of integrity company-wide by running various events. We operated the internal checking system to prevent corruption and accomplished to receive 1st Grade in the Anti-corruption Initiative Assessment held by the Anti-Corruption & Civil Rights Commission (ACRC) for 2 consecutive years. In addition, the NPS earned 2nd Grade in the comprehensive integrity level, which is considered the highest, among the large-scale public institutions (3,000 employees or more). We will operate a more robust ethical management system and a systematic organization to build a company culture of integrity.





Recognized as Excellent Public Institution for Job Creation

The NPS accomplished to hire 50 new employees in 2018 by conducting job-sharing activity through overtime reduction as the first public institutions in Korea. We also work on creating jobs in common fields including the NPS Café 36.5 Cooperative Union and private opening of retirement planning instructors. As a recognition for our efforts, we received not only the Grand Prize in the Job Creation by the Public Institution for 2 consecutive years, but also the 'Deputy Chairman Prize of the Job Committee directly under the President of Korea' in the Public Institution Job Contest 2017, 'Excellent Institution in Job Creation/Support 2017' and 'Deputy Chairman Prize of the Job Committee 2018' by the Ministry of Health and Welfare.



31st Anniversary Ceremony and the Charter of Human Rights Management

The NPS held the '31st Anniversary Ceremony' in September 2018 with about 250 employees in attendance at the Jeonju Head Office. Through this event, we were able to look back at our performances of 31 years and announce the Charter of Human Rights Management that highlights dignity and values of human beings. In particular, our labor-management jointly hosted the Human Rights Announcement Ceremony to state the institution's will for active practices and to emphasize various agenda including needs for forming social debate organizations to improve the National Pension Scheme, transparency of fund management, strengthen expertise and independence, and achieve social values.



Nominated as the 'Top 1 Public Institution in Social Contribution' by University Students

The NPS was selected as the 'Top 1 Public Institution in Social Contribution' for 8 consecutive years at the University News Network Awards in October 2017. The survey was completed by 1,203 university students nationwide and 25.7% of the respondents evaluated the social contribution level of the NPS as the 'highest'. This is a significant result as the efforts of the NPS were acknowledged by the 20's who are the future pension recipients. Based on such **outcome**, we plan to grow into an institution that is more highly recognized by the public through our social contribution activities.



Sustainable Business

NPS, a Life-long Partner of the Public



**Strengthen Business Competitiveness
to Secure Public Trust**

NPS Value Chain



The NPS has published the social responsibility management reports since 2012 to share its activities, performances, and future plans of social responsibility management with stakeholders. Through this publication, we reported key issues and opinions of the stakeholders more in-depth.



NPS Performance of Sustainable Business Operation

Subject 01. National Pension for Everyone

Subject 02. Fund Management Trusted by the Public

Subject 03. Strengthening Public Recognition of Welfare Services

NPS Value Chain

We are contributing to the happiness of the public through our pension and welfare services.

The business performance accumulated as of August 2018 is reported, while the social responsibility management performance as of the end of 2017 is reported.

Subscriber Management

Subscriber support Premium measurement and management

The NPS manages 21.9 million subscribers through 109 branches nationwide.



National Pension Subscribers

2,18 million persons

- Workplace-based subscribers** 1.37 million persons
- Individual subscribers** 7.4 million persons
- Voluntary subscribers** 0.3 million persons
- Continued optional subscribers** 0.4million persons

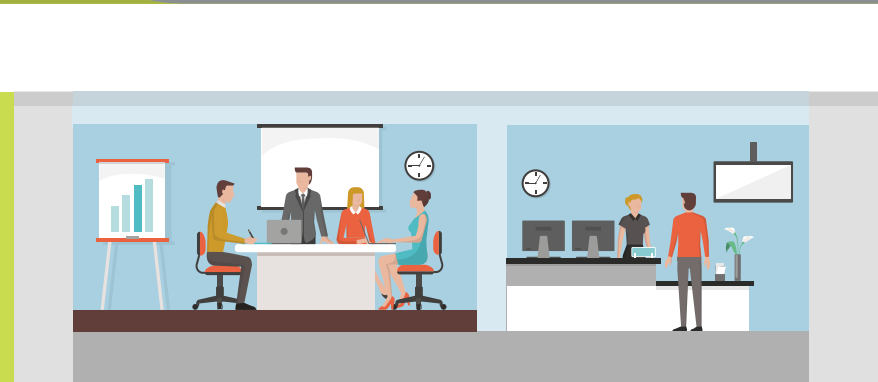


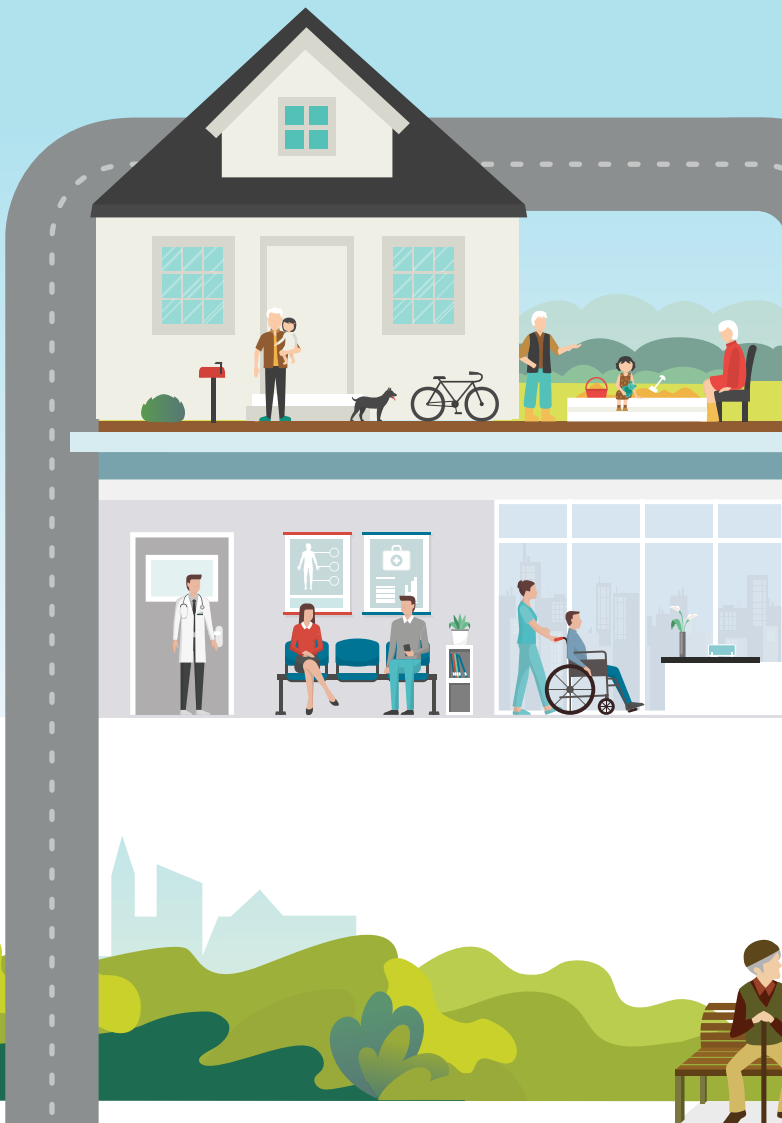
National Pension Fund Management

- Stock Investment** KRW 247 trillion
- Bond Investment** KRW 332 trillion
- Alternative Investment** KRW 69 trillion

The NPS manages funds considering both profitability and stability.

- Profit Rate **2.25%**
- Responsible Investment **KRW 6.4 trillion**
- Accumulated Average Rate of Return **5.6%**
- Profit **KRW 314.1 trillion**
- Reserve Fund **KRW 650.9 trillion**





Pension Payment

Pension payment that helps lives of the public

We provide stability in post-retirement life through the National Pension which is a life-long salary in the 100-year life span era

Amount of Pension Benefit Paid

KRW **19.868** trillion

Amount of Highest Monthly Pension Benefit

KRW **2.046** million



Welfare Service

Supports disability assessment, activities for disabled, work capacity assessment for basic living security recipients, retirement planning services, and services for the disabled

We endeavor to provide stable post-retirement lives for the public and welfare for the disabled.

No. of Recipients of Post-retirement Service

3.0 million person (educational service)

0.7 million person (consultation service)

Welfare Service for the Disabled

1.7 cases (disability assessment)

92,535 person (activity-support beneficiaries)



No. of National Pension Recipients

4.7 million persons

Old-age Pension 3.8 million persons

Bereavement Benefit 700,000 persons

Disability Pension 70,000 persons

Lump-sum Allowance 120,000 persons



Social Responsibility Management



Strengthening preventive ethical activities and execution capacity

Sustainability management index | **AAA**

Corruption-preventive policy assessment | **Grade 1**



Win-win growth of partners

Purchase rate of SMEs | **81.5%**

SMEs investment including venture investment | **KRW 7.4** trillion



Shared management of local communities

Private job creation | **6,147**

Voluntary activity per employee | **10.9** hours

Support for operating NPS Café 36.5 Cooperative Union



Excellent Job Creation Institution

Deputy Chairman Prize of the Job Committee in the Public Institution Job Contest (Ministry of Economy and Finance)



Public Institution Service Quality Index

1st in Public Sector in the Service Quality Index for 6 Consecutive Years (Excellent Institution in the Non-Face-to-Face Sector for 14 Consecutive Years)



Subject. 01

National Pension for Everyone







The NPS strives to relieve blind spots of subscription and improve pension benefits and services in order to offer 'more pension to more people'. As of August 2018, subscribers and cases of income tax reports went beyond 21.9 million and 18.4 million, respectively. However, we are trying to resolve various remaining blind spots of pension for low-incomers and the socially vulnerable group, including day laborers and part-timers.

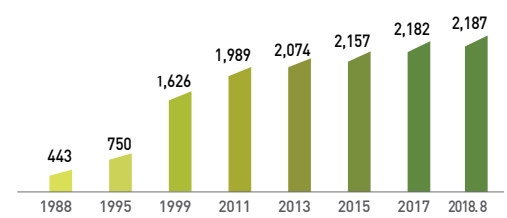


Preparation for a Happy Future – Subscription Support

Koreans residing in Korea aging from 18 to 60 are eligible for subscribing to the National Pension, and they are managed in four groups : workplace-based insured, individually insured, voluntarily insured, and voluntarily & continuously insured. The NPS runs the 'Farmers and Fishermen's Pension Premium Aid System' that provides partial financial aid to farmers and fishermen for their pension fee and the 'Durunuri Social Insurance Program' to the low-income workers at small-size workplaces with 10 or less employees. Moreover, we offer such programs as credit, supplementary pay, and refund to enable subscribers to extend their membership.

Workplace-based Insured	Individually Insured	Voluntarily Insured	Voluntarily & Continuously Insured
 Mandatory	 Mandatory	 Voluntary	 Voluntary
All employees and employers including foreigners	Those who are not insured through workplace, including self-employed or farmers and fishermen	Those who are not subject to mandatory coverage but willing to acquire insured status including housekeepers and students under the age of 27	Currently or formerly insured people who want to continue to participate in the National Pension after the mandatory age of 60 has passed

No. of National Pension Subscribers (Unit: 10,000 persons)



Expansion of National Pension Coverage

Date of implementation	Scope of Coverage
1988. 1.	Worksites with 10 or more employees
1992. 1.	Worksites with 5 or more employees
1995. 7.	Farmers' and fishermen's villages
1999. 4.	Urban areas
2003. 7.	Worksites with 5 or less employees (until Jan. 2006)



Life-long Salary in the 100-Year Life Span Era – Pension Benefits Pay

The National Pension is a system that assures earnings through the social insurance for post-retirement life, along with risks such as disability and death. The NPS reliably pays pension benefits to the recipients and continuously improves the benefit systems and services to protect rights and interests and to enhance convenience of the recipients.



Old-age Pension

Life-long pension benefits are paid to those who had paid pension premium for 10 years or longer from their age of 62 (born between 1957 and 1960) when incomes are decreased or lost.

*Born in 1961–1964 : 63 years old, in 1965 – 1968 : 64 years old, after 1968 : 65 years old

Disability Pension

Disability pension benefits are provided to those who had been subscribers for a certain period of time when the illness or injury is diagnosed and if any physical or psychological disability remains after recovery depending on the level of disability.

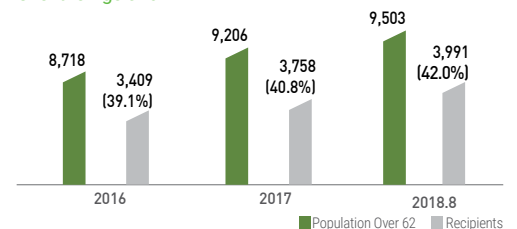
Bereavement Benefit

Bereavement benefits are paid to subscribers or recipients who had been subscribed for a certain period of time and fulfills requirements upon the death of the recipient.

No. of National Pension Recipients (Unit: 10,000 persons)



Rate of Recipients to Population Over the Age of 62 (Unit : 1,000 persons)





Operational Performances of the Pension Scheme

Relieving Blind Spots by Aiding Subscription of Socially Vulnerable Groups

The NPS intends to contribute to stability in retirement lives and welfare enhancement of the public by securing more pension benefits through **provision** of better systems and supports for the socially vulnerable group. We took such actions as utilizing day laborers' income data of the National Tax Service (NTS), improving work process, and strengthening instructions for insurance fee support to increase subscription of the socially vulnerable group. As a result, the number of new subscribers from workplaces with lower than 10 employees exceeded 3 million in 2017, which is a 40% (300,000 persons) increase compared to the previous year.

Providing Pension Benefit Service Tailored to Recipients

The NPS provides pension recipients enough information about the pension to offer them every right of national pension. First, we are expanding an assessment service for unclaimed pension in connection with systems of the government and relevant institutions and enhancing **convenience** of claiming by utilizing mobile applications. Instructions for tailored claims are strengthened at the embassies and domestic legal aid centers for the pension information neglected group including foreigners, divorced, and bereaved. Moreover, the NPS is reinforcing monitoring of payment decision-making process to provide accurate pension payments, checking any changes in recipients using public data, and taking preventive actions for dishonest receipt through the corrupted receipt prevention system. As a result of these efforts, we are stably paying pension benefits of KRW 1.7 trillion to 4.66 million recipients every month in which 42% of the total population over 62 are among the beneficiaries.

Protecting Interests by Rationally Improving the Nation-driven System

The NPS continuously improves systems and services to enhance protection and benefits of the subscribers and **beneficiaries**. For the workers at small-scale workplaces, we expanded supports for low-incomeers in pension subscription by increasing income standard (KRW 1.4 million -> 1.9 million) of Durunuri Pension Premium support, and we also minimized cases that the recipients **not able to** take pension refunds by extending the expiration period from 5 to 10 years. Moreover, we reasonable amended the pension benefit system by excluding the period that the marriage was not involved when paying the partial pension.

No. of New Subscribers from Workplaces with Lower than 10 Employees

2016 **2.71** million persons → 2017 **3.03** million persons

No. of New Subscribers who are Day Laborers

2016 **0.75** million persons → 2017 **1.05** million persons

| Pension Recipients | Pension Benefit Amount

4.66 million persons | KRW **19.868** trillion

Achieved the highest rate of pension claims | Increased by **7.6%**

Accuracy of pension payment decisions | Increased by **11.8%**
(As of December 2017)

Income Standard for Durunuri Pension Premium Support

KRW **1.4** million → KRW **1.9** million

Claim Period of Pension Refund (Prescription)

5 years → **10** years

Subject. 02

Fund Management Trusted by the Public

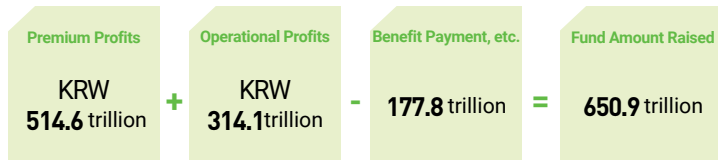
The National Pension Fund has achieved KRW 3.14 trillion of operational profit from its beginning in 1988 until the end of August 2018. This consumes 48.3% of the total reserve, and the average accumulative profit rate was recorded at 5.6%. Our performance in fund operation is recognized by many overseas media outlets, thus winning 'Global Real Estate Investor of the Year' at the IPE Real Estate Global Conference & Awards hosted by the IPE RE in May 2017 as the first National Pension Fund in Asia.



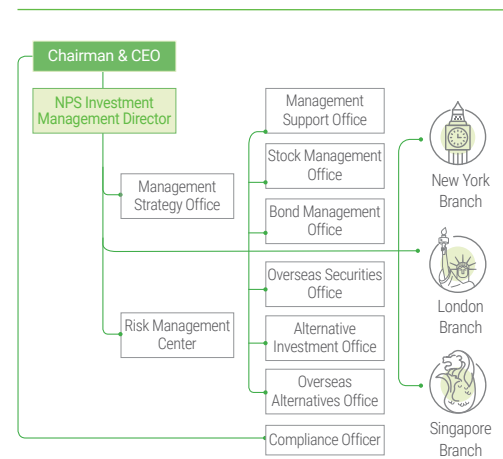
National Pension Fund Management

National Pension Fund is a responsible preparatory fund to stably pay pension benefits and is composed of incomes and operational profits of pension premium. The amount that is left after benefit payments and operational expenditures is accumulated and invested in stocks, bonds, and alternative assets. As of August 2018, the amount of fund stands at about KRW 650.9 trillion, from which KRW 314.1 was raised by operational profits.

National Pension Fund Raised



*As of August, 2018



Stable Operation of Fund in Accordance with the 5 Principles

The NPS complies with the 5 Principles such as stability, profitability, publicness, volatility, and managerial independence in order to manage the fund according to the purpose and management goal. Most of the fund is operated through the financial investment to contribute to the stability of pension with high profits. The NPS pursues diversification in investment by considering trends in growth of assets based on a long-term financial prospect, and therefore, percentage of bond out of total assets decreased from 86.7% in 2005 to 50.9% as of the end of August 2018, while the percentage of stocks and alternative assets increased from 12.9% to 49.4%.

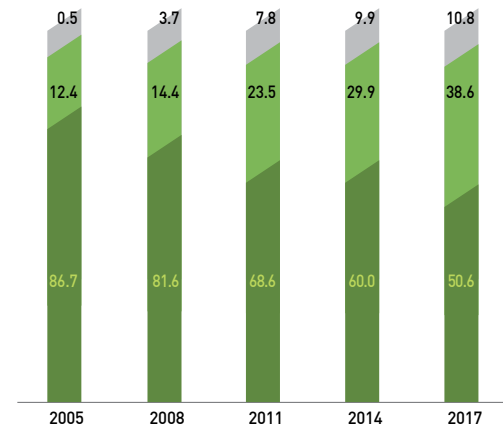
Principle	Description
Stability	Stably manage within the scope in which profit volatility and risks of loss of the assets are allowed
Profitability	Pursue highest possible profit to relieve burden of the future generation (subscribers)
Publicness	Manage while considering ripple effect on the global economy and financial market
Volatility	Manage to facilitate payment of pension benefits
Managerial Independence	Manage to prevent violation to the fund management principles due to other purposes

Asset Allocation

(Unit : %)

Welfare and other sectors excluded
Short-term funds for bond included

■ Bond ■ Stock ■ Alternative





Fund Management Performance

Introducing Stewardship Code and Strengthening Responsible Investment

On July 30 2018, the NPS introduced the 'Stewardship Code' to enhance long-term profits and to strengthen independence and transparency of the voting rights. The Stewardship Code is a voluntary guideline made to fulfill responsibility as a fund manager and encourage **active** practice of voting rights. The NPS plans to regularly perform assessments with financial and non-financial (ESG) information as indicators* for decision-making. If any damage to corporate values is found, we plan to request fact checking and corrective action plans, thereby promoting responsible actions as a shareholder.

* Specific indicators include: [Environmental] 12 indicators including carbon emissions and air pollutants emissions, [Social] 21 indicators including wage standard, employment standard, and suppliers support, and [Governance] 19 indicators including separation of CEO from Chairman of the Board.

Strengthening Infrastructure to Support Fund Management

The NPS is strengthening its professionalism and transparency to build an organizational structure in preparation for the era of future fund valued at KRW 1,000 trillion and for trusted fund management. Restructuring of organization for each alternative asset is in consideration to reinforce global competitiveness of the fund management in which the competitiveness is enhanced by improving wages/treatment and MBO/contract renewal standards. Moreover, the NPS opened the Fund Building to the public and is strengthening managerial transparency by amending voting rights guidelines and expanding **scope** of disclosure of meeting notes and investment information.

Growth into the World's Top 3 Pension Fund

| Fund Amount

KRW
650.9 trillion

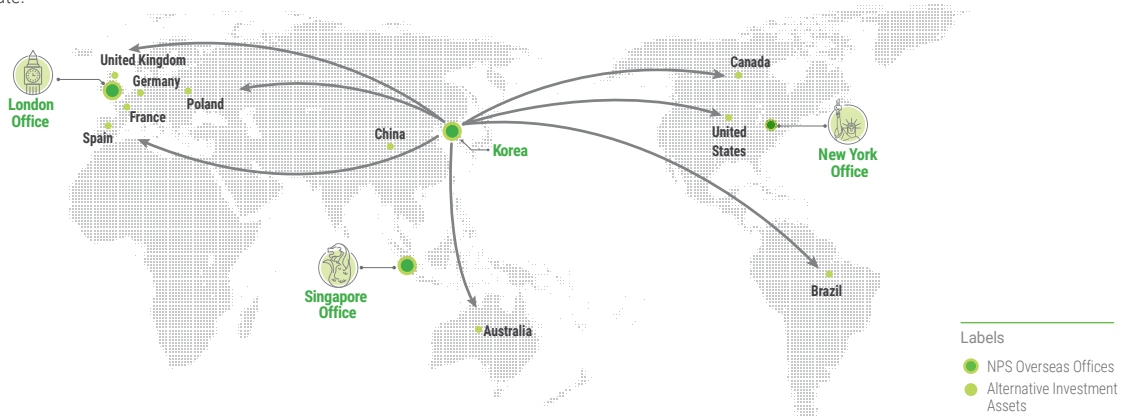
| July 2018

Introduction of
Stewardship
Code



Leaping toward a Global Pension Fund

The National Pension Fund operates overseas offices in London, New York, and Singapore to perform various tasks including exploring overseas investment opportunities and building network with overseas pension funds. In addition, the National Pension Fund is becoming a global fund service by identifying overseas landmark real estates and large-size infrastructure assets instead of limiting its boundary to the domestic market to maintain a stable profit rate.



Subject. 03



Strengthening Welfare Services that is Recognized by the Public

The NPS is a comprehensive welfare service institution that covers all areas of social security and provides welfare services including retirement planning service, disability assessment, **supports** for activities of the disabled, and basic pension. We will provide essential welfare services to the public based on our experience and expertise we've built for 30 years.



First Step toward a Happy Post-retirement – Retirement Planning Service

The NPS has been providing retirement planning services to the public after building the Main Center of Retirement Planning Support and 109 regional branches in December 2016 in accordance with the Act on Supporting Preparation for Later Life. Residents of Korea can receive services such as diagnosis, consultation, training, alignment with relevant institutions and follow-up in regards to retirement planning by visiting each regional branch or accessing through the internet (My Pension*) and mobile web (National Pension on My Side).

* csa.nps.or.kr

Professionals of NPS Retirement Planning Service (As of the end of August 2018)

CSA	CFP
3,309 persons	31 persons
AFPK	Social Workers
753 persons	1,999 persons



Beginning of Happy Society – Disability Welfare Service

The NPS, based on its expertise and infrastructure for disability assessment accumulated for 30 years, performs disability application assessments, activity support for the disabled, and work capacity assessments for basic living security recipients. We will strive to protect rights and interests and improve quality of lives of the disabled by advancing the disability assessment system in response to changes in the welfare environment caused by revocation of disability ratings and establishment of a comprehensive support system.

Management Performance of Welfare Service for the Disabled (As of the end of August 2018)

Disability Assessment	Assessment Support Service
166,685 persons	50,479 cases
No. of Beneficiaries for Activity Support	Annual Usage Rate of Activity Support
92,535 persons	87.7%



Support for Post-retirement Basic Living – Basic Pension Service

The NPS operates the basic pension system for supporting stable living and welfare of the elders. The basic pension is paid to the elders who are 65 or older (70% lower income percentile) with maximum of KRW 200,000 (as of August 2018). We provide services for aiding application to the elders of vulnerable group who are potential recipients and help those who have **difficult** in mobility by visiting them.

Operational Performance of Basic Pension Service (As of the end of August 2018)

Population Aged 65 or older	Recipients
7.55 million persons	5.06 million persons
Basic/National Pension Dual Recipients	
1.9 million persons	



Welfare Service Performance

Offering Consumer-oriented Retirement Planning Service

The NPS offers various retirement planning services to support the public for their healthy and stable post-retirement lives. We provide specialized services such as action training, job matching, and community activity support to those in their middle-age (from 50 to 64) and are about to enter old-age. Moreover, we built a basis for establishing an alignment platform of retirement planning with relevant institutions by forming councils to provide high-quality retirement planning services. Furthermore, the NPS operates a complete service model that offers comprehensive services from diagnosis and consultation to continuous follow-up for internalization of services.

Enhancing Quality of Welfare Services for the Disabled

The government is promoting renovation of the disability rating by improving the existing method of service based on Grades 1 to 6 in order to provide necessary services for the disabled. Therefore, the NPS is assisting the early adaptation of the business through systematic preparation such as standards for medical decision, support for comprehensive decision-making tool, and reform of information alignment system. Moreover, we are improving kidney failure assessment process using hemodialysis information of the National Health Insurance Service (NHIS), strengthening support for human rights of the disabled with the 119 business, and reinforcing verification of the investigation of support activities, thereby working to enhance convenience and protection of rights and interests of the disabled.

Internalizing Operational Support for Basic Pension

The NPS is expanding the recipients 'who cannot receive because they are not aware' by operating the application guidance system **thoroughly**. We are strengthening tailored consulting to the elders who reach age of 65 and increasing activities for public benefits and interests by offering visit and mobile services. On the other hand, we are preventing any loss in welfare finances by conducting site surveys to the targets with **high** possibility of inappropriate receipts.

Retirement Planning Service Sector

(As of the end of August 2018)



Korea Master Brand Awards for 4 Consecutive Years

Improved Rate of Treating Disability Assessment on Time

(As of the end of 2018)

| Disability Pension

94.4%

| Disability Assessment

99.6%

Increase in Receipt Rate of Basic Pension

(As of the end of August 2018)

| Receipt Rate

67.1%

(based on 70% of receipt rate)

| Monthly Payment

KRW 963.6 billion

NPS, a Leader of Social Value Creation

01

Trust

NPS Trusted by the Public



02

Passion

NPS that Works with
Passion and Joy





03

Sharing

NPS that Leads Shared
Value Creation



04

Responsibility

NPS that Fulfills
Social Responsibility



05

Fairness

NPS Building
a Fair Society



Trust

NPS Trusted by the Public



Business Relevance



In order to achieve a transparent, fair society and trusted government, transparent information disclosure and human rights management is included in ethical management in addition to the existing anti-corruption/clean policies. In alignment with recent social issues, social interests in the National Pension has grown as well as the public demand for securing fairness in HR affairs, employment, and contract.

Our Approach



The NPS continuously promotes anti-corruption/clean policies company-wide and enhances its ethical implementation capacity by increasing internal evaluation scores for anti-corruption/clean actions and conducting ethical training and campaigns. We received outstanding evaluation results in the pilot business for human rights management of public institutions and are promoting human rights management in phases based on the standard manual for public institutions' human rights.

Our Plan



- Sophisticate anti-corruption/clean implementation system and create a clean ecosystem
- Advance human rights management and internalize rights relief procedures

Key Performances



Anti-corruption Initiative Assessment held by the ACRC

1st grade for 2 consecutive years



Comprehensive Integrity Score

2nd Grade 2 (highest grade among public institutions)



Establishment of Human Rights Management Implementation System

Promote Anti-corruption & Ethical Management

Promote Anti-corruption & Ethical Management

Sophisticating NPS-type Ethical/Anti-corruption System

Operating Systematic Ethical Management for Trustworthy NPS

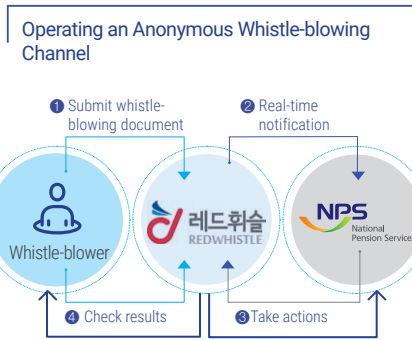
The NPS systematically promotes ethical management by setting long-term roadmaps and detailed execution tasks based on ethical mission, 'establishing a pension welfare institution trusted by the public through creation of [Clean NPS]'.

Integrity-Up Help Desk

청렴(청탁금지법)관련 문익는 「청렴UP 헬프데스크」로! Fair NPS
063-713-6116
(청렴관련자료는 '청렴교육' cop로 GO! GO!)
금품·향응 수수 및 국민연금 헬프라인(익명성보장) 인사등 부정청탁신고 (www.redwhistle.org)

- Purpose** Conduct one-stop consultation by forming designated team related to the integrity (Improper Solicitation and Graft Act)
- System** Directly connect to 'Help Desk' when clicked, using pop-up page in the work system

Establishment of Pension/Welfare Service Institution Trusted by the Public through the creation of [Clean NPS]			
Mission			
Mid-to Long-term Strategies	Build prevention-oriented system	Form effective promotion activities	Spread NPS ethical management model
Implementation Tasks	Sophisticate ethical/anti-corruption system • Equip with ethical/clean system • Sophisticate system including settling the Improper Solicitation and Graft Act and activating whistle-blowing	Practice effective ethical/human rights management • Perform preventive activities including vulnerability improvement • Tailored training/clean activities, etc. • Enhance stakeholder accessibility	Strengthen self-inspection and expedite best practices • Spread self-assessments and best practices



Improving System for Enhancing Ethical Execution and Operating a Reporting System that Secures Anonymity

The NPS plays a leading role as the first public institution in adapting the culture of preventing improper solicitation in the society by strengthening penalty standards and establishing a regulation of 'free-of-charge for external lectures related to work'. Moreover, we increased the points allotted to anti-corruption/integrity practices and relevant internal managerial evaluation and created various incentives for the employees with high mileage of integrity, thereby promoting enhancement of motivated practices of the employees.

Meanwhile, the NPS runs a systematic whistle-blowing system to vitalize reporting of improper solicitation and corruptive behaviors of employees. In order to secure anonymity, the system is run by an external agency. Personnel of the Auditor's Office are obligated to sign pledges for protecting whistle-blowers, and manuals of stages for protecting whistle-blowers are distributed to all employees.

Practicing Effective Ethical Management

Conducting Preventive Ethical Activities such as System Improvement for Corruption-vulnerable Areas of the Institution

The NPS identifies vulnerabilities in corruption-related areas including fund management, HR affairs, and budget execution and promotes suitable improvements in the system as means of preventing ethical activities.

Category	Details
Fund Management	<ul style="list-style-type: none"> Reinforce inspection of individual stock trade All employees of the NPS Investment Management Sophisticate System Introduce monitoring system of daily trades of domestic stocks, supplement checklist for self-inspection of fund management employees
HR Affairs	<ul style="list-style-type: none"> Enhance possibility of prediction and eliminate factors of improper solicitation through disclosure of HR-related document - Prior (transferences) and post (promotions) disclosures Execute works with solicitation potential including transference, promotion, and appraisal at externally isolated places
Budget Execution	<ul style="list-style-type: none"> Expand scope of disclosure for task implementation expenses (Departments at Head Office → All departments such as regional branches)
Contract & Budget Execution	<ul style="list-style-type: none"> Transparency of Contract Share order plans of all contracts regardless of the amount Integrity of Contract Spread ethical/clean culture to the entire supply chain by expanding the scope of compliance with clean contracts to subcontractors

External Integrity Level by ACRC (fund management)

2016 **8.66** > 2017 **9.44**

Internal Integrity Level by ACRC

2016 **Grade 3** > 2017 **Grade 2**



Anti-corruption/Integrity Training

Operating Systematic Trainings to Internalize Ethical Awareness of Employees

The NPS operates on/offline training systems to enhance ethical awareness of the employees. Regular online trainings on ethical/clean knowledge and the Improper Solicitation and Graft Act are conducted to all employees, and other programs related to job position such as regular, managerial, and specialized ones are provided frequently.

Category	Details
Online	<ul style="list-style-type: none"> Improper Solicitation and Graft Act, whistle-blowing All employees (6,534 persons × 1.5h) Ethical/clean knowledge Basic theories (5,536 persons × 1h), in-depth theories (500 × 0.5h)
Offline	<ul style="list-style-type: none"> Regular New employees, promoted employees, etc. (766 persons × 1h) Managerial CEO, executive directors, branch directors, department heads, etc. (236 persons × 1h) Specialized Fund managers, contract accounting personnel, etc. (384 persons × 1h) In-depth Courses In-depth training such as integrity experts (14 × 560h)

Operating Programs to expand Ethical Culture

The NPS internally nurtures integrity experts to build capacities of relevant personnel in charge of solicitation prevention at the Head Office and local branches. We strengthen capacity of integrity through mock trials, self-developed training contents, and e-learning training. Moreover, such programs as the Integrity Meeting, Integrity Junior Board, Integrity Newsletters, and Integrity Golden-bell are operated to spread the culture of integrity.

Integrity Nuri Cultural Festival

In September of 2018, the NPS held the '3rd Jeonbuk Integrity Nuri Cultural Festival' with 18 public institutions and private organizations in Jeonbuk Innocity to build 'Clean World, Clean Korea'. The festival, under the topic of 'Our Integrity, Our World', had about 1,000 participants including employees, local residents, and students and was held for 3 days with the theme of 3 colors: white (transparently), blue (purely), and green (cleanly).

White_Transparently

Held the opening ceremony including a pledge ceremony to practice integrity, held a rock concert as well as a recruitment booth for expansion of employment opportunities for regional students



Opening Speech



Integrity Rock Concert



Integrity Recruitment Booth

Blue_Purely

Held integrity lectures, integrity market, integrity comedy concert, integrity movie screening, integrity golden bell, integrity mentoring program, etc



청렴포토존



Integrity Market



Integrity Golden Bell

Green_Cleanly

Held integrity green farming experience, and private-public joint integrity campaigns



Integrity Green Farming experience



Private-public Joint Integrity Campaign



Integrity Essay Contest

Operating Internal Assessment Systems

Increasing Effectiveness of Internal Assessments through Various Channels

Category	Execution	Key Performances
Integrity Ombudsman	Enhance convenience of the public and consult with them on improving the system for corruption prevention	Proposals including system improvement (30 cases)
Auditor	Engage in major decision-making discussions, play a role of the assessor	Board of directors (8 times), Fund Management Committee (8 times)
Non-executive Director	Comprehensive assessments through	Managerial advices
Compliance Officer	Prevent and expose legal/operational risks	Inspections of legal violation, investment items
Helpline	Report improper business, corruption/irregularity	Internal/external reporting

Operating an Independent/Professional Auditing Committee for Internal Assessments

The NPS operates an effective internal assessment system that both internal and external experts are engaged in. The Auditor's Office, independent experts (non-executive directors, etc.), and compliance officers monitor **overall** process of business implementation including planning, progress and follow-up management, and the employees play roles of ombudsman through the anonymous whistle-blowing channel.

In 2017, we formed the Audit Planning Department to strengthen strategies and planning functions for audits and strengthened our audit expertise by securing professional auditors including lawyers, accountants, and disability assessment experts. Moreover, we offer educational support to acquire certificates related to audit expertise and operate mandatory **trainings** for the auditors in order to continuously enhance their professional capabilities.

Strengthening Preemptive Audit Activities on High-risk/Corruption-vulnerable Areas

The NPS strives to prevent risk factors in management through efficient audit activities using the IT system. Branches conduct self-inspection on 16 items related to careless management on a monthly basis. After analyzing the results, the Auditor's Office notifies disciplinary warnings to any improper cases and takes preemptive corrective actions through the IT-based Pension Clinic System. Furthermore, regular audits are conducted to verify validity and effectiveness when establishing business plans, thereby enhancing **effectiveness** and reducing budgets. We also perform focused inspection on corruption-vulnerable areas including employment, confidential information breach, budget execution and information protection to continuously improve unreasonable customs and systems.

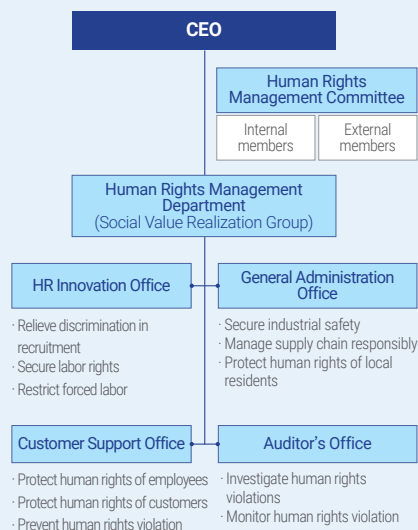
Category	Auditing Activities	Key Performances
Employment	<ul style="list-style-type: none"> Special inspections on employment condition for the last 5 years Including illegal employment (joint with the Ministry of Health and Welfare) 	<ul style="list-style-type: none"> No major flaw related to corruption was found Developed regulations for evasion of recruiters
Confidential Information Breach	<ul style="list-style-type: none"> Audits on operation of prevention system for confidentiality breach toward retirees 	<ul style="list-style-type: none"> Encrypted all confidential documents, expanded scope of inspecting NPS email (1 month → 6 months before retirement)
Budget Execution	<ul style="list-style-type: none"> Audits on operation of Hi-pass cards of office vehicles 	<ul style="list-style-type: none"> Materialized operational guideline for Hi-pass card, improved vehicle management
Information Protection	<ul style="list-style-type: none"> Examine use of unauthorized programs and effectiveness of prevention plans 	<ul style="list-style-type: none"> Supplemented security control system and practical manual for cyber risk responses

Results of Internal/External Evaluation of Integrity/Ethical Management

	2015	2016	2017
ACRC Integrity Measurement Results	Grade 3 (8.08 pts)	Grade 3 (8.16 pts)	Grade 2 (8.54 pts)
ACRC Anti-corruption Plan Assessment Results	Grade 2	Grade 1	Grade 1
Self-Integrity Rating	9.246 pts	9.675 pts	9.761 pts
KoBEX SM	AAA (94.9)	AAA (93.8)	AAA (94.43)

Conduct Human Rights Management

NPS Human Rights Implementation System



Establishing Human Rights Management System

Building the Basis for Implementing Human Rights Management

4 public institutions* including the NPS participated in the pilot business of the ACRC for human rights management and played a proactive role in spreading human rights management of public institutions by applying standard manual for human rights management. Through the pilot business, we were able to create basis for human rights management by developing human rights guidelines (draft) prior to other institutions and establishing future implementation directions of the NPS through the human rights impact assessment.

*National Pension Service (NPS), Korea Gas Corporation (KOGAS), Busan Port Authority (BPA), Jeonnam Development Corporation (JNDC)

Forming Human Rights Management Organization

The NPS formed the Social Value Realization Group and assigned human rights personnel to execute and supervise duties and organized the Human Rights Management Committee composed of various stakeholders as an implementation system. The Human Rights Management Committee deliberates and votes on human rights management guidelines and human rights violation relief procedures, and all departments not only abides by the human rights management guidelines but practices them.

Enacting and Declaring the Charter of Human Rights Management

The NPS enacted the Charter of Human Rights Management after reflecting opinions of the experts such as the Human Rights Management Committee and held the labor-management joint declaration ceremony of the charter during the 31st Anniversary event. The charter states the stakeholders of NPS including employees, subscribers, recipients, local communities, and partners and reflected key points for protecting their human rights.

NPS Human Rights Management Committee

Category	Member	Name & Affiliation
Internal Members	Planning Director (Park)	Planning Director (Park)
	Labor Union	Deputy Chairperson (Hwang)
	Head of Human Rights Management Dept.	General Manager of the Social Value Realization Group (Kim)
External Members	Human Rights Exper	Professor (Jeong)
	Subscriber Representative	Manager at UNGC (Lee)
	Recipient Representative	Kim
	Partner Representative	Café 36.5 (Kim)
	Local Community Representative	Lawyer (Park)

Charter of Human Rights Management of the NPS

We, through the sustainable pension benefits and welfare services, endeavor to enhance life stability and welfare of the public and pursue human-oriented human rights management. We hereby enact the Charter of Human Rights Management and pledge to practicing the charter for respect for humanity and protection for all stakeholders of the NPS in all management activities:

- I. We will support and comply with the international standards and norms related to human rights such as the [Universal Declaration of Human Rights] and the [Guiding Principles for Business and Human Rights of the United Nations].
- II. We strive to prevent human rights violations, and actively take relief actions if any violations occur.
- III. We prohibit any means of discrimination in gender, age, race, disability, religion, political inclination, and background, while respecting diversity.
- IV. We secure freedom of association and collective bargaining.
- V. We secure industrial safety and rights to health by creating safe and healthy work environment.
- VI. We prohibit child/forced labor and comply with the labor principles related to health, safety, and working hours set by the International Labour Organization and the nation.
- VII. We treat our partners fairly for responsible supply chain management and support them to practice human rights management.
- VIII. We strive to prevent violation of human rights of the residents in local communities.
- IX. We comply with domestic/overseas laws related to environment and strive to protect the environment and prevent pollution.
- X. We disclose managerial information transparently and strive to protect personal information acquired in the process of business implementation.

Conducting Human Rights Impact Assessment

The NPS conducted the 'Human Rights Impact Assessment of Institution Operation' as a pilot project of the ACRC. The 'Checklist for Human Rights Impact Assessment of Institution Operation' on the 'Public Institutions Human Rights Management Manual' was used as an assessment tool. A professional agency utilized the data used in the Social Responsibility Management Report and media research results as bases, and as a result, "Establishing Human Rights Management System" and "Responsible Supply Chain Management" among the 10 issues of human rights management were deducted as items in need of supplementary actions. After the pilot project, we are taking corrective actions for these issues. The NPS plans to perform the human rights impact assessment, which creates and conducts the self-checklist by exploring businesses related to human rights. The results of the assessment will be publicized on the homepage after reporting to the top management through deliberation at the Human Rights Management Committee.

Promoting Practical Human Rights Management

Strengthening Employees' Human Rights Protection

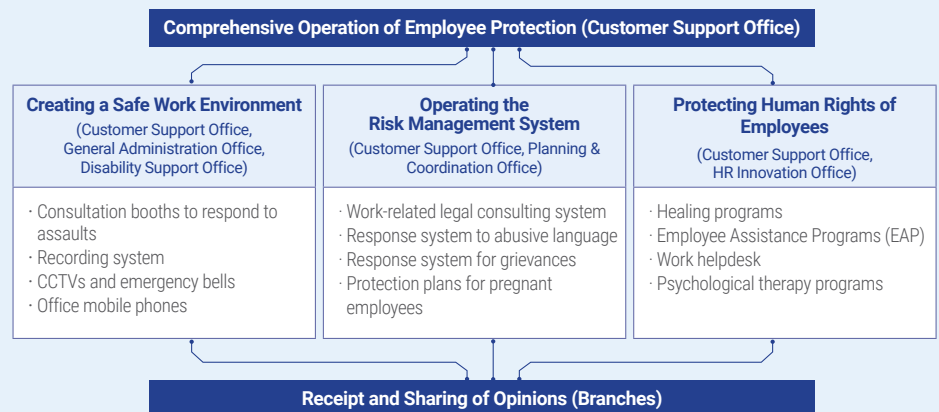
The NPS developed a comprehensive management system for protecting employees in order to effectively implement employee protection programs operated at each department. Meetings with the Head Office department are held biannually to check implementations regarding 'Creating a Safe Work Environment', 'Operating the Risk Management System', and 'Protecting Human Rights of Employees', and corrective actions are taken for any inadequacies. The NPS amended the 'Employee Protection Safety Manual' to protect employees responding to customers and strengthened plans to relieve human rights violations such as abusive language and sexual harassment and emotional stress for the consultants at call centers.



Appointment Ceremony of the Human Rights Management Committee



Operation of the Human Rights Committee



Developing Relief Procedure for Human Rights Violation

The NPS develops reasonable relief actions for human rights violation by considering domestic/overseas cases and relief procedures of relevant institutions. We secured reporting channels for human rights violation by efficiently using the existing channels including Red Whistle and sexual harassment-related grievance consultants, and prepared other relief procedures for separate human rights violation. We continue to improve our relief procedures by thoroughly monitoring the results of the implementation.

Responsible Supply Chain Management

Major partners of the NPS include those related to goods purchases/services (including subcontractors) and service managers of the fund management. The NPS reflects 'stability of employment' which is one of many human rights issues in the assessment standard when selecting service providers for responsible management of supply chains. We plan to strengthen activities for effective human rights protection including introduction of automatic legal alert system for employees of the partners (call centers) who suffer emotional pain due to malicious complaints.

Passion

NPS that Works with Passion and Joy



Business Relevance



Recently, minimizing gaps of human resources caused by large-scale retirement of the baby-boomers and cultivating future talents for stable growth and development of an organization have emerged as important issues in business management. In particular, most public institutions put a lot of effort into human resources management including HR, training, and welfare in order to recover from regional limitations such as losing experienced employees due to relocation. Moreover, they are endeavoring to create good workplaces by improving work methods and organizational culture, thereby securing overall competitiveness.

Our Approach



The NPS focuses on developing capacities of employees in accordance with the 3 aspects of reliable talent for NPS: the creator, the expert, and the communicator. Our tailored **trainings** including nurturing strategic leaders in response to future changes, high-quality training courses, and female leadership building are offered to strengthen capacities of the employees. Moreover, we try to realize an organizational culture with work-life balance by communicating with employees, improving the welfare system, and expanding a family-friendly system.

Our Plan



- Shifting paradigm to a horizontal work process in HR operation
- Strengthening training infrastructure by founding the Talent Development Center
- Establishing an exemplary labor-management model to public institutions

Key Performances



Family-friendly Certified Institution

11 consecutive years

Dec. 2008 – Nov. 2019



No. of Employees using Flex-time

1,173 persons

32.7% from previous year



Training Performances

KRW **957,000**
Training budget

4.67

Satisfaction Rating
Increased by 0.02 from previous year

Strengthen HR Management

Establishing the HRD System

Resetting HRD Strategies

To nurture talents for pension welfare that can achieve NPS values, the NPS set 'Trusted People of NPS' as a slogan and proposed the 3 aspects of reliable talents as 'Creators who innovate with new ideas,' 'Professionals who keeps growing and creating outcome', and 'Communicators who care and relate'. Moreover, we are promoting a new system of human resources development (HRD) strategies aligned with the managerial strategies to cultivate pension welfare experts who can actively respond to changes in business.

Training Goal	Cultivating Pension Welfare Experts That Can Achieve NPS Values		
	Slogan Trusted People of NPS		
Talent Aspects	Creators who innovate with new ideas New	Professionals who keeps growing and creating outcome Professional	Communicator who care and relate Sharing
HRD Strategies	Nurture strategic leaders for sustainable growth in preparation for future changes	Strengthen expertise in providing high-quality tailored service	Establish a virtuous-cycle of GWP where the organization and employees grow together
			Expand training infrastructure for efficient/systematic talent cultivation

Strengthening Talent Cultivation and Capacity

Building Job Expertise to Create Future Growth Engines

The NPS strives to nurture strategic leaders who can achieve sustainable growth in preparation for future changes. First, we focus on quality enhancement by expanding job training for stable operation of the existing business and operate tailored training courses to strengthen core job capacities needed to respond to changes in business environment and to implement new growth businesses for the future including retirement planning services and fund management diversification.



Capacity building of employees at the Head Office



Training for new recruits

	Professionals Cultivation	Necessary Capacities	Performances
Existing Business	Job training by rank /career	<ul style="list-style-type: none"> New employees : basic theory on job application Field workers : practical knowledge on laws/ guidelines Workers over 1 year experience : case-oriented in-depth understanding 	<ul style="list-style-type: none"> 216 courses 6,623 persons
	Capacity building by expert professors	<ul style="list-style-type: none"> Job-related laws, guidelines, and cases Teaching technique, planning and presentation skills 	<ul style="list-style-type: none"> Twice a year; 18 persons
Growth Business	Expanding retirement planning service	<ul style="list-style-type: none"> Knowledge related to retirement planning including finance and health, skills for consultation and lecturing 	<ul style="list-style-type: none"> 21 times; 638 persons
	Diversification of fund management for	<ul style="list-style-type: none"> Capacities for management by asset and global management 	<ul style="list-style-type: none"> 335 persons including overseas study
	Drastic changes in ICT environment	<ul style="list-style-type: none"> ICT related to the 4th Industrial Revolution 	<ul style="list-style-type: none"> 105 persons
	Transferring global schemes	<ul style="list-style-type: none"> Foreign language skills, understanding of global etiquette and cultures of various countries 	<ul style="list-style-type: none"> 61 persons in 12 areas

Creating a Good Company Culture to Work for

Efforts to Enhance Employee Satisfaction

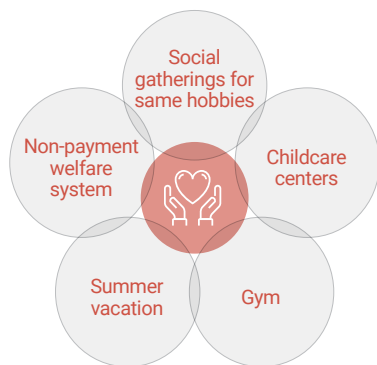
Improving Overtime Work

- Reduced overtime by 1 hour through labor-management agreement
- "Reduce unnecessary work," one of 3 work innovation ideas

Work-life Balance Policy

- Childcare holidays, childcare hours
- 'Get-off on Time' Day, compulsory lights-out
- Vitalization of flexible working hours (flex-time, part-time)
- Holiday use encouragement system, annual leave saving system
- Prohibition on work request before or after working hours

Operating the Welfare System that Reflects Employees' Needs



An Excellent Institution for Top-Quality Work-Life Balance

- Certified as Family-friendly for 11 years in a row
- Only public institution to receive the Presidential Award

Expanding a Family-friendly System

The NPS works toward creating an organizational culture that allows all employees to work happily through a work and life balance. We set guidelines to prohibit work through the social media before and after working hours and encourage employees to get off work on time by running a 'Family Day' every Wednesdays and Fridays as a means to minimize overtime work. Moreover, we run various types of flexible working systems including customized working hours in which employees can choose times for work and the short-hour working system which secures basic working conditions while having shorter work hours than regular employees.

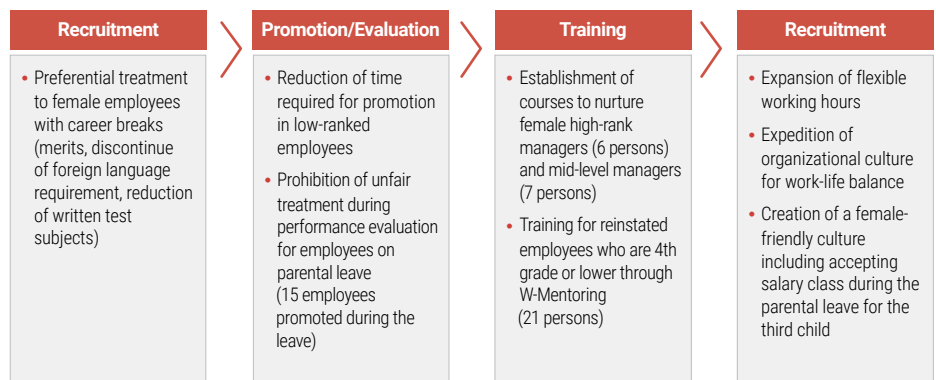
In addition, the NPS expanded childcare facilities by opening more childcare centers and strengthened children nurturing system for employees through childcare holidays (twice a year), and shortened working hours for male employees (1 hour per day). As a result, the NPS was selected as the Family-friendly Certified Institution for 11 consecutive years as a recognition for its efforts to lead a balanced system of work and life.

Improving the Welfare System that Reflects Employees' Needs

The NPS actively collects opinions of its employees through various communication channels including meetings and surveys to realize the welfare system that employees truly desire. We enhanced convenience and welfare of the employees by arranging intercity buses to stop at the Head Office for those that commute to work and improving the operation of cafeteria. Moreover, we upgraded the systems for flexible use of annual leaves by introducing hourly leave use and annual leave saving system.

Expanding Female Leadership and Nurturing Capacity

The NPS introduced a female-friendly system in all areas from employment, promotion, to appraisal followed by an increase in the portion of female employees. During employment, we offer preferential treatment to female employees who had career breaks in addition to strengthening other policies such as prohibiting unfair treatment in performance evaluation for those who were on parental leave and reducing the required time needed for promotion for the low-ranked employees. Moreover, various training programs were conducted to talents and capacities of female employees including trainings conducted for female managerial positions as well as mentoring for the reinstated employees who are 4th grade or lower. Based on these efforts, 58 among 149 female employees were promoted to the high-rank positions in 2017. The female managers of 2nd grade or higher works as the Subscription Support Officer Manager, HR Department Head, and Assessment Department Head.



Establishing New Cooperative Labor-Management Relations



Labor-Management Joint Announcement for 30th Foundation Anniversary

Policy that Actively Respects Labor

The NPS recovered from **difficult** environment through joint efforts of labor-management and plans to strengthen its publicness including social value creation based on the new cooperative labor-management relation.

The NPS performed a joint declaration of labor-management for its 30th anniversary since foundation to strengthen public pension, recover trust of the public, innovate fund governance, and realize social values based on mutual respect and cooperation of labor and management. Moreover, we are continuously expanding laborers' engagement in management with open management such as [Labor-Management Joint Innovation Promotion Group], composed of **equal** number of labor and management, to renovate the National Pension Scheme and other institutional operations.

Realizing Labor-Management Joint Social Values

In June 2018, as the first public institution in Korea, all employees of labor and management began participating in reducing overtime working hours, thereby recruiting 50 new employees. This is a rare occasion even in private corporations as the employees agreed to accept reduction of total wage and engage in sharing nationwide suffering from insufficient jobs. As a recognition for this effort, the NPS received the Excellent Award in the Public Institution Job Contest held by the Ministry of Economy and Finance. In addition, through the 'Full-time Transfer Council' of labor-management, we decided on transferring part-time employees to full-time using a large-scale direct employment method, and this is considered as a best practice of full-time transfers. We also contribute to the local community by hosting labor-management collaboration activities including the Jeonju International Film Festival and other local sports events. Furthermore, our labor and management conducted a joint announcement of the Charter of Human Rights Management and showed our desire to practice human rights, thereby realizing social values.



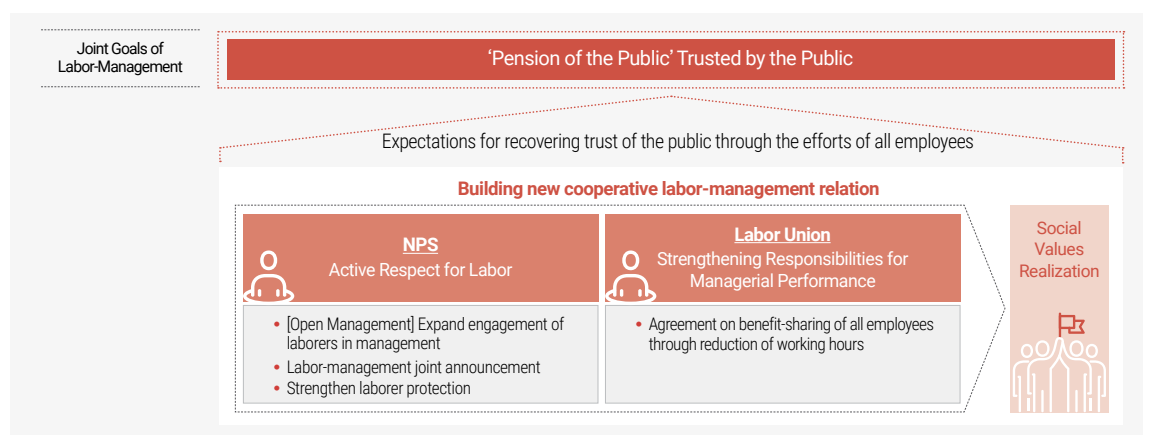
Establishment of the Labor-Management Joint Committee



Labor-Management Joint Announcement of the Charter of Human Rights Management

A Major Step Toward Laborer Protection

We are operating the 'Comprehensive Plans for Employee Protection', 'EAP', and '1355 Call Center Operational Development Plan' and strengthening human rights of the laborers through the 'Basic Plan for Preventing Sexual Harassment/Assault' and 'Grievance Treatment Committee'.



Sharing

NPS that Leads Shared Value Creation



Business Relevance



The government highlights the social roles of public institutions located in local communities to develop the potential of communities to achieve balanced growth and to build a basis for independent growth of the nation. Therefore, public institutions are recognizing the importance of local society development and social contribution activities and promotes those related to their businesses, thereby creating social values through shared growth with the communities

Our Approach



As the best comprehensive welfare service provider, the NPS focuses on promoting shared value creating social contribution by establishing social contribution implementation strategies that reflects its business nature. Based on the main social contribution brand, 'NPS Adding Love', we perform tailored social contribution activities that the stakeholders of subscribers, recipients, the disabled, and local communities can notice. Moreover, the NPS strives to fulfill job creation which is the top-political task of the government by transferring of part-time employees to full-time, benefit-sharing through reduction of overtime work, and creating high-quality jobs in private/local communities.

Our Plan



- Establish a social values realization model in accordance with the business nature of the NPS
- Realize social values by expanding a culture of sharing through collaboration with the local communities
- Strengthen creation of and support for NPS-type jobs

Key Performances



Social Contribution Mileage

167,030 pts

Increase by approx. 10,000 pts from previous year



Social Contribution Performance

17,783 persons

No. of Social Contribution Participants

59,909 hours

Length of Social Contribution Activities



Public Institution Sector

Grand Prize at Job Creation Award

Grand Prize in the Public Institution Sector at the Job Creation Award

Promoting Social Contribution Activities

Social Contribution Promotion System

Social Contribution Brand



NPS Adding Love

'NPS Adding Love' expresses the social contribution spirit of the NPS that 'Happiness grows when love and sharing is added.'

Social Contribution Promotion Strategies

The NPS implements social contribution activities customized for subscribers, recipients, the disabled, and local communities through the social contribution brand, 'NPS Adding Love'. The NPS contributes to the happiness of the public by establishing a social contribution strategy system that suits the institution's purpose of foundation and nature of **business**. Our social contribution activities focus on creating various shared values instead of conventional contributions including donations and one-time volunteering.

Slogan	A Joyful Community that Builds a Heartwarming World		
Social Contribution Strategies	Strengthen supports for independence of customers in alignment with businesses	Promote social contribution activities using core capacities	Expand sharing culture
Key Promotion Tasks	<ul style="list-style-type: none"> Strengthen rights of pension receipt Support stability of life for recipients Enhance will of the disabled for independence 	<ul style="list-style-type: none"> Overseas social contribution activities Pro bono Social exchange with local communities 	<ul style="list-style-type: none"> Share/communicate with employees Internal/external expansion activities

Implementing Tailored Social Contribution in Alignment with Businesses

Pension Premium Aid for Low-income Subscribers (accumulative)

| No. of Beneficiaries **2,264** persons

| Amount of Aid KRW **850** million

Adding Love for Subscribers

The NPS performs a tailored social contribution activity that reduces blind spots of National Pension in order to attain a happy society. In 2017, we paid pension premiums worth KRW 51 million for 239 low-incomeers who have difficulties in acquiring pension receipt rights due to a short period of subscription and provided KRW 30 million to 72 single parents living in public facilities. In addition, the NPS paid insurance premiums worth KRW 240 million for 93 persons of the low-income group who have insufficient period of subscription but reached the age of pension benefit receipts through monthly installments. Moreover, we provide pension premiums and childcare services for single parents who are vulnerable both socially and economically.

Consensus Traveling Program (accumulative)

6times, **480**participants
Approx. KRW **260** million

Adding Love for Recipients

The NPS conducts love-sharing services to the recipients in the vulnerable group including low-income single seniors and old-age/severely disabled persons who need assistance for happy post-retirement lives. To contribute to relieving issues of old-age such as solitude, depression, and illnesses, we conduct Consensus Travelling Programs for low-income single seniors who have difficulties in participating in cultural and social contribution activities of goods donations, phone calls, and cleaning. Furthermore, we provide the 'Didim Seed Savings Accounts' to children of basic living security recipient families who receive bereavement benefits and offer scholarships to socially vulnerable recipients or their children and grandchildren to encourage growth as responsible adults.

Heart-connecting Social Volunteering (accumulative)

23,432 participants
Approx. KRW **1.6** billion

Independence Support for Children Receiving Bereavement Benefit (accumulative)

4,575 participants
Approx. KRW **1.82** billion



Provision of Financial Aids for Love-sharing Activity



Consensus Traveling Program for the Single Seniors

Consensus Travelling Program with the Disabled (accumulative)



92 times
4,088 participants

Rehabilitation Expense Aid for Children (accumulative)



75 participants
KRW 190 million

Adding Love for the Disabled

We promote various welfare activities to enhance emotional stability and motivation for independence of the disabled. The NPS traveled with 534 disabled people who have difficulties in mobility and economical limits to Gwangmyeong Cave and Dacheongho Lake. Through the financial resources raised by monthly deductions from employee wages since 2012, we supported 12 disabled children with expenses for rehabilitation worth KRW 29 million. Moreover, we operate the 'Arms Around Shoulders Volunteering Group' where people with disability take care of people with more severe disabilities, along with employees of the NPS, and perform with musical instruments, arts, and dialogues in regional disability welfare institutions.



Consensus Travelling Program with the Disabled



Consensus Travelling Program with the Disabled (chocolate making activity)

Promoting Social Contribution Activities Using Core Capacities

Vitalizing Traditional Markets (2017)



KRW 314.5 million

Performance of Social Contribution in Jeonbuk Province



552 times
(4,731 hours)

Adding Love for the Local Community

The NPS conducts various social contribution activities with the help of organizations nationwide to contribute to local communities. We set up **sisterhood** relationship of 1 branch-to-1 family in 39 farmers and fishermen's villages and support farming, operating regional product markets, and environmental inspections. In addition, we practice tailored volunteering activities that are actually helpful to recipients in alignment with welfare institutions in the communities. The activities include volunteering for New Year and Chuseok holidays, hosting activities instead of yearly closing ceremonies, and holding blood donations.

Furthermore, the NPS performs with local businesses in supporting sales of social contribution goods and marketing for public institutions in Jeonju Innocity through cooperation with Jeonju Shinjoongang Market.



Purchasing Goods from Local Communities



Kimchi Making Festival with Relocated Institutions and Local Residents



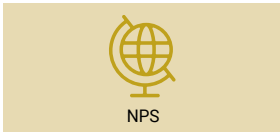
Supporting Farming

Overseas Volunteering Activities



Overseas

Acquire know-hows for expanding/developing the pension scheme, protect rights and interests of Koreans



NPS

Strengthen reputation through system transfer, reinforce rights and interests of Koreans such as insurance premium exemption by signing agreements

Expanding Overseas Volunteering Activities

As the world's top 3 pension fund, the NPS, promotes social contribution activities by expanding overseas, beyond Korea. Starting with Vietnam in 2013, we transferred our National Pension Scheme to other developing countries including Cambodia, Mongolia, Nepal, and Indonesia, and established a foundation for introducing the Korean pension system in Cambodia, Indonesia, and Kyrgyzstan through legal amendments. Moreover, we not only supported improvement of schools by providing school supplies, desks, and chairs, but also aided multinational families to visit their motherlands as our efforts to practice global sharing activities.



Global Social Contribution Activities

Pro Bono Volunteering Group



27 groups

421 members

Talent Sharing (Pro Bono) Volunteering Group

Employees with expertise in the areas such as language, photography, performance, sports, and magic perform talent sharing activities. 27 talent sharing groups composed of 421 employees conducted love-sharing activities with local residents in diverse areas including woodworking shop, magic & bubble show, health management, English learning guide, and senior photoshoots.



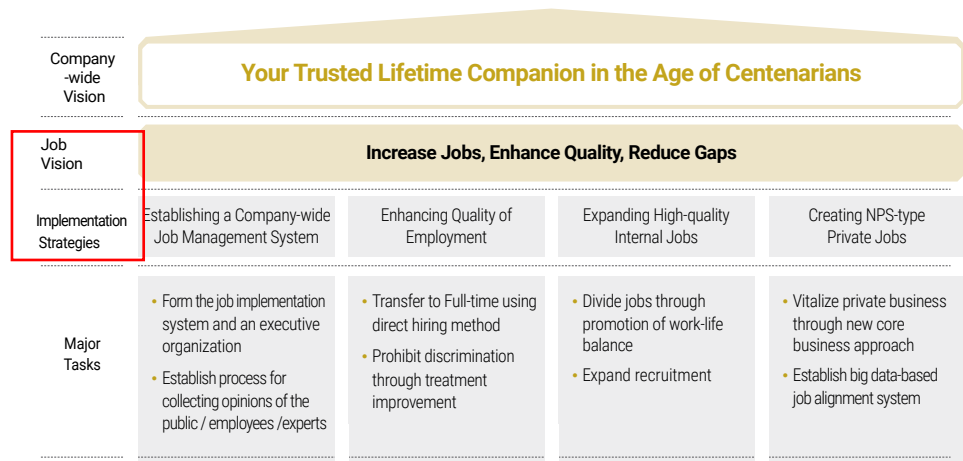
Manufacturing 'Love Desks' by the Talent Sharing Group

Strengthen Creation of Good Jobs



Establishing a Company-wide Managerial System for Job Creation

The NPS executes a company-wide job creation implementation system in accordance with the NPS characteristics to carry out the job creation policy of the government.



Hiring of Local Talents



Enhancing Quality of Employment

The NPS operates a capacity-focused employment system based on the National Competency Standards (NCS) and contributes to regional job creation through allocation of local talents. As of December 2017, the percentage of local talents among new recruits is 16.9%, and we strive to offer employment opportunities to each social group including high school graduates, female with career break, disabled, and men of national merit. Meanwhile, the NPS complies with the principle of minimizing part-time employees, and we directly recruited 1,231 part-time employees as full-time, which became a best practice case for transference into full-time.

Deciding to transition into Full-Time



Job Sharing through Labor-Management Agreement

In December of 2017, the NPS developed financial resources to hire 50 new employees through job sharing followed by the reduction of overtime work of all employees of labor and management as the Korea's first public institution. This is a rare occasion even in private corporations as the employees agreed to accept reduction of total wage and engage in relieving nationwide suffering from insufficient jobs. As a recognition for this effort, the NPS received the Excellent Award in the Public Institution Job Contest.

Job Sharing through Reduction of Overtime for All Employees

50 persons



Job Creation in the Private Sector



6,147 persons



Creating NPS-type Private Jobs

The NPS contributes to creating private jobs in alignment with its core business including expanding the social security contract agreement, establishing the smart alert system, and commissioning fund management. In particular, we try to offer the public more diverse services including political support for job creation and development of the job matching system by establishing big data based on National Pension information accumulated for 30 years. Moreover, we are creating job opportunities by contracting works related to fund payment and assets savings to domestic financial institutions and also contributing to direct/indirect job creation to the domestic economy of securities/in-kind through responsible investment/SOC investment/venture investment.

Creating Jobs by Vitalizing the Social Economy

The NPS promotes business using our various infrastructures to vitalize social economy and create local jobs. We built the 'NPS Café 36.5' to lease it free of charge to marriage immigrants and females with career breaks and conducted the 'PC-sharing with Love' business that donates unused PCs. Moreover, we contribute to the local economy through social contributions and use of traditional markets by purchasing goods needed for business operation.

Contribution to Job Creation through NPS Big Data

Support for Governmental Policy on Jobs

- The NPS was nominated for NIA Big Data Flagship (held by the Ministry of Science and ICT and the National Information Society Agency (NIA)) in 2017 by developing nationwide map of jobs that offers 50 kinds of useful information including number of employed persons by region, average income of the employed, and status of female employees with career breaks based on the big data.

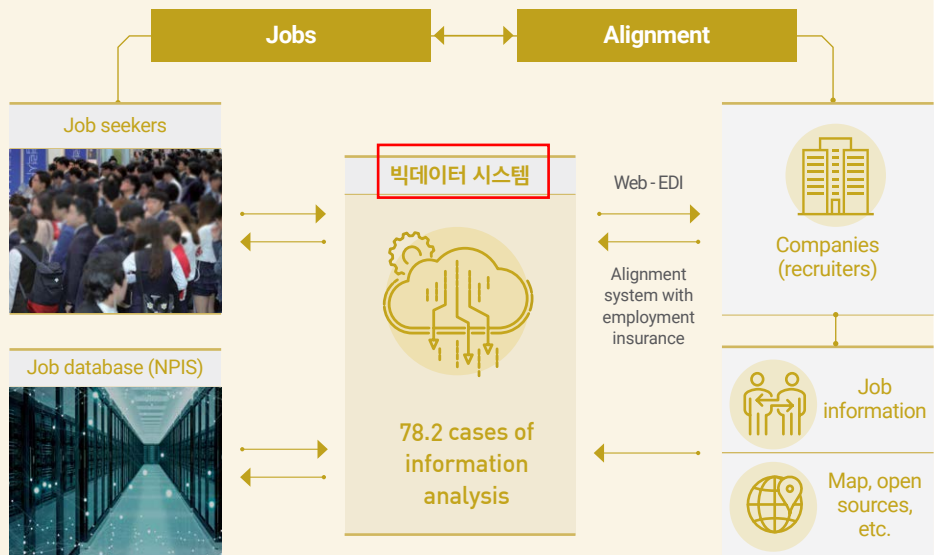
Job Matching System based on Big Data

- The NPS offers job information to support employment policies of the local governments by analyzing worksite information and volatility data including employee turnover of the NPS.



Big data-based Job Mapping Business

Prime Minister's Award



Responsibility

NPS that fulfills social responsibility



Business Relevance



Environmental management promotion of companies and public institutions are more emphasized each year. The government is accelerating the settlement of environmental management of public institutions by implementing the environmental information disclosure scheme. Meanwhile, efforts to sophisticate the safety/security system in response to natural disasters such as earthquakes and storms and intelligent cyber attacks is necessary. Due to the nature of the NPS, disasters not only impact on health and safety of the public, but also malfunctions of the pension service, and therefore, it is essential to take comprehensive responsive measures ranging from prevention, preparation to follow-up. Moreover, reinforcing security such as preemptive security management activities for information is necessary for the public's relief.

Our Approach



The NPS actively promotes environmental management activities related to the NPS in order to engage in solving environmental issues on a global level. Our environmental management is practiced through building of eco-friendly structures and investments in eco-friendly companies, and we are also promoting various energy reduction activities in our daily lives as an active response to climate change issues. In addition, the NPS enhances stability of the pension service by systematically managing disasters into natural and social disasters. Furthermore, we are strengthening customer privacy protection by establishing high-end information security management system.

Our Plan



- Promote sustainable environmental management through GHG reduction and energy conservation
- Establish Safe-NPS Security System against disasters/catastrophe/cyber threats

Key Performances

GHG Reduction Amount

3,820 tCO₂eq

Overachieved 4.7% higher than target amount



Ministry of Health and Welfare

Selected as an Excellent Institution for response training against Civil Defense Drill/cyber treats



Reinforcement of Facility Safety Management

Appointed as the national infrastructure of ICT center

Strengthened capacity of response to social disasters

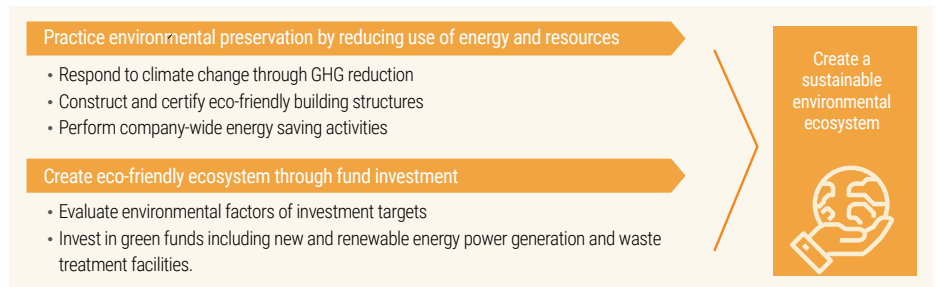
Endeavor to Conserve Environment

Promoting Sustainable Environmental Management

Direction of NPS Environmental Management Strategies

The NPS promotes environmental management activities related to the institution in order to engage in solving environmental issues including climate change and resource depletion that are intensifying globally. First, we practice such actions as building and operating eco-friendly structures, purchasing eco-friendly products, and investing in eco-friendly companies. Moreover, we also take active actions to spread eco-friendly culture including activities for energy conservation.

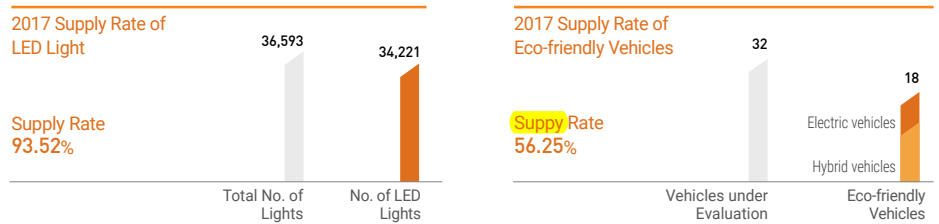
Environmental Management Strategies



Installation of Rainwater Extractor (reducing waste vinyl emissions)

Implementing Energy Saving Activities

The NPS promotes activities to save energy and resources in order to engage in responding to climate change. In particular, we attain energy conservation by replacing lights with high-efficiency LED, supplying eco-friendly vehicles, and purchasing green products. In 2017, we surpassed the goal with the rate of LED supply submitted to the government by 13.52%, which is 93.52% in total, and we also surpassed the supply rate of compact and eco-friendly cars by 6.25% (56.25% in total).



Purchase Rate of Green Products

84.6%

Surpassed purchase rate recommended by the government (80%)

GHG Reduction Efforts

In accordance with the greenhouse gases (GHG)/energy management policy of the public sector, the NPS set a reasonable standard of GHG emission amount for GHG reduction at 30% or more by 2030 and is implementing goals and plans. Since 2011, we have managed emissions at all branches and office buildings by establishing the performance management system for GHG emissions. We put various efforts to save energy consumption by assigning an energy saving keeper at each building. As a result of our efforts, we surpassed the amount of GHG reduction proposed by the government by 4.68% in 2017.

Unit (tCO _{2eq} %)	Base emission amount(A)	Reduction target rate (B)	Reduction target amount (C=AxB)	Emission amount (D)	Reduction amount (E=A-D)	Reduction rate (F=E/A)	Rate of achieving reduction targets (G=E/C)
Total	13,320	24.00	3,197	9,500	3,820	28.68	119.49



Certificate of Installment of New and Renewable Energy Equipment

Certification of Eco-friendly Structure

The NPS conducts environmental impact assessments **on** conservation of energy and resources, reduction of pollutant emissions, and creation of pleasant residential environments during the whole process of a building a structure ranging from material production, design, construction, and discard. Through this process, the NPS motivates constructing eco-friendly structures, sets reasonable plans for energy saving, and reflects energy saving technology, thereby enhancing the value of the structures.

The reduction effect of energy use at the Jeonju Head Office Building, along with the NPS Investment Management, is maximized using high-efficiency materials and element technologies, and as a result, the building received Grade 1 for energy efficiency. Moreover, the Wonju Building Office established in December 2017 can supply 21% of estimated energy consumption by installing renewable energy equipment such as the geothermal power generator.

Environmental Factor Assessment of Investment Target Companies

The NPS developed the ESG assessment indices considering environmental factors and applies the indices when investing in companies. The environmental factors among the ESG indices are composed of 'climate change' items such as the GHG management system, carbon emissions and energy consumption and 'clean production' items such as clean production management system, water/chemical substances usage amount and chemical substances/air pollution/wastes emission amount. In addition, we also reflect the 'eco-friendly product development' items such as eco-friendly product development goals and processes, eco-friendly patents, eco-friendly certifications, and eco-friendly product development.

Environmental Index Details

Climate Change	GHG management system, carbon emissions, energy consumption
Clean Production	Clean production management system, water/chemical substances uses, chemical substances/air pollutants/wastes emissions
Eco-friendly Product Development	Eco-friendly product development goals & processes, eco-friendly patents, eco-friendly certifications, product eco-friendliness improvement

ESG Assessment Indices Considered for Responsible Investment



Green Fund Investment

KRW **198** billion
Contract in 2017, Execution in 2018

Expanding Green Fund Investment

The NPS promotes Green Fund that invests fund budgets in the environmental infrastructure business to increase opportunities for renewable energy investment. The Green Fund works in a way that sets environmental infrastructure assets including new and renewable energy power generation and waste treatment facilities as the priority target for investment and investing in environmental infrastructure. The NPS plans to manage the fund worth KRW 20 million after selecting a contract agency for management of the Green Fund and strategically promote the Green Fund by exploring new business related to the environment.

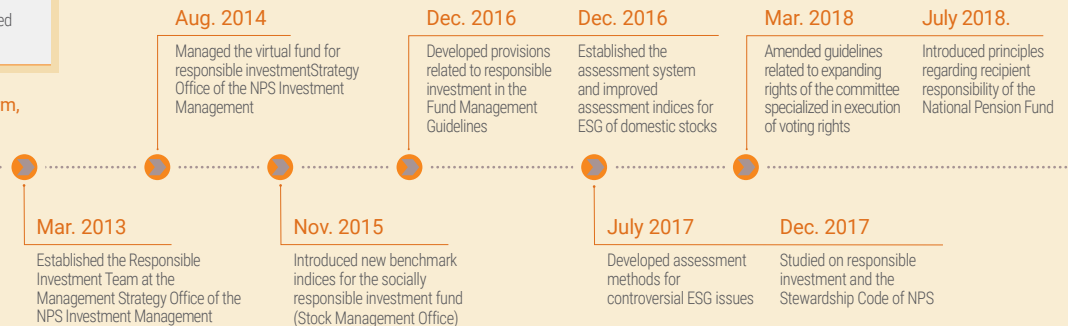
Reinforce Responsible Investment

Systemizing Responsible Investment	Strengthening Professionalism of Responsible Investment
ESG assessment and factor analysis	Service contract for domestic stocks : responsible investment
<ul style="list-style-type: none"> Select ESG assessment indices 	<ul style="list-style-type: none"> Select and evaluate contract agency for fund management Status of contracted management

Contribution to enhancing long-term, stable profit rate of the fund

Creating a Sustainable Environmental Ecosystem through Fund Investment

In accordance with the Clause 4 of Article 102 (Management and Operation of Fund) of the National Pension Act, the NPS regulates considering ESG factors related to investment targets in order to enhance stable profits in a long-term when managing funds. The Responsible Investment Team of the NPS Investment Management manages the support system to assist the decision-making of responsible investment by providing integrated information of financial data and ESG research results to the Fund Management Department.



Public Hearing on Implementation Plans for the Stewardship Code

Vitalizing Responsible Investment and Introducing the Stewardship Code

The NPS applies necessary procedures gradually and in phases regarding responsible investment after collecting opinions of the stakeholders and experts and creating sympathy. In 2017, we enhanced the ESG related stability of the portfolio by improving the ESG assessment system and are developing the basis for analyzing impacts of ESG factors on profits through the management of virtual responsible investment fund. In 2018, the NPS expanded/reformed the existing Committee Specializing in Executing Voting Rights to the Committee Specializing in Recipient Responsibility and endeavors to fulfill the responsibility of a good manager of the public pension by introducing principles of responsibility of the National Pension Fund recipients (Stewardship Code).

Principles related to Responsibility of National Pension Recipients

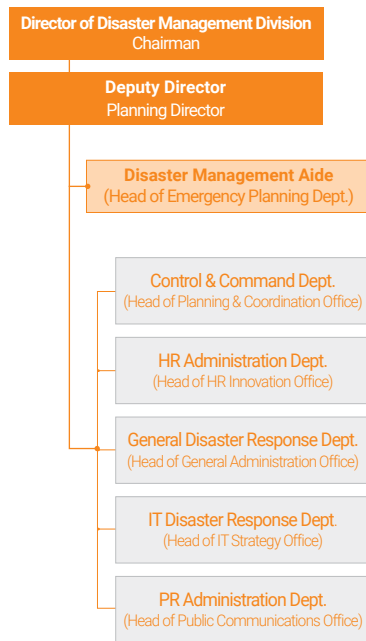
* Please refer to the link below for details regarding the 'Principles related to Responsibility of National Pension Recipients'



http://fund.nps.or.kr/jsppage/fund/mpc/mpc_08.jsp

- Institutional investors shall disclose specific policies for implementing responsibility of the recipients that manage/operate assets of others including customers and beneficiaries.
- Institutional investors shall develop and disclose effective and specific policies related to ways for resolving conflicts of interests that may or actually occur during the process of fulfilling responsibilities of recipients.
- Institutional investors shall monitor investment target companies regularly to maintain and increase values of the investment assets by enhancing mid-to-long-term values of the companies.
- Institutional investors shall develop internal guidelines regarding period, procedure, and methods of activities to fulfill recipient responsibility when necessary, while aiming to create consensus with the investment target companies.
- Institutional investors shall disclose policies on voting rights including guidelines/procedures/detailed standards for loyal execution of voting rights and also disclose specific contents and reasons for executing voting rights to identify suitability of the execution.
- Institutional investors shall regularly report customers and beneficiaries regarding activities to execute voting rights and fulfill responsibility of recipients.
- Institutional investors shall be equipped with capabilities and expertise needed for active and effective implementation of recipient responsibility.

Prioritizing Public Safety



Enhancing Safety through Systematic Disaster Management

Enhancing Safety through Systematic Disaster Management

The NPS not only enhances **stability** of pension service, but also fulfills needs for safety of the government and the public, by preventing predictable disasters in advance and strengthening response capacities for unannounced disasters. Disasters are categorized into two scopes (natural disasters, social disasters) for systematic management, and specific execution tasks are set and promoted.

Goal	Creating NPS that is safe from disasters and incidents		
Direction of Pursuit	Preventive response to unannounced disasters	Safety management of facilities that are easily accessible	NPS responsible for safety of employees and the public
Execution Tasks	<ul style="list-style-type: none"> Set comprehensive plans for disaster/safety Strengthen capacity for disaster response through integration of manual and drills Establish cooperative system with local communities manual and drills 	<ul style="list-style-type: none"> Provide non-stop pension service by strengthening activities for ICT disaster prevention Eliminate factors of public anxiety by strengthening facility safety government 	<ul style="list-style-type: none"> Strengthen protection plans for health/safety of employees Expand activities to enhance public safety in alignment with the government

Performances of Strengthening Capacity for Disaster Response

Key Contents	Performance
Safety Inspection	
Self-inspections (Safety Inspection Day)	All departments, 1,536 times
Fire protection facility inspections by outside agencies	39 branches, 546 times
Regular inspections and supplements of disaster management manuals by sector	6 sectors including ICT emergency response manual
ICT regular/special inspections	87 times
Educational Performances	
e-Learning	328 persons
External training for facility management personnel	24 persons
Self-safety training	All departments, 989 time
Training Performances	
Head Office disaster response improvement training	19 departments, 4 times
Civil Defense Drill training	44 departments, 1,973 persons
Joint fire protection training with relevant institutions	27 office buildings and branches
Self-fire protection drills	39 office buildings, 77 times
Joint training for strengthening ICT disaster capacity and verifying recovery	7 times

Strengthening NPS Capacity to Respond to Disasters

Disaster Response Activities and Internalizing Safety Awareness

The NPS performs various safety inspections including monthly Safety Inspection Day events, professional agency inspection, supplementation of disaster management manual, and ICT specialized inspection. In addition, we improve **capabilities** of employees for disaster response by executing e-learning of disaster management, expert contracting, and self-training and by promoting disaster response drills. Moreover, we put effort into internalizing safety awareness of employees by sharing methods for disaster responses through distribution of visual materials.

Dependable Safety Management of Facilities

The NPS established the disaster recovery system by designating the ICT Center as the national infrastructure facility in order to respond to social disasters that may interrupt pension services due to computer malfunction. To minimize damages from disasters, we set protection goals and target scopes and are taking actions such as operating the disaster recovery system, increasing personnel for real-time protection of facilities, securing manual for disaster response risk management, and running a 24-hour comprehensive control center. Moreover, we achieved 100% rate of insurance application by applying for building insurances at 116 branches and consultation centers. We are strengthening the safety management of the building offices by enhancing earthquake-resistance of elevators, improving **safety** of elevators, and conducting safety inspections on construction sites.

Category	Implementation Items	Performances
Strengthening earthquake-resistance in office buildings	<ul style="list-style-type: none"> Applied earthquake-resistant design at 24 buildings out of 40 (including Wonju building competed in December) Conducted earthquake-resistance assessment of 2 buildings before the obligation of earthquake-resistant design <ul style="list-style-type: none"> Completed in 9 buildings out of 16 targets Additional certifications of earthquake-resistant indication system at 5 office buildings (Ministry of the Interior and Safety) <ul style="list-style-type: none"> Certified 10 buildings out of 39 	<p>60% application rate of earthquake-resistant design</p> <p>56.3% completion rate of earthquake-resistance assessment</p> <p>26% certification rate of earthquake-resistant indication system (average 5% of public institutions)</p>
Safety of elevators	<ul style="list-style-type: none"> Performed regular safety inspections at 39 office buildings (monthly) <ul style="list-style-type: none"> Installed noncontact safety devices on 6 elevators in 5 buildings 	Improved elevator safety and achieved zero safety incidents
Elimination of asbestos	<ul style="list-style-type: none"> Completed elimination of asbestos (1 branch) <ul style="list-style-type: none"> Completed 9 branches out of 13 targets 	69.2% approval rate of eliminating asbestos building structures
Safety at construction sites	<ul style="list-style-type: none"> Ordered organization/inspection team/construction company joint safety inspections on sites (10 times) 	Achieved accident/disaster-free construction

Safety Enhancement Activities for the Socially Vulnerable Group using Business

The NPS achieves social values by performing safety enhancement activities for the socially vulnerable group using its own business. For instance, when investigating the rights of receipt, we target people of old-age with a high rate of death and severely disabled recipients and conduct field services every 1 to 3 years by analyzing living conditions during the consultation process. Moreover, we offer residential safety supplies and improve facilities of senior citizen community centers for the elderly and the recipients with difficulty in mobility. Furthermore, we actively promote protection activities for the safety of the vulnerable group through our business by making greeting calls to protect single seniors from **lonely death** and as a result, we received the Award of Ministry of Health and Welfare as the Excellent Institution for Protecting Single Seniors.

Managing Top-Level Information Security

Strengthening the Information Security Management System

The NPS endeavors to establish a defect-free information security management system through annual investigations held by the National Intelligence Service (NIS) to protect personal information of the public including the National Pension Management System, which was selected as the national infrastructure. Moreover, we are equipped with a global-level management system due to the acquisition of the ISO 27001, which is the international security management system for information assets and IT organizations.

Strengthening Responses to Cyber Threats through Preemptive Security Activities

The NPS established the best cyber protection system with an up-to-date security infrastructure to respond to drastically changing cyber threats. We created a safe working environment where information is protected from external hacking threats by separating the office network from the internet. Moreover, we are strengthening response capabilities of cyber risk through site-oriented security trainings and drills and also thoroughly preventing security incidents by reinforcing effective security inspections such as the Cyber Security Inspection Day and preemptive prevention of breach threats. Through our efforts for capacity building of professional human resources, we achieved outstanding performance in the Hacking Defense Competition run by the government for 3 consecutive years and were selected as an Excellent Institution for Cyber Risk Response for 2 consecutive years.

Strengthening Personal Information Protection Management

The NPS is sophisticating the management system of personal information protection by reinforcing management procedures and preemptively identifying and eliminating risk factors. In order to protect customer privacy, we conducted regular monitoring of access to personal information and we did not find any incidents of illegal access to personal information for 2 consecutive years. In addition, we have not had any personal information breach for 7 years by complying with legal procedures for information collecting agreement, eliminating third-party breach factors, and deleting expired and unnecessary personal information. Due to the effort in strengthening information protection, the NPS passed the certification assessment of the Personal Information Management System (PIMS) for 3 consecutive years and in 2017, we acquired the highest grade in the 'Inspection of Personal Information Protection Management Standard' with **99.4 points**, conducted by the Ministry of the Interior and Safety.

Cyber Threat Infringement Incidents



Achieved ZERO for 6 consecutive years as of the end of 2017



Personal Information Management System (PIMS) Certification

Personal Information Breach Incidents



Achieved ZERO for 7 consecutive years as of the end of 2017

Fairness

NPS, Building a Fair Society



Business Relevance



Policies of shared growth/collaboration for SMEs in the past were limited to charitable supports including social contribution and purchasing of goods. However, they are being expanded to new technology development and entrance into new markets through joint efforts with SMEs, followed by fair sharing of outcomes and profits. Therefore, public institutions are striving to explore and implement more diverse and high-level projects of shared growth/collaboration.

Our Approach



The NPS has obstacles in performing shared growth as it is a quango that executes public services including pension scheme and fund management. So, we are putting our utmost effort into effectively promoting Win-Win Growth with ways of finding businesses for Win-Win Growth, proceeding with joint efforts with partners, and evenly sharing performance.

Our Plan



- Building a foundation to promote exemplary execution of governmental policies
- Operating programs for shared collaboration that heightens connectivity to major businesses of the NPS
- Expanding product purchasing and supporting sales routes of SMEs
- Creating an ecosystem of Win-Win Growth for development of shared collaboration

Key Performances



Win-Win Growth
Assessment of Public
Institutions

Improvement
» General

Hosted by the Ministry of
SMEs and Startups



Korea Commission for
Corporate Partnership
(KCCP)

Certified for
implementing
profit-sharing



Specialization
of SMEs and
Ventures

KRW7.5trillion

Total amount of small
capitals, growth capital,
and venture capital

Expanding Win-Win Growth Culture

Establishing Win-Win Growth System

N Win-Win Growth Implementation System

The NPS formed a Win-Win Growth Implementation System by reflecting SMEs' needs for 'expanding market' and the institutional characteristics of 'strengthening its own business', and thus creating Win-Win Growth with SMEs and an ecosystem of shared growth/collaboration.

CEO's Partner Meetings



Win-Win Growth Goal	Realizing sustainable fund management through shared collaboration with SMEs		
Implementation Strategies	Strengthening competitiveness through shared growth/collaboration	Creating an SME-friendly ecosystem	Vitalizing the social economy
Implementation Tasks	<ul style="list-style-type: none"> Promote NPS-type benefit-sharing task Support growth of IT companies by disclosing big data of NPS 	<ul style="list-style-type: none"> Responsible investment, venture fund, etc. Support sales routes of the SMEs 	<ul style="list-style-type: none"> Support for growth of social companies Support for growth of traditional SMEs

Supporting SMEs for Competitiveness Enhancement

Promoting Benefit-Sharing Tasks of the NPS

The NPS promotes supporting big data partners by designing the NPS-type benefit-sharing system to strengthen competitiveness of SMEs with potential impacts on business performance. For instance, regarding the 1355 Call Center, we are implementing cooperative benefit-sharing of service standards with the contracted company and endeavoring to achieve a shared goal of enhancing customer satisfaction by sharing consultation methods and providing performance-related pay upon selection as the best call center. As a result, 1355 Call Center was selected as 'Korea's Outstanding Call Center' in the KSQI research for 13 years in a row. We are also promoting benefit-sharing in 6 projects including Cheongpung Resort and IT outsourcing.

1355 Call Center



Selected as 'Korea's Outstanding Call Center' for 13 consecutive years

Through these efforts, the NPS acquired a certification of 'Benefit-sharing Company' from the Foundation of Collaboration Among Companies in the Farming and Fishing Industry in October of 2017.

Types	Collaboration Contents	Benefit-sharing
Service standard collaboration	<ul style="list-style-type: none"> Promote vitalization through shared efforts by contracting including rate of room operation and customer satisfaction at Cheongpung Resort Promote SLM related to IT outsourcing and comprehensive maintenance 	Monetary compensation upon achieving preemptive contract indices
Technology development	<ul style="list-style-type: none"> NPS block development for efficient sharing of big data Patent assessment through plans for unidentified measures for personal information in process 	Joint execution of patent application and future business
Shared value creation	<ul style="list-style-type: none"> NPS supports Café 36.5 for operation and networking with external administrative institutions and the café donates portion of profits. 	Extension of free lease

Supporting Growth of IT Partners Related to Big Data of NPS

In accordance with the technological development followed by the 4th Industrial Revolution and needs for innovative growth of the public institutions, the NPS implements big data business based on the National Pension information. In this process, the NPS provides supports growth of the IT partners through resource-sharing including data and server.

Creating a Good Ecosystem for SMEs to Manage

• Growth Capital Fund

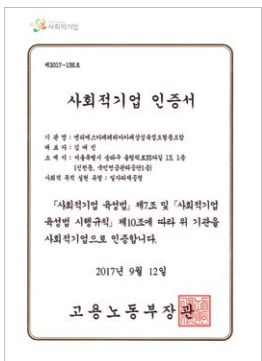
A fund that recovers investment budgets by promoting actual growth of middle-standing enterprises or SMEs with high growth potential through minority investment without acquiring control of the business.

• Venture Capital

A fund that invests in unlisted stocks while offering management consulting and actively engaging in governance

Expediting Implementation of Win-Win Growth for Responsible Investment

The NPS intends to actualize a society of shared growth by investing in companies or funds that have positive impacts on society or environment, beyond simply pursuing profit. Our fund operation works toward promoting Win-Win Growth of listed companies by establishing guidelines for responsible investment that concerns environmental, social and governance (ESG) issues and fulfilling social responsibility by investing in small capitals (small caps), growth capital funds, and venture capital funds. In addition, we endeavor to support market expansion of SMEs by exceeding our goal of the purchase rate for prioritized purchasing products including those of SMEs and other social enterprises recommended by the government.



Facilitating Social Economy using NPS Capacity

Supporting Growth of Social Enterprises in Local Communities

The NPS promotes businesses using its various infrastructures to vitalize the social economy and create local jobs. The 'NPS Café 36.5' was created in the Head Office building to secure economic activities of the socially vulnerable group including basic living security recipients, marriage immigrants, and women on career break. Through the profit-sharing contract with the NPS, the Café 36.5 donates a portion of the profit to other socially vulnerable groups and is in the process of introducing this representative social, economic model of the NPS to other public institutions in the Jeonbuk Innocity.



Supporting Growth of Small Businesses at Traditional Markets

The NPS contributes to the revitalization of traditional markets and development of local communities by expanding its successful experience and know-hows from Seoul Mangwon Market to Jeonju Shinjoongang Market. The customized service for in-house events, which first started as an improvement project for shopping delivery at Mangwon Market, was applied to Shinjoongang Market. The target customers were expanded from residents to corporations and we are putting in our efforts toward customized product development and promotion. As a result, Jeonju Shinjoongang Market is capable of professionally supplying social contribution goods in the Jeonbuk **Provice**.



Revitalizing Traditional Markets



Creating a Fair Trade Culture

Efforts for Fair and Transparent Contract Signing

Rate of Information Disclosure

2016 **71%** > 2017 **95%**

[24%p increase compared to the previous year]

Performance of Electronic Bidding System



100% rate of electronic bidding for 3 consecutive years (2015 to 2017)

• Integrity Message

Thank you for your service with the NPS. The employees of NPS do not receive or request bribery or gifts. For any cases of such occurrence, please report to us and actively cooperate with us to establish a clean contract culture.

(Reporting channel : NPS Helpline www.redwhistle.org)

Improving the System to Create a Clean Contract Environment

The NPS promotes the improvement of various systems to sign agreements fairly. We expanded targets of disclosure from contracts worth KRW 50 million to all tenders. The system was improved to conduct technical evaluations through professional institutions for large-scale business contracts. Also, we amended the regulations to sanction original subcontractors through contract cancellation if any misconduct including bribery is reported so that a clean environment for contracts could be established.

Operating a Transparent Contract Process

All biddings held by the NPS are operated through a fair bidding process through the electronic system. We are establishing a clean contract process by disclosing it to its entirety, ranging from the initial phase to contract signing. Since 2018, we began to conduct preemptive reviews in the stages of technological development to prevent unfair practices. We also developed a system that sends 'integrity text messages' to the contracted companies after the contract is signed in order to spread our desire for integrity.

Work Improvement Process for Integrity Contracts

Disclose order plans

- Beginning of every year
- Every quarter

Disclose specifications

- All bids
- Private contracts for patents

Disclose contract details

- Disclose details of contract agreement (every month)

Other integrity activities

- Request for integrity pledge
- Transmission of integrity SMS messages

Efforts to Strengthen Communication with Contract Companies

The NPS operates on/offline communication channels to effectively handle difficulties of the SMEs in collaboration. We have online channels including SMEs Difficulty Resolution Center, Helpline for unfair trade, reporting center for contract inconvenience, and SNS and offline channels including Cheongpung Resort Managerial Strategy Meeting, IT Outsourcing Operation Committee, Café 36.5 Operation Committee, and contract company meetings to collect issues and proposals. Through these communication channels, we are effectively improving every system, and for instance, we offered SMEs bidding opportunities by dividing large-scale printing contracts into smaller ones.



IT Outsourcing Operation Committee



Contract company meeting



Café 36.5 Operation Committee

Appendix



Management Report

Social Responsibility Management Performance

Global Initiatives



GRI Standards Index

Independent Assurance Statement

Awards and Membership

Management Report

Establishing Sound Governance

Performance of Board Operation

Name	Unit	2015	2016	2017	2018.8
No. of board meetings	times	15	10	11	7
No. of items	cases	46	42	39	29
Participation rate	Executive directors	% 96.4	92.5	90.5	97.2
	Non-executive directors	% 97.1	84.3	77.9	75.7

* Board meetings : Regular meetings on decision-making of major items (Feb., Oct.) and tentative meetings upon request from the chairman or the board.

Composition and Operation of the Board of Directors

The board of directors plays a role of the top decision-making body with authority of reviewing major operational strategies and goals and supervising the overall operation of the institution. The NPS conducts **balanced** operation of the board by considering representativeness, expertise, and distinctiveness while complying with the National Pension Act (Article 30). As of August of 2018, the board is composed of 12 persons including 5 chairmen and executive directors and 7 non-executive directors. The board is operated efficiently through the 'Managerial Administration Board Management system' that records and manages the overall process.

(As of July 2018)

Category	Name	Affiliation and Position	Remarks
Executive directors	Sung Joo Kim	NPS Chairman & CEO	Chairman
	Jeongbae Park	NPS Executive Director for Planning	Executive director
	Yongkuk Kim	NPS Executive Director for Pension Operations	Executive director
	Younghee Nah (female)	NPS Executive Director for Welfare*	Executive director
	Insik Cho	NPS Executive Fund Director & Chief Investment Officer	Executive director
Non-executive directors**	Youngbae Kim	Vice Chairman of Korea Employers Federation	User representative
	Younggak Park	Director of Korea Federation of SMEs	User representative
	Sungkyeong Lee	Secretary General of Federation of Korean Trade Unions	Laborer representative
	Wookdong Kim	Vice Chairman of Korean Confederation of Trade Union	Laborer representative
	Jeonghwa Kang (female)	Chairman of Consumers' Union of Korea	Local subscriber representative
	Jongbaek Park	Lawyer at Korean Bar Association	Local subscriber representative
	Geunhyeok Ryu	Head of Pension Policy Department of Ministry of Health and Welfare	Ex officio directors

* Position of Executive Director of Welfare was created as a result of the efforts in expanding welfare business. Followed by the appointment of a female director, the total number of directors increased from 11 to 12.

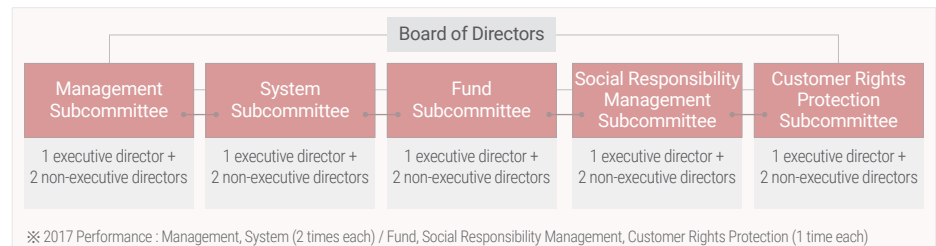
** Non-executive directors include 2 user representatives, 2 laborer representatives and local subscriber representatives, and 1 ex officio director who is the Head of the Pension Policy Department in Ministry of Health and Welfare. Legislation for appointing a recipient representative in the board is in progress considering the 4.4 million recipients of National Pension.

Professional Committees

The NPS, with the expertise of non-executive directors, operates professional committees in each area under the board: Management Subcommittee, System Subcommittee, Fund Subcommittee, Social Responsibility Management Subcommittee, and Customer Rights Protection Subcommittee. Professional committees appoint committee members by considering the items of the board meeting as well as the expertise of the non-executive directors, and preemptive deliberations on items with high priorities are assessed before submission.

Participation Rate of Female Directors

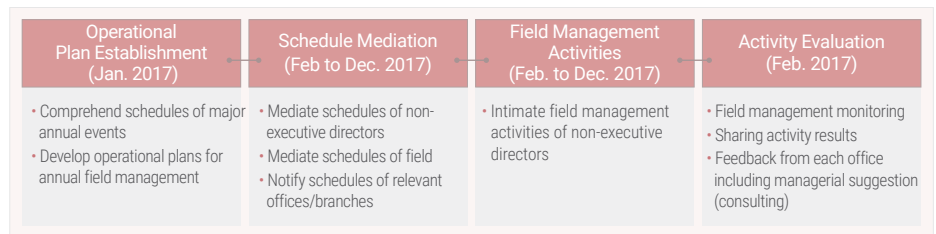
2016 9% > 2017 17%



Strengthening Engagement of Non-Executive Directors

The NPS is expanding the engagement of non-executive directors for reasonable decision-making. First, we use the board management system to conduct a precise follow-up management process for key managerial suggestions, amendment decisions and additional reporting items and preemptively notify key issues through real-time deliberation by the practitioners using a visual meeting system. Moreover, we are enhancing the efficiency of operating non-executive directors by sharing information about items and pending issues through SNS, SMS and emails and implementing preparation measures. In addition, we are raising the comprehension of the pending issues through participation in various field management including branch field experience and internal institution events and expediting knowledge and experience of the non-executive directors to field employees through face-to-face communication with the employees.

Field Management Engagement Promotion Process



Appraisal and Rewards

Besides the salary, the NPS annually provides differentiated payment to executive directors after the appraisal of performance evaluations. For the performance evaluations, external management evaluation of public institutions conducted by the Ministry of Economy and Finance as well as the internal ethical management practices and efforts for managerial improvement are measured and reflected in the result of the annual comprehensive assessment. Basic salaries of the executive directors are in compliance with the government's guideline: 80% of the CEO's, and the records (benefits for meeting participation, lecture fees, etc.) of compensation paid to the executives and non-executive directors in 2017 are disclosed on the homepage of the NPS.

No.	Date	Key Items	Participation Rate
1	Jan. 4 2017	Partial amendment of regulations on rewards (draft)	72.7%
2	Jan. 24 2017	[Decided] 2017 business operation plan (draft), 2016 budget carried forward (draft), 2017 1st additional correction of budgets (draft)	80%
		[Reported] Plans to enhance trust of National Pension, results of special audit	
3	Feb. 28 2017	[Decided] Amendment of HR regulation (draft), 2016 FY account closing (draft), amendment of fixed asset management regulation (draft)	90%
		[Reported] 2016 business performance, 2016 annual audit report, plans to prevent HR turnover due to office relocation	
4	May 30 2017	[Decided] Amendment of the HR regulation (draft), contract agreement for commissioned collection of refund/supplementary insurance premium	70%
		[Reported] Changes in plan for relocation of the 2nd office building	
5	Amendment of regulations on rewards (draft)	[Decided] Amendment of regulations on rewards (draft)	80%
		[Reported] Standard of operation of meeting room in the Southern Seoul Regional Office (draft), plans to strengthen fund information management	
6	Aug. 9 2017	[Decided] Composition of Executive Nomination Committee (draft), agreement on management performance of CEO (draft)	90%
7	Oct. 27 2017	[Decided] Mid- to long-term management goals of NPS (2018 – 2022), 2017 2nd additional correction of budgets (draft), partial amendment of regulations on wage management (draft)	90%
		[Reported] Implementation status of 4th NPS financial calculation	
8	Nov. 28 2017	[Reported] System for using governmental aids in wages, results of inspections of government offices	81.8%
9	Dec. 7 2017	Composition of executive nomination committee (draft)	72.7%
10	Dec. 26 2017	[Decided] Partial amendment of organization regulation (draft), 2018 budget (draft), partial amendment of HR regulation (draft), plan for partial selling of land of Boryeong building office (draft), regulations on operation/abolition of Basic Old-age Pension Support Center (draft)	90.9%
11	Dec. 27 2017	Partial amendment of HR regulations (draft), partial amendment of regulations on rewards (draft)	90.9%

Sophisticating the Risk Management System

Company-wide Management Tools by Risk Type

Risk Types	Management Tools
Investment Risks	Comprehensive Risk Management System Investment Limit Check System Internal Control System Foreign Currency Payment Limit System Preemptive Compliance Review System
Business Risks	Eligibility/Wage Management System Pension Clinic System Personal Information Protection Monitoring Information Security System e-Audit System
Operational Risks	Managerial Disclosure Check System Internal Accounting Management System Service/Authority Management System Corporate Credit Cards Monitoring System

Multiple Risk Management System that Reflects Characteristics by Risk Type

The NPS manages company-wide risks by type: business risks (system operation), investment risks (fund management), and operational risks (institution operation) due to increase in risk factors followed by increases in subscribers, recipients, and fund size. In particular, we developed risk management plans in stages for systematic management of risk factors and respond to financial/non-financial risk factors of the NPS preemptively and efficiently by establishing a monitoring system for each specific area.

Risk Factors	Business risks (system operation)	Investment risks (fund management)	Operation risks (institution operation)
Management Method	· Regular verification/inspection and feedback on faulty and proper treatment in accordance with regulations/guidelines	· Regular verification/inspection and feedback of the relevant department on risk limitation allocated by the Fund Management Committee	· Inspection through preemptive suitability checks and regular monitoring including budget execution through internal control
Management Department	Subscription/Benefit/Information/Auditor's offices	NPS Investment Management Compliance Officer	General Administration/HR/Auditor's Office
Management Stage	· Self-inspection of departments · Establish and operate voluntary inspection system	· Regular monitoring such as the e-Audit system and investment risk limit inspections	· Diagnose internal control standard · Establish implementation management system · Learning and sharing of activities

Monitoring Risk Management

As the risk factors increased due to the expansion of investment diversification such as overseas/alternative investment, the NPS subdivided the fund investment risks into credential risks, active risks, focused risks, and operational risks and responds to the financial environment by establishing management plans by specific type.

Moreover, we developed a response process for changes in indices by using 'NPS Risk Awareness Indices,' which was self-developed by integrating domestic/overseas financial market indicators, currency, and credential indicators in order to respond to the intensifying volatility in financial market. In 2017, the risk factor surpassed 60 twice due to expansion of volatility in the domestic financial market caused by geopolitical risks such as North Korea. Accordingly, we formed an emergency response team to conduct real-time monitoring of financial indicators until the market was stabilized.

Indicators and Inspection Items of Fund Investment by Risk Types

Type	Risk Indicators	Inspection Items
Market risk	Market VaR	Inspection and feedback on daily limits
Credential risk	Credit VaR	Daily inspection and feedback
	EDF early warning system	Portfolio adjustment
Active risk	Tracking Error	Regular inspection and feedback
Focused risk	Comprehensive exposure	Deliberation/decision-making of the Investment Committee, feedback
	National risk management	level and limit adjustment (Investment Committee)
Regulation and operational risks	Operational risk	Supplement after preemptive verification by item
	Legal risk	Contract review and legal risk management
	Reputation risk	Reinforcement of email control

Responsive Measures by Stage According to NPS Risk Awareness Indices

Category	Risk Indices	Inspection Items	Responsive Measure
Normal	60 or below	Regular movement of market	Analysis and report of crisis scenario
Beginning of risk	60 to 80	Market begins to respond as risk emerges	Team leader-level TFT begin risk response
Intensified risk	81 to 100	Negative status that government authority begins to respond	· Office head-level TF begins risk response · Review fund plans and assess asset distribution
Recovered	Drop down to 60 or below	Recovery to normal status without intensification	· Inspect status of asset allocation

Stakeholder Communication

Establishing a Strategic Communication System with Stakeholders Suitable to the Nature of NPS

The NPS strategically manages stakeholders by reestablishing them into ‘major-type’, ‘cooperative-type’, ‘impact-type’, and ‘sharing-type’ based on interests and impact. We identify key issues related to social responsibility management in accordance with tailored communication channels by stakeholder group and segment the ‘the public’ into current customers and the future generation, thereby diversifying tailored communication channels. We will continuously manage so that various concerns and requests of the stakeholders can be reflected in our social responsibility management.

Category	Internal		External	
	Major-type	Cooperative-type	Impact-type	Sharing-type
Stakeholders	Employees, Labor Union	Partners, contract companies, local communities, global communities	National Assembly, government, media, academia, relevant institutions	Public Subscribers & recipients Future generation
Key Characteristics and Performance	Deliver key messages by expanding internal sharing communication channels	Achieve Win-Win Growth by vitalizing the social economy and realizing social values	Build basis for smooth business promotion by strengthening policy communication support system	‘Grand Prize of Korea Internet Communication Award’ through public-oriented communication

Communication Efforts by Stakeholder Groups

Category	Sharing Channels	Key Messages	Key Communication Activities	
Major-type	<ul style="list-style-type: none"> Junior Board Labor-management Council Hope Tree CEO Consensus Field Management 	Value sharing, cooperative labor-management relations	Employees	<ul style="list-style-type: none"> Distribute value system Distribute value system posters and create bulletin board for core values Share rapidly Share CEO inaugural speech and New Year’s address on SNS, post CEO consensus, etc.
			Labor Union	<ul style="list-style-type: none"> Establish cooperative labor-management relations Distribute value system posters and create bulletin board for core values Create jobs proactively Agreed on reduction of working hours for strengthening work-life balance and job-sharing as the first public institution of Korea etc.
Cooperative-type	<ul style="list-style-type: none"> Social Responsibility Management Scheme training Meetings Social Economy Consultative Organization Local market network 	Establish shared ecosystem, strengthen cooperative exchange	Partners	<ul style="list-style-type: none"> Vitalize social economy Operate joint consultative group to vitalize ‘Café 36.5’ Win-Win Growth Conduct benefit-sharing scheme to strengthen competitiveness of contract agencies for Cheongpung Resort
			Local communities	<ul style="list-style-type: none"> Support Growth of Shinjoongang Market Cooperate and communicate with merchants at Jeonju Shinjoongang Market (applied the shopping delivery model successful in Mangwon Market) Support for Innocity Season 2 Formed council of NPS-Jeonbuk National University-Local government (created financial infrastructure in deteriorated areas of Jeonbuk)
			Global communities	<ul style="list-style-type: none"> Overseas training for global society schemes Conduct tailored training of schemes for countries in demand of pension schemes by building partnerships with developing countries
Impact-type	<ul style="list-style-type: none"> Briefings, conferences Press conference Institutional meetings Policy network Local market network 	Expand political cooperation, expand network	National Assembly, media	<ul style="list-style-type: none"> System improvement through political cooperation System improvement through political cooperation Strengthen support for legislation including exploring the policy agenda to explain bills and provide document development (discussion with aides of members of the National Assembly, expand media briefings)
			Government academia, etc	<ul style="list-style-type: none"> Strengthen political communication Strengthen political network by holding 32 institutional meetings (successful execution of pilot project to reorganize the Disability Rating System)
Sharing-type	<ul style="list-style-type: none"> National Pension Advisory Panel SNS, events (live broadcast) Public proposal contest 	Recover trust of the public	Current customers (subscribers, recipients)	<ul style="list-style-type: none"> Youtube live broadcast Live broadcast of major events to recover public trust (first live broadcast) SNS events Facilitate communication with the public through ‘What we want from the CEO’ in celebration of CEO’s inauguration Consumer-focused advertisement Create advertisement focused on content that the public wants to know about
			Future customers (youth)	<ul style="list-style-type: none"> NPS visiting group Conduct site visiting programs for university students (expanded in 2018 due to high demands) Brand webtoon that is easy to understand Serialized 4 episodes of webtoon on Kakao Page Expand visit training Financial knowledge lectures to middle school students (5 schools, 16 times), pension training tailored to elementary/middle/high school students (683 times)

Social Responsibility Management Performance

Economic Performance

Statement of Financial Position

(Unit : KRW million)

Category	2015	2016	2017
Current assets	200,503	204,571	230,617
Non-current assets	803,524	843,404	853,117
Total assets	1,004,027	1,047,975	1,083,734
Current liabilities	95,120	98,281	132,503
Non-current liabilities	999,854	1,071,568	1,095,639
Total liabilities	1,094,974	1,169,849	1,228,142
Deficit	-89,897	-92,232	-109,276
Other components of earnings	-1,050	-29,642	-35,132
Total Equity	-90,947	-121,874	-144,408
Liabilities and Total Equity	1,004,027	1,047,975	1,083,734

Comprehensive Income Statement

(Unit : KRW million)

Category	2015	2016	2017
Profit(sales)	15,769,090	17,681,265	19,739,157
Net sales	15,769,090	17,681,265	19,739,157
Sales cost	15,185,949	17,071,376	19,107,073
Selling and administrative expenses	559,058	594,020	625,857
Operational profits	24,083	15,869	6,227
Other profits	113	-	26
Other expenses	3,725	3,930	4,093
Other gains and losses	-20,137	-19,615	-22,218
Finance income	4,859	4,071	4,264
Finance expenses	628	529	404
Equity method income	-	-	-
Profit (loss) before income tax	4,565	-4,134	-16,198
Corporate tax	-	73	562
Net profit (loss) for the term	4,565	-4,207	-16,760
Other inclusive gains and losses (after tax)	66	-28,591	-5,490
Total inclusive gains and losses	4,631	-32,798	-22,250
Net profit	0.03	-0.02	-0.08
Capital turnover ratio	-17,338.77	-14,507.82	-13,669.02

Economic Value Distribution

(Unit : KRW million)

Category	2015	2016	2017
Customer (pension payment)	15,184,010	17,068,159	19,083,886
Employees (wage, severance pay, welfare benefits)	371,732	409,293	435,853
Government (taxes & dues)	28,609	31,195	31,457
Local community (social contribution expenses)	877	772	588
Suppliers (goods purchased from SMEs)	98,540	82,746	59,656

Environmental Performance

GHG Emissions

Category	Unit	2015	2016	2017	
Base emissions	tCO ₂ eq	5,624	12,165	13,320	
GHG emissions amount	Scope 1	tCO ₂ eq	1,443	1,679	2,130
	Scope 2	tCO ₂ eq	2,564	6,894	7,370
	Total emissions	tCO ₂ eq	4,007	8,573	9,500
GHG reduction amount	tCO ₂ eq	1,617	3,592	3,820	
GHG reduction rate	%	28.75	29.53	28.68	

Other Environmental Data

Category	Unit	2015	2016	2017
Energy consumption	TOE	3,333	1,488	3,413
Water usage	tons	57,578	68,253	78,255
Wastes emissions	tons	311	283	258.85

Social Performance

Labor Union Membership

Category	Unit	2015	2016	2017
No. of membership targets	persons	5,340	5,824	6,038
No. of members	persons	3,890	4,184	4,442
Membership rate	%	72.84	71.84	73.56

Ethical Management

Category	Unit	2015	2016	2017
Sustainability Management Index (KoBEX)	grade	AAA(94.9)	AAA(93.8)	AAA(94.43)
Comprehensive Integrity Level (ACRC)	grade	3	3	2
Self-integrity survey	pts	9.32	9.68	9.76
No. of ethical management trainees	persons	18,158	21,771	20,666

Local Community

Category	Unit	2015	2016	2017
Private job creation	persons	6,828	5,906*	6,147
Social contribution mileage	pts	126,150	157,556	167,030
Length of volunteering activities per employee	hours	12.6	11.2	10.9

* The data for private job creation in 2015 and 2016 were amended due to changes in the assessment standard of the government.

Social Responsibility Management Performance

Social Performance

Win-Win Growth

Category	Unit	2015	2016	2017
Win-Win Growth assessment of public institutions	grade	To be improved	To be improved	General
Rate of purchase from SMEs	%	82.5	85.4	81.5
Investment in SMEs such as ventures	KRW 100 million	69,693	60,283	74,321

Human Resources

Category	Unit	2015	2016	2017	
Total number of employees (including executives)	persons	5,230	5,668	5,816	
Total number of employees (excluding those away from work for parental leave, etc.)	persons	5,055.50	5,534.5	5,745	
Employment by type	Full-time	persons	5,049.50	5,261	5,475
	Indefinite contract	persons	6	273.5	270
	Part-time/Temporary	persons	170	157	122
New recruitment	New full-time employment	persons	206	291	322
	Part-time employment (exchange to full-time employment)	persons	22 (11)	18 (9)	18 (9)
	Indirect employment	persons	706	718	736
Gender (Regular employees + Employees under indefinite contracts)	Male employees	persons	2,837	2,901	2,968
	Female employees	persons	2,218.50	2,633.50	2,777
Ages	Under 30 years old	persons	603	701.5	766
	30 – 50 years old	persons	3,208.5	3,365.5	3,397.5
	After 50 years old	persons	1,244	1,467.5	1,581.5
Female employees	Female managers**	persons	172	199	232
	Ratio of female employees	%	43.9	47.6	48.3
	Ratio of female managers	%	17.05	19.01	21.2
Socially vulnerable group	Disabled employees (ratio)	persons (%)	195 (3.65)	198 (3.49)	201 (3.43)
	Veterans(ratio)	persons (%)	421 (8.42)	424 (8.32)	458 (8.28)
Retirement	Regular retirement	persons	46	15	21
	Voluntary retirement	persons	3	12	11

* Female manager : Including executives and 1~3 level employees

New Recruitment of Full-time Employees

Category	Unit	2015	2016	2017
Female employees	persons	96	180	190
Disabled employees	persons	2.5	-	5
Non-metropolitan area	persons	80	113	140
HQ relocation area	persons	26	47	54.5
High school graduates	persons	26	50.5	46
Total new hires	persons	206	291	322

New Recruitment of Part-time/Temporary Employees

Category	Unit	2015	2016	2017
Interns	persons	130	157	190
Counsellors, etc.	persons	607	306	261
Contract workers	persons	368	471	296
Total	persons	1,105	934	747

HR Development

Category	Unit	2015	2016	2017
No. of trainees	persons	62,400	87,744	74,724
Training budget per employee	KRW 1 million	825	841	957
Satisfaction level	points	4.64	4.65	4.67

Flexible Working Hours

Category		Unit	2015	2016	2017
Part-time	Recruited	persons	22	38	18
	Converted	persons	84	83	91
Flexible working hours	Flex-time work	persons	618	728	1,025
	Intensive work	persons	24	35	39

Support for Childbirth and Childcare

Category		Unit	2015	2016	2017
Support for pregnancy	Infertility leave (one day each for infertility treatment and egg retrieval)	persons	14	13	12
	Fetus check-up leave (more than once a month during pregnancy)	persons	148	133	130
	Childbirth leave prior to and post multiple births (120 days for multiple gestation)	persons	1	3	1
	Reduction of working hours during the period pregnancy (2 hours/day reduction for pregnancy under 12 weeks and over 36 weeks)	persons	121	100	103
Childcare support	Reduction of working hours during childcare (daily work time is reduced by 4 hours for employees raising r children under the age of 19)	persons	79	82	82
	Infant childcare leave (one day a month for childcare of infants less than three years old)	persons	192	182	175
Maternity leave	Maternity leave (90 days for single child and 120 days for multiple children)	persons	139	129	131
	Childbirth leave for one's spouse (five paid days)	persons	76	74	89
Parental leave	Male (maximum 3 years)	persons	15	29	26
	Female (maximum 3 years)	persons	367	392	391

* Childcare time) expanded to 1 hour/day for male employees with children aged 1 or below



Global Initiatives

UN SDGs

The Sustainable Development Goals (SDGs) of the United Nations (UN) suggests roadmaps to accomplish sustainable environment, social integration, and economic prosperity by 2030. The NPS highly supports the UN SDGs and continues to broaden social value realization in the overall management and perform various activities for implementing the SDGs.

<p>1 NO POVERTY</p>	No Poverty	<p>2 ZERO HUNGER</p>	Zero Hunger	<p>3 GOOD HEALTH AND WELL-BEING</p>	Good Health and Well-Being	<p>4 QUALITY EDUCATION</p>	Quality Education	<p>5 GENDER EQUALITY</p>	Gender Equality & Enhancement of Female Human Rights
<ul style="list-style-type: none"> • Pension premium business to secure pension benefit rights of the economically vulnerable group (Durunuri Pension premium support, pension premium loans, etc.) 		<ul style="list-style-type: none"> • Confirm survival of single seniors when checking recipient rights and deliver food and supply • Provide living/food supplies instead of pension benefit for recipient with difficulty in mobility 		<ul style="list-style-type: none"> • Maintain relationship with recipients through regular phone calls • Provide senior recipients opportunities for various social engagement including self-improvement and volunteering • Pursue enhancement of employees' health through stress management and environmental improvement for civil service and emotional labors 		<ul style="list-style-type: none"> • Provide scholarship to recipients of socially vulnerable group and their children • Educational support to local students regarding finance and 토틈링 • Strengthen core job capacities to nurture strategic leaders, respond to changes in business environment, and promote new growth business in preparation for next 30 years of the NPS 		<ul style="list-style-type: none"> • Promote expansion of national pension subscription for females with career break • Introduce female-friendly system in all areas including female leadership building, promotion, appraisal, and training through expansion and capacity building of female managers 	
<p>7 AFFORDABLE AND CLEAN ENERGY</p>	Affordable and Clean Energy	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Decent Work and Economic Growth	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Industry, Innovation and Infrastructure	<p>10 REDUCED INEQUALITIES</p>	Reduced Inequalities	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Sustainable Cities and Communities
<ul style="list-style-type: none"> • Execute the Green Fund that invests in environmental infrastructure assets to expand investment opportunities for new and renewable energy • Support for reasonable use of resources and securing of sustainable energy 		<ul style="list-style-type: none"> • Provide pension insurance premium aids to low-income workers at workplaces with less than 10 employees • Create jobs in the finance industry of Korea by expanding private contracting for fund management • Create jobs in the private sector by resolving job miss-matching and re-approach to retirement planning service and disability welfare service through big data 		<ul style="list-style-type: none"> • Increase investment in social infrastructures including SOC through National Pension Fund • Vitalize local society and economy and promote business for cooperative, shared growth with SMEs/micro enterprises (invigorating traditional markets in Jeonbuk, contributing to the revitalization of universities/the economy through regional events for International Seminar on Public Pension, and promoting NPS-type performance sharing scheme in accordance with the nature of institution) 		<ul style="list-style-type: none"> • Lead vulnerable subscribers in scheme blind spots to the National Pension Scheme through and Didim Seed Savings Account, etc. • Comply with mandatory employment of the disabled, prioritize employment of national merits, and guidelines for protecting contract workers • Endeavor to conduct blind recruitment, recruit youth/high school graduates and local talents, expand female managers, and eliminate discrimination to high school graduates/contract workers/temporary workers 		<ul style="list-style-type: none"> • Aid global entry of Korean financial institutions by expanding their use in savings of overseas assets • Develop welfare service models and programs that contribute to lives of the public including sophistication of big data-based retirement planning service • Strengthen safety of facilities including the disaster recovery system at ICT Center, integrated disaster management system, and earthquake-resistance upgrade in office buildings 	
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Responsible Production and Consumption	<p>13 CLIMATE ACTION</p>	Climate Action	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Peace, Justice and Strong Institutions	<p>17 PARTNERSHIPS FOR THE GOALS</p>	Partnerships for the Goals		
<ul style="list-style-type: none"> • Achieved 1st Rank in Korea Master Brand Award for high-quality retirement planning service (result of consumers survey) • Expand channels for providing pension information by cooperating with the government and financial institutions 		<ul style="list-style-type: none"> • Surpass GHG reduction goals through energy conservation practices • Established ESG-based assessment process including GHG data to secure effectiveness of responsible investment considering environment 		<ul style="list-style-type: none"> • Promote systematic operation of ethical management system, preventive ethical activities, and distribution of best practices customized for stakeholders • Build position as a leading institution for anti-corruption/ethical management by getting Grade 2 of the comprehensive integrity level (highest among assessment targets) and Grade 1 in the Anti-corruption Initiative Assessment for 2 consecutive years by the ACRC 		<ul style="list-style-type: none"> • Transfer the National Pension Scheme to developing countries such as Vietnam, Cambodia, Mongolia, Nepal, and Indonesia since 2013, and practice global love for humanity through improvement of school environments and cultural exchanges 			

UNGC

In October of 2012, the NPS subscribed to the "UN Global Compact", which is an international agreement of the UN, and since then, the NPS has been complying with the Ten Principles in the Four Areas: Human Rights, Labour, Environment, and Anti-corruption.



Category	Details	
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 rights 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
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

PRI

The NPS subscribed to the Principles for Responsible Investment (PRI) of the UN in 2009 and has been complying with the Six Principles since then.



Category	Details	
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 towards implementing the Principles.	

GRI Standards Index

Universal Standards

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	102-8	Information on employees and other workers	60~61	
	102-9	Supply chain	48~51	
	102-10	Significant changes to the organization and its supply chain		No significant change
	102-11	Precautionary Principle or approach	56	
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Independent Assurance Statement on '2018 NPS Sustainability Report'

Responsibility and Independence

KFQ was engaged by NPS to provide limited assurance on the 2018 NPS Sustainability Report (further 'the Report'). Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted its assurance based on completeness of the data and information provided NPS. NPS is responsible for all contents within the Report including the reporting principles and standards. KFQ does not have any other interest in NPS's business activities, nor does it take any responsibility for stakeholders other than NPS in its assurance conclusions. We have also no biased opinion on stakeholders of NPS.

Assurance Standards

This Assurance was planned and performed according to the Type 1 and Moderate level based on AA1000 AS (2008), AA1000 APS (2008) and GRI Standards. KFQ assessed the appropriateness of the guideline according to the GRI Standards Core Option and the Report quality assurance principles based on NPS's social responsibility management activities and outcomes for NPS headquarter and all domestic sites.

Assurance Procedures

KFQ designed procedures to have reasonable assurance of critical errors or inappropriate information and the reliability of the contents of the Report. (Document Review) In accordance with the GRI Standards, we look into non-financial information on a sustainability aspects based on the quantitative data provided by the NPS. We also confirmed that the financial information has been appropriately extracted from the internal documents and the financial statements of the business report of the following system (<http://dart.fss.or.kr>). (On-site verification) KFQ visited NPS headquarters and conducted interviews with key personnel responsible for providing the report materials. We assessed the reliability of social responsibility management activities and performance data, verifying the materiality evaluation procedures and results, and the effectiveness of the reporting procedures and descriptions in the report.

* Some environmental performance (baseline emissions) is under discussion with the MOE. Therefore, it is necessary to review the figures for the next year's report.

Conclusion

Based on the verification activity stated herein, KFQ confirmed that the Report meets the GRI Standards 'Core Option'. According to the principles of AA 1000 APS 2008 and AA 1000 AS 2008, inclusiveness, materiality and responsiveness, sustainability performance information were assessed and we could secure reasonable grounds to provide Type 1 level of assurance with the following confirmation:

- **Stakeholders Inclusiveness** NPS divides the stakeholder value into four types and nine stakeholders related to the major issues of sustainable management.
- **Sustainability Context** NPS is continuously responding to the economic and social impacts of stakeholders, such as establishing a stable operating basis for pension systems due to implement stewardship codes, establish a human rights management system, and be awarded an excellent public job creation agency.
- **Materiality** NPS established issue pools and reviewed by internal guidelines and external assessment criteria (internal guideline, GRI Standards, UN SDSs, media coverage, benchmark, and issue analysis) incompliance with the materiality assessment process. As a result, NPS appropriately reflected that ten key topics derived from the process along with key performance in 2017.
- **Completeness** NPS applied reporting scope, boundary and temporal criteria. KFQ confirms that the Report is suitable for stakeholders to assess sustainability performance.

Recommendation

In order for NPS to develop sustainable management, it is necessary to build a systematic management framework for responsible and core issues raised by stakeholders. It is recommended that NPS strengthens the awareness of its employees of the ethical management system, which is being emphasized throughout the world.

February 2019
Seoul, Korea



CEO Yoon Seok Un
Korean Foundation for Quality (KFQ)

Awards and Memberships

Membership to Organizations

The Korean Social Security Association	Korea Insurance Research Institute	Korea National Council on Social Welfare
Korea Employers Federation	Korean Academy of Social Welfare	PPI (Pacific Pension Institute)
The Korean Association of Public Finance	The Korean Association for Survey Research	Korea Development Institute
IPC (International Pensions Conference)	Korea Association of welfare Policy	The Korean Economic Association
Russel 20-20 (20-20 Investment Association)	Seoul Economist Club	The Korean Labor Economic Association
Korea International Finance Association	Korea Labor Institute	Korean Pension Association



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