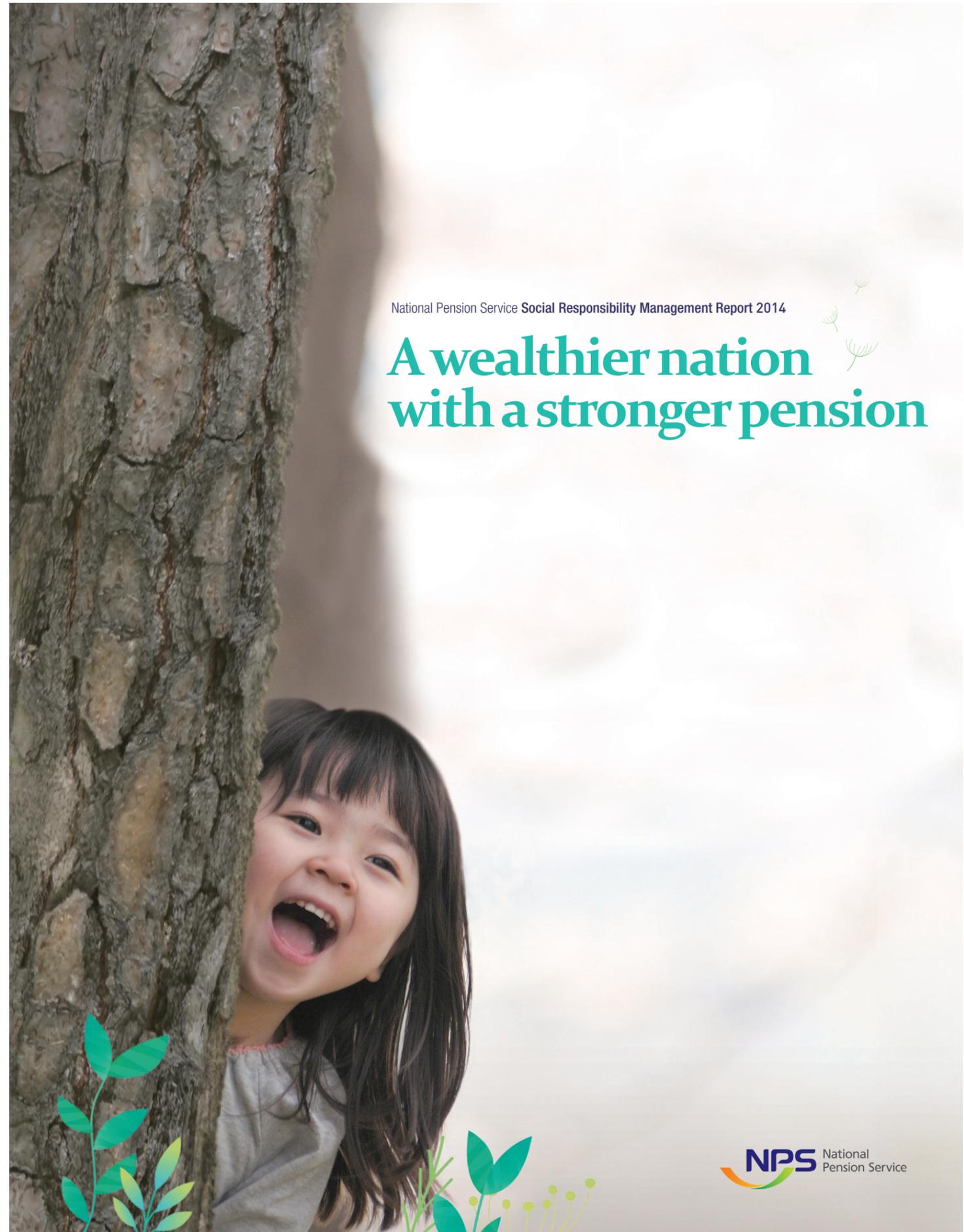


**A wealthier nation
with a stronger pension**

National Pension Service Social Responsibility Management Report 2014

A wealthier nation with a stronger pension



About this Report

A wealthier nation with a stronger pension

NPS is working to make tomorrow's world a better place economically, socially, and environmentally. Details of our efforts and results are included in this annual Social Responsibility Report. This is the third issue since 2012.

Characteristics of 2014 report

We applied GRI G4 Guideline and ISO 26000 for materiality evaluation and from the 9 issues derived from the evaluation, we selected 7 core issues for the sustainable growth in 2013. Accordingly, this report presents issues relevant to stakeholders in a highly-readable format. Core issues 1~7 are covered in pages 18~55.

Guideline

In accordance with G4 Core Guidelines of the GRI (Global Reporting Initiative) revised in 2013, we reported all necessary items of Core option of general standard disclosure, and for major issues derived from materiality evaluation, this report includes DMA(Disclosures on Management Approach) and more than 1 item contents.

Reporting period

This report highlights the social responsibility activities and accomplishments of the NPS during the NPS from January 1 to December 31, 2013. For material managerial activities, those of up till July 2014 are included, for trend analysis.

Efforts to improve reliability

A third-party verification was carried out to improve the reliability and accuracy of the contents of this report. The detailed outcomes of the verification are provided through the assurance statement of the third-party verifier in the Appendix.

If you have further question or require additional information, please contact us. More detailed contents are available at NPS website(<http://www.nps.or.kr>)

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This report is available in interactive PDF format.

Interactive PDF provides convenient functions such as video clips, relating website links and shortcuts that cannot be included in print version. Additional informations are marked with icons for your reference.

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Special Issues
NPS going to the world



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Best Practice
Innovation management · creation management



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For this 2014 NPS social responsibility management report, information is presented through story-oriented infographics in order to enhance reader understanding. An increased font size improves readability. The report was printed with soy oil ink and on eco-friendly paper so that it greatly reduce the emissions of air pollutants while printing.

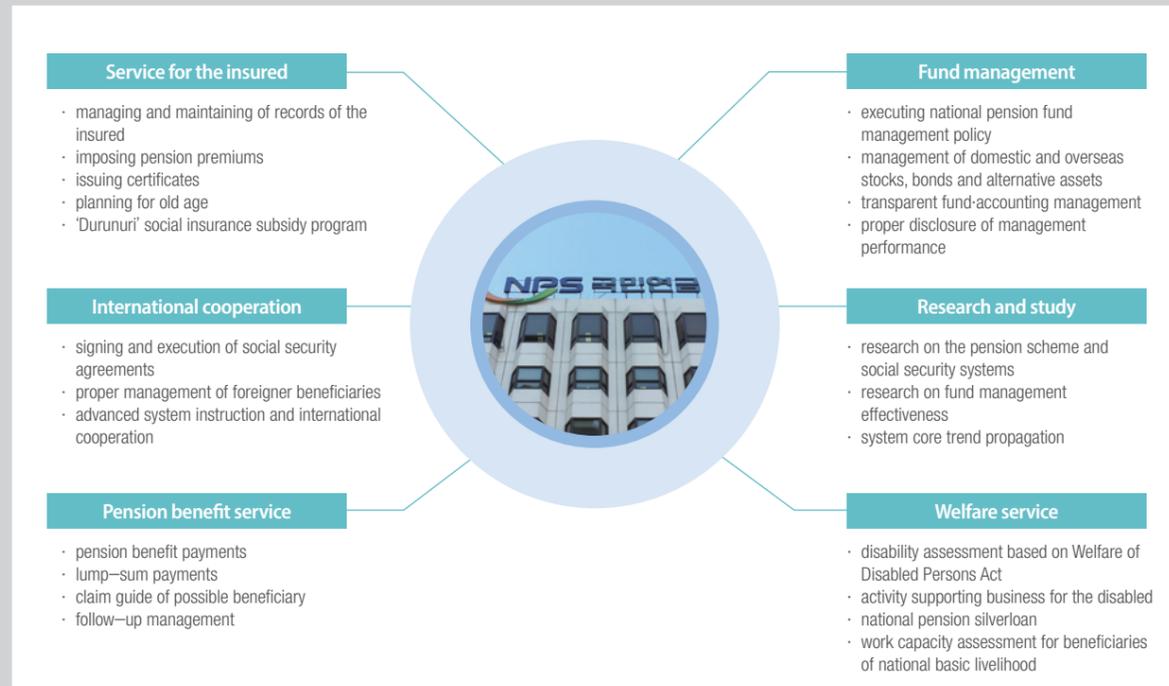
Company Profile

NPS was established in September, 1987 for the purpose of contributing to the enhancement of welfare and stable livelihood of the people by providing pension benefits for old age, disability and death. As of end of 2013, we are providing pension service to 20.74 million insured and 3.44 million beneficiaries, managing a fund of KRW 427 trillion, and carrying out various welfare service businesses.

(as of end of 2013)

Name of corporation	National Pension Service
Location	13, Olympic-ro 35Da-gil, Songpa-gu, Seoul, Korea
Number of employees	4,786
Organization	Headquarters: 11 departments, 2 centers, Fund Management Center, Compliance Officer, National Pension Research Institute Regional Offices: 97 branches, 51 counseling centers, Disability Assessment Center, International Center Overseas: New York Office, London Office
National Pension Fund	KRW 427 trillion

Key businesses of NPS



Major accomplishments (Presidential Award in five areas)

Excellent company in gender equality employment (2013.5)	Excellent case in improving administrative service for the public 'Customized Reassuring Service' (2013.11)	Excellent organization for human resource development, National Quality Management Convention (2013.11)	Organization received citation in commemoration of Day of the Disabled (2014.4)	Settlement of coexisting labor-management culture in commemoration of Labor Day (2014.5)
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Thanks to all of your interest and support, the National Pension Service has grown to be one of the world's largest pension services with a fund of over KRW 450 trillion, 21 million insured people, and 3.53 million beneficiaries.

Management Status Social security is composed of public assistance, social insurance, and welfare services. We are the main body managing social security, the national pension, and the basic pension (public assistance). We also provide welfare services such as disability assessment, supporting activities of the disabled, and planning for senior citizens. We are world's the only comprehensive welfare service organization covering all areas of social security. National Pension, introduced in 1988, has expanded coverage to the entire nation, and acquired financial stability for about 50 years thanks to financial stabilization action of two times. Lately, national pension fund exceeded KRW 450 trillion. By size we are only the fourth biggest, but Japans pension fund concentrates on public market, Norway's is Sovereign Wealth Fund, and when we surpass Netherlands's (KRW 470 trillion) which we expect at end of this year, we will, in fact, be the world's biggest genuine pension fund management organization.

Social Responsibility Management Task and Accomplishment With an eye on being socially responsible toward management of the economy, society, and the environment, we establish six keys of ethical management: shared growth, social contribution, environmental management, responsible investment, and reliable management. We also fully recognize the importance of gender equality within the workplace, and the improvement of labor tradition in the organization management point of view. Firstly, we consider the public good to be of equal importance to stability and profitability. We were awarded 'Institutional Investor of the Year' for 2014 due to our role as a leading investment institution, as well as our efforts in preliminary management, rational exercise of voting rights, and expansion of consignment management. Secondly, in terms of system management, we are trying to provide top-quality service in every business. We received the Presidential Award for public administration and welfare for the disabled, and our call-center judged to have the best service of any call-center in public or private industry. Thirdly, we position ourselves as Korea's representative institution for old age planning and possess the world's best precision in terms of pension payment. Also, trying our best for early settlement of basic pension system and flawless management. Lastly, we are increasing the number of female managers and executives to promote gender equality within the organization. We also promote employment of high school graduates and the disabled.

To accomplish for goals of social responsibility, we set our service motto and business philosophy as 'We will serve the public.' Also, by issuing an annual social responsibility report, we aim to promote and enhance social responsibility as a key management consideration.

We wish your kind affection and interest.
Thank you.

October 2014 Chairman & CEO of National Pension Service Choi Kwang 최광

Social Responsibility Management Structure

Social responsibility management strategy

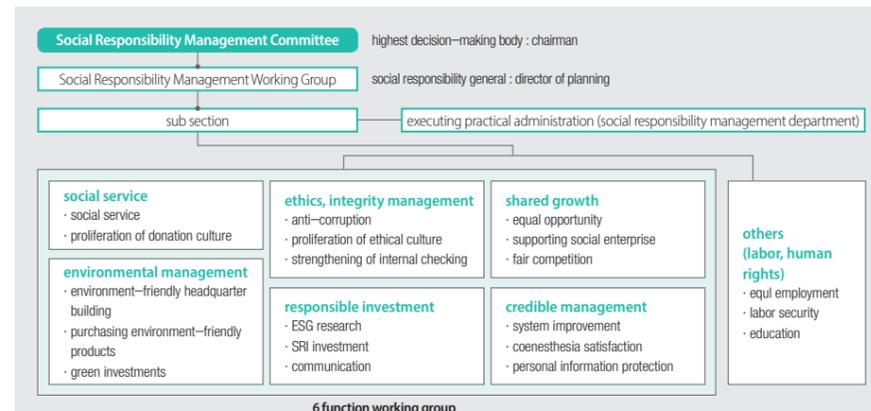
As the best happiness partner of the '100-year-old era' NPS strengthened its social responsibility management to secure a sustainable growth infrastructure. We are promoting systematic activities to ensure social contribution management by making preemptive preparations for domestic and international initiatives, such as the ISO 26000, and establishing the six strategic directions and 14 executable tasks of the Social Responsibility Management department.



* For further information, see CSR Homepage : <http://csr.nps.or.kr>

Social Responsible Management Promotion System

'Social Responsible Management Committee' is an expanded organization of former 'Ethical Management Committee.' The development of action plans is handled by the Social Responsibility Management Working Group while the execution is handled by each functional subsection. The Social Responsibility Management Advisory Council consists of outside experts, and a stakeholder advisory board reflects various opinions in our business activities. NPS is also strengthening internal performance through regular self-checkups such as our SR practice cases and online education programs based on ISO 26000. We are also annually reporting our compliance status to the UNGC to ensure our socially responsible management meets international standards.



NPS CSR Index

strategic direction	execution task	KPI	major accomplishments in 2013	2014 plan
ethical integrity management	· realization of trusted clean-NPS	· ethics diagnosis index · integrity index · number of fund management corruption	· integrity evaluation result 'Zero' corrupt activity by ACRC(Anti-Corruption and Civil Rights Commission)	· realization of transparent management through proliferation of ethical culture
social contribution	· contribute to customers' independence and local growth	· local community participation index · number of people supported by insurance · social contribution mileage	· social contribution mileage 116,912 points	· social contribution mileage 129,000 points
growing together	· coexistence cooperation based growing together with SMEs	· fair trade index · cooperating company coenesthesia satisfaction	· cooperating company coenesthesia satisfaction (91.4 points)	· establishment of fair, cooperative relationship with SMEs
environmental management	· model institution practicing carbon reduction in life	· continuous management on detailed items according to environment information disclosure system	· perfect score for greenhouse gas reduction and energy saving performance (100 points)	· LED lighting penetration above 50% · small car and environment friendly car penetration above 50%
responsible investment	· strategic review of responsible investment introduction and increase on internal and external understanding	· advanced pension & fund's investment case study and internal and external sharing	· responsible investment internal and external presentation, ESG analysis structure review	· ESG factor analysis followed by preparation of responsible investment strategy
social credibility strengthening	· establishment of social credibility and promotion of sustainable management through contribution	· number of (government) public coenesthesia campaign	· Through the social credibility establishment, 3 times winner of presidential commendation in related field	· establishment of social credibility through social responsibility management reinforcement

Sound and Transparent Governance

Composition of the Board of Directors

The NPS board of directors is composed of 11 members, including the chairman, three executive members, and seven non-executive directors. With regard to business-related issues and social responsibility, it is the highest decision-making body at NPS. Non-executive members are appointed by the Minister of Health and Welfare, based on the recommendation made by the Executive Search Committee. Two non-executive members represent business owners and two other non-executive members represent corporate employees. Two non-executive members represent self-employed persons, and one represents the government's pension policy director of the MOHW.

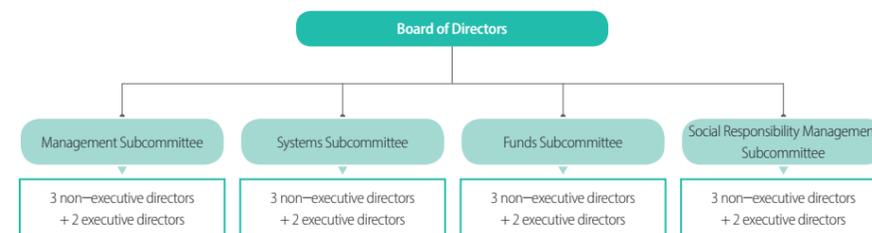
(as of end of July 2014)

	Name	Organization & position	remarks
executive directors	Choi Kwang	chairman	chairman of the board
	Lee Won-hee	executive director of planning	executive director
	Kim Min-soo	executive director of operations	executive director
	Hong Wan-sun	executive director of fund management	executive director
non-executive directors	Kim Young-bae	Vice president of Korea Employers Federation	business owner representative
	Lee Seung-cheol	Vice president of the Federation of Korean Industries	business owner representative
	Kim Dong-man	president, Federation of Korean Trade Unions	employee representative
	Kim Gyeong-ja	vice president, Korean Confederation of Trade Unions	employee representative
	Oh Choong-han	KICPA deliberation committee	individually insured representative
	Kim Ae-kyung	Consumers Korea chief	individually insured representative
	Cho Nam-kwon	pension policy director of MOHW	government representative

Board of Directors and Committees

NPS is utilizing expertise of non-executive directors' by having expert committees such as the Management Subcommittee, Systems Subcommittee, Funds Subcommittee and Social Responsibility Management Subcommittee.

BOD and expert committee composition



Board of Directors Meetings

In 2013, we held a total of 10 boards meetings, and 100% of the executive directors and non-executive directors on the board attended. Reporting key issues prior to a board meeting has been systemized, and preliminary deliberation of all items prior to a board meeting has allowed us to minimize the percentage of amended decisions.

Strengthened roles of non-executive directors

For the independence of non-executive directors, we are operating non-executive directors initiating expert committee and gave them the right to request audit. By holding orientation for non-executive directors, we are trying to enhance their understanding of NPS and providing them of job execution manual to strengthen non-executive directors' roles. Also to better utilize expertise of non-executive directors, business suggestion management system, as a result, out of 40 business suggestions, 33 were reflected to actual business.

Evaluation and compensations

Executive directors are subject to evaluation of implementation performance against agreed objectives. Through the public organizations performance evaluation system of Ministry of Strategy and Finance, transparency of organization management, ethics enhancement, responsible management, realization of fair society, efforts for shared growth are comprehensively evaluated and according to the yearly comprehensive evaluation result, we are paying the incentives differently. The evaluation for 2013 was B and total of KRW 108,808,929 of incentive was paid excluding directors.

BOD operation performance

No	date	agenda	participation(%)
1	2013. 1. 29	· 2013 1 st revised supplementary budget(plan) and 5 other issues	100
2	2013. 2. 26	· 2013 business operation(plan) and 5 other issues	100
3	2013. 4. 24	· 2013 1 st budget change(plan) and 5 other issues	100
4	2013. 5. 14	· chairman management contract(plan)	100
5	2013. 6. 19	· organization rule partly change(plan) and 1 issue	100
6	2013. 7. 23	· human resource rule partly change(plan) and 6 other issues	100
7	2013. 8. 27	· accounting rule partly change(plan) and 3 other issues	100
8	2013. 10. 22	· NPS mid-term management goal(2014-2018) and 1 issue	100
9	2013. 11. 26	· organization rule partly change(plan) and 5 issues	100
10	2013. 12. 24	· NPS 2014 budget(plan) and 4 other issues	100

Fund Management Committee

The Fund Management Committee is the highest decision-making body for fund management policy. It deliberates and resolves material issues related to fund management. It is chaired by the Minister of Health and Welfare, and there are 20 members. The committee is held more than 4 times a year to approve fund management instruction(IPS), which is the investment policy book, mid to long-term asset allocation, yearly fund management plan. For expertise of decision making of the committee, there are sub organizations of practice appraisal committee, investment policy committee, stock voting right exercise special committee, performance evaluation compensation special committee.

Special Committees

Fund management practice appraisal committee : Economy, Business administration, finance specialists such as accountants, lawyers are involved for the expertise in fund management to carry out preliminary review of items for fund management committee.

Investment policy special committee : Out of items decided by the fund management committee, this committee advises on investment policies of asset allocation, domestic and international alternative investment, exchange hedge, resource investments related items.

Stock voting right exercise special committee : When NPS exercises voting right of the stocks we own, the committee decides on material issues that are difficult to judge and periodically reviews the guideline of exercise of voting rights.

Performance evaluation compensation special committee : The committee acts on suggestions about fund management performance evaluation policy and makes decisions on compensation policy as well. It evaluates and makes final decisions on accounting matters such as whether to close an account of the national pension fund.

Risk management committee : To check in advance of inherent risks of fund management and to secure transparency in investment decision making process, the committee carries out the establishment of risk management basic guideline, setup and management of risk limits or loss limits, building of risk management structure and operation, checking of risk management status.

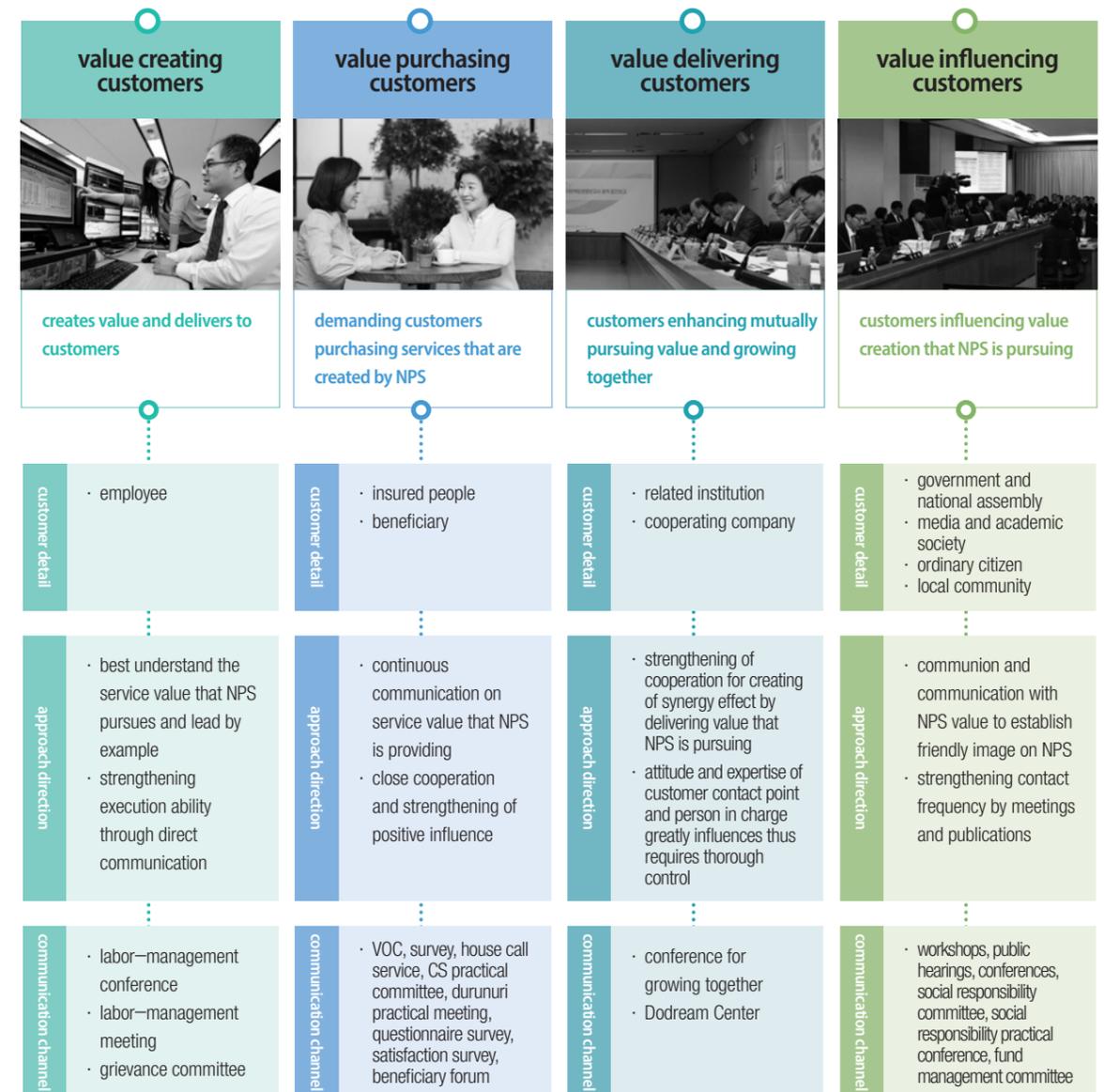
Investment committee : Supports rational investment, stable fund income, establishment of transparent fund management structure and major task is to approve investment guideline and management plan by assets, to establish annual and monthly fund management plan and management strategy, to set target profitability by asset and investment loss limits, to select and manage trading institution.

Alternative investment committee : The committee was made up to strengthen effectiveness and expertise in alternative investment decision making and major role is to decide or change infra domestic investment and specific project.

Fund management execution decision making bodies

Stakeholder Participation

NPS is listening to more opinions from various channels to satisfy the needs of stakeholders. Our dedicated team is continuously managing stakeholders by identifying four groups of customers: value-creating customers, value-purchasing customers, value-delivering customers, and value-influencing customers. This way, the various interests of each stakeholder group is met according to our value-creation standards which are aligned with our vision of social responsibility. Opinions of each stakeholder are included in page 15.



Stakeholder opinion gathering

We are actively applying your opinion to the our business.



Comment 01

—
fund management committee

National pension fund management committee is the highest decision-making body for national pension fund management policy, and is composed of Minister of Ministry of Health & Welfare as a chairman, and official members of government such as Ministry of Strategy and Finance and Ministry of Commerce, Industry and Energy, and employer, laborer, individuals and related experts. The committee was held 5 times in 2013 and only opinions related to social responsibility were quoted in this report.

▶ **1st Lim Chae-min, Chairman** People who read disclosures and people who visit the NPS

homepage to find this information are definitely different kinds of customers. Disclosure is to communicate with the public so it needs to set guideline to explain from customers' angle.

▶ **1st Yang Joon-mo (Citizens United for Better Society)** For voting right, we need to be a bit serious. The voting right should be executed in cautious manner since it should be exercised in terms of guarding public asset as a shareholder.

▶ **3rd Lee In-sub (Federation of Korean Public Trade Unions)** In case of silverloan for over 70 year olds, abolition of joint surety is not a true improvement. There are lots of complaints and dissatisfaction on interest and joint surety. If delinquency ratio is 0.3%, it can be regarded as 100% repaid, thus we need to actively review the joint surety.

▶ **4th Choi Kwang (NPS)** Paradigm of whole national welfare policy is changing and for fund management, there is social responsibility investment area. Unless it significantly harms profitability, we need to have a comprehensive review of responsible investment, including old age loan, in fund management committee.



Comment 02

—
NPS SR committee

NPS organized a Social Responsibility Committee to actively respond to domestic and foreign social responsibility environment, and listen to experts' opinion from internal and external on annual major activities. On July 17, 2014, social responsibility committee was held and reported on contents of social responsibility report and evaluation on shared growth performance.

▶ **Prof. Lee Ui-young Gunsan Univ.** When establishing CSR strategy, considering government policy is important, however, considering what CSR strategy best reflects characteristics of NPS is most important. Since



Prof. Kim Gwan-bo Catholic Univ.



Kim Jae-eun Institute for Industrial Policy Studies



Prof. Lee Ui-young Gunsan Univ.

satisfaction and integrity is the most important factor in social responsibility management, efforts to enhance these factors are required hence, it is very serious problem that NPS's external integrity is at the lowest. External indications should be thoroughly examined and actively reflected.

▶ **Prof. Kim Gwan-bo Catholic Univ.** When carrying out shared growth, an effort is necessary to survey and understand the actual feeling of partners. Also through redefining of stakeholders, it would be meaningful to find other subjects to grow together other than partner companies. Since the report contains contents of shared growth, if issuing of the report can be earlier, evaluation committee can refer to it for understanding the shared growth efforts of NPS.

▶ **Kim Jae-eun Institute for Industrial Policy Studies** NPS is one of a kind institution with special business structure. An effort is required to derive unique CSR model that can be applied to overseas pension and fund institution, reflecting the typical characteristics and in global perspective. In the aspect of communicating with stakeholders through the report, not only preparing CSR issues and materiality evaluation well but also requires internal thorough review on actually analyzed parts, and should not

miss the essence while minding too much on technical part. To be easily delivered to general public, by using simple terms and concept explanation, you need to make it deliverable and hearty contents, increase the accessibility with bigger font size so that the report could be the subject of a benchmarking.

▶ **Choi Kwang Chairman NPS** is the biggest and one of a kind pension fund institution in the international financial market dealing with the whole social security(public aid), social insurance, and welfare service, and the nature of business is closely related to social responsibility management. Since the relationship with the social responsibility management is higher than any other institution, we set the execution of social responsibility on top priority in the job. As disclosed in our management philosophy of 'We will serve the public', we will take the initiative recognizing the importance of social responsibility and social proliferation. We will reflect the opinions of you three we invited today to fill the gap within our organization.



Comment 03

—
Beneficiary forum

NPS held the beneficiary forum to improve the quality of beneficiary service with 21 participants which are 15 old age, disability, survivor pension beneficiaries and 6 of NPS including director of operations, pension payment chief and others. The opinions of the beneficiaries are reflected in the business plan for 2014 and being carried out.

▶ **Kim Myung-joong Member** People tend to be confused about the difference between basic pension and basic old-age pension. The general public would better understand these terms if they were explained together.



Meeting for shared growth with cooperating companies

▶ **Kang Hyung-mo Member** The loan amount for silver loan is small and the eligibility is limited compare to those of other institutions such as Government Employees Pension and requires review on these.

▶ **Lee Eun-ja Member** Silver loan system is practically helpful for the olds who have difficulty in getting a job or borrowing money, and even without actually have to use the loan, you feel reassured in life. The system seems good hearing from the neighbors and I wish it to be continued.

▶ **Kim Myung-joong Member** Among the beneficiaries, there are many people who wishes to make life meaningful by involving in social contribution such as volunteering service. Also it is necessary to review the preparation of a space for the beneficiaries(meeting, counseling) then activities utilizing external lecturer to enhance the image of NPS and provision of health information for beneficiaries will also be possible.

▶ **Cho Seong-ik Member** After 7 years of receiving the pension, I realized the importance of NPS. In Ansan area, the voluntary service of beneficiaries are actively carried out for side dish delivery, intellectually disabled support and it is a very good chance for the olds to overcome the loneliness and helplessness.



Comment 04

Meeting for shared growth with cooperating companies

NPS periodically hold meeting for shared growth with cooperating companies to gather difficulties and suggestions. On July 8, 2013, we hold meeting for shared growth with cooperating companies and trying to strengthen the communication and prepare the coexistence alternatives.

▶ **IT** Additional maintenance cost for the period of IT project, it is paid by the cooperating company and it is harming the profit. We need realistic solution such as increase in budget or preparation of special budget.

▶ **Construction** At the moment, NPS is promoting subcontractor payment monitoring,

so we have set up an online payment monitoring system. While this should ensure that subcontractors get paid, this is not sufficient. The whole system needs to be transformed to guarantee that subcontractors will be paid on time.

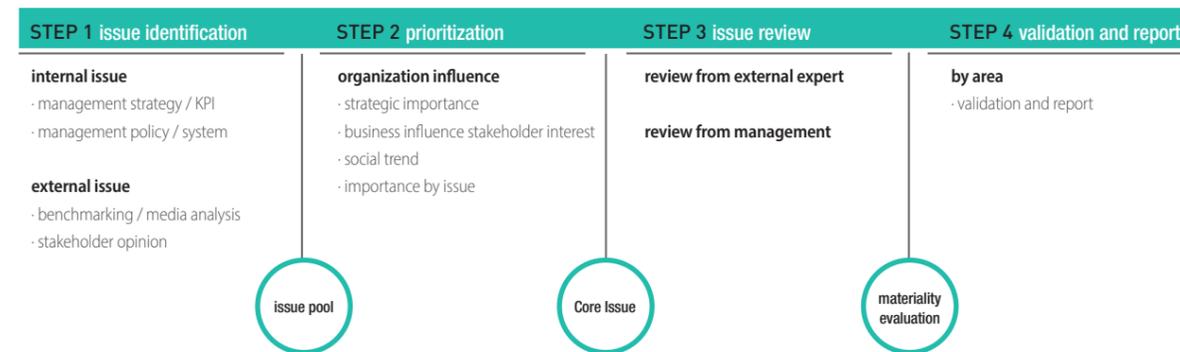
▶ **Fund** The venture fund preliminary management company system that NPS is implementing is to give a chance to management companies other than consignment management companies to have management experience so that to help the venture capital industry growth. To vitalize these preliminary management companies, we request to extend the criteria for fund consignment to small and medium sized companies.

Stakeholders' opinions reflected to management

	opinion	reflected to management	report
employees			
on-site management	uneasiness due to the possibility of unexpected act of the disabled when accompanying them	install CCTV and emergency bell, protective inoculation for infectious diseases, install recording system	—
labor-management committee	top-down compulsive participation for social service participation led by headquarter	establish social contribution committee at the branch to proceed with their own social service	—
insured			
customer VOC	income report period for individual subscriber is not convenient due to overlapping with National Tax Service reporting period	extension of 1 month for due date and improve the system (cooperate with NTS and try to exempt separate reporting)	—
	woman with career discontinuity are not regarded as subscriber which is irrational making it impossible to receive survivor's pension for disability or death	guarantee the survivor's pension beneficiary right for woman with career discontinuity	21
	complaint for disability class evaluation, inconvenient necessary paper, evaluation focused on papers	extension of eligibility for disabled, loosen disability evaluation criteria, extension of NPS gathering the evaluation document service, extension of evaluation document sharing from related institution	22
survey	requested for the first time subscriber easy to read and understand information material	inserted cartoons, added sample cases, enlarged font size	03
beneficiary			
beneficiary forum	make pension terminology easier to understand, expand eligibility for application for silver loan and extension of repayment period request for support for beneficiary service group	applying for 2014 operations	—
survey	diversification of beneficiary service contents, support for beneficiary meeting and club vitalization	applying for 2014 operations	—
idea contest	establishment of beneficiary guardian registration system	applying for 2014 operations and selected as task for public institution normalization	—
cooperating company			
coexistence consultative group	problem with burdening of additional maintenance cost during the execution of IT project	applying for 2014 operations	14
	necessary to increase effectiveness of subcontractor payment monitoring system	applying for 2014 operations	14
	to vitalize the preliminary management companies, necessary to extend the criteria for fund consignment to small and medium sized companies.	applying for 2014 operations	14
government and assembly			
parliamentary audit	problem with restriction on fee support for income earners of less than KRW 350,000	abolition of lower limit, raise upper limit	—
	necessary to encourage the payment exempted people to report the income	intensively guided to 230,00 people and 20,000 reported	—
specialist doctors society			
rehabilitation medicine society, neurosurgeon society, 16 medical society, 21 times opinion gathering	if the disability re-examination criteria is weakened, it is impossible to correctly rate the grade	make exception clause for re-examination according to disability condition	22
external expert			
economy, society, environment field	policy consideration is necessary for income of the disabled	execution of related policies such as loosened the eligibility for disability pension benefit, early payment of disability pension, expansion of disability acknowledgement	22
	when managing the fund, necessary to increase social responsibility investment	newly established responsible investment team in 2013 laying foundation for responsibility investment to exceed KRW 6.3 trillion for social responsibility investment	31
	measures to enhance the pension management transparency is the first priority task for integrity management	increased anti-corruption integrity promotion group member and established 97 branch integrity practice teams, expanded integrity ombudsman to 230 people	36

Social responsibility management core issues

We select the issues of high interest of stakeholders and immense influence on the social responsibility management of NPS out of various internal and external issues to report with core issue focus. In this regard, we carried out materiality evaluation to examine the materiality of the issue on the base of report making guideline GRI G4. Core issue selection has been processed in the order of issue identification, prioritization, issue review, validation and report.



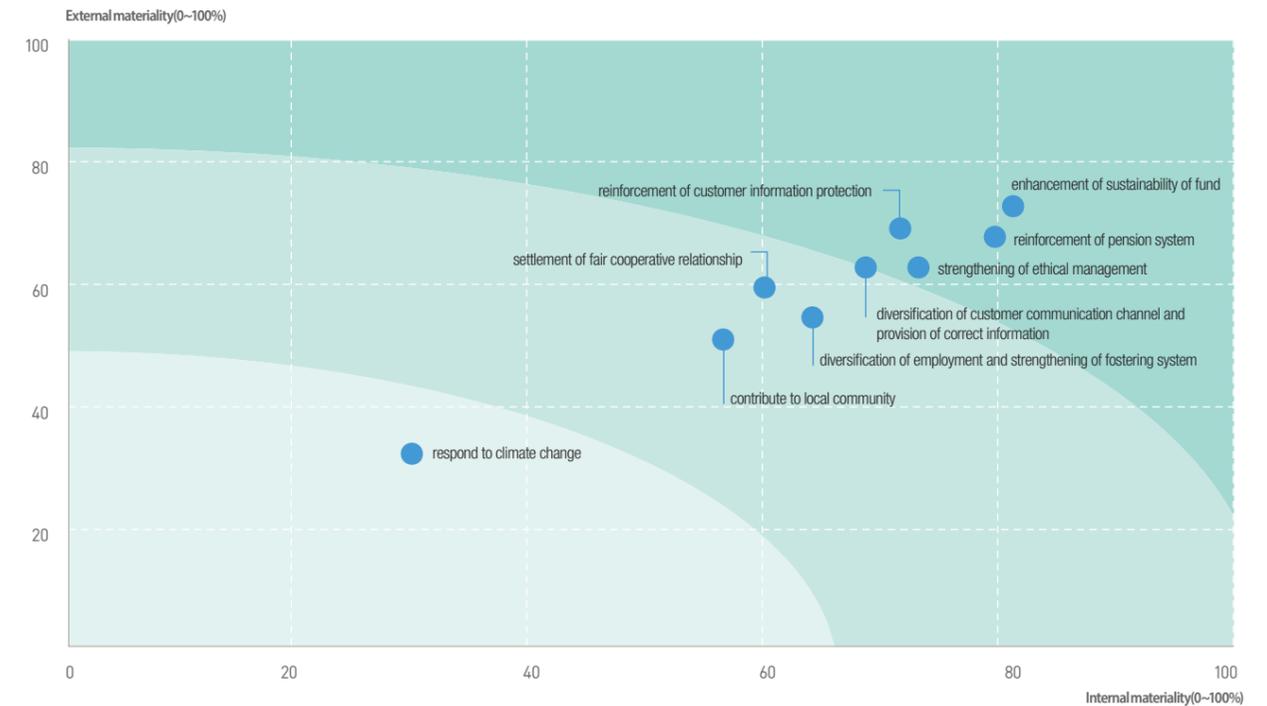
STEP 1 issue identification
To analyze core Issue, total of 30 key issue pool was formed through international standards such as GRI, ISO 26000 and media research, trend & impact analysis, government projects analysis, internally promoted performance review, key business unit interview.

STEP 2 prioritization
By analyzing the importance of external stakeholders and our business aspect, we prioritized for each issues. The importance of stakeholders means the influence of the issue on the activities of stakeholders related to NPS and decision making which were evaluated through external stakeholder survey and interview. The importance of NPS is an aspect to understand the short, mid, long-term strategy direction and relationship with issues, NPS's influence on economic, environmental, social circumstances related to the issue. For this, we performed internal employee survey, staff interview, internal strategy and management document analysis, management opinion gathering. Final 8 issues were reported to NPS top and external stakeholder mid level to put weight on external stakeholder opinion gathering.

STEP 3 issue review
Before determining the final core issues, we undertook an external expert review and management check. We checked to make sure that not only internal_NPS opinions were heard, but external expert opinions were included as well. Furthermore, the opinions of external stakeholders who are related to the value-chain are thoroughly considered for issue pool composition and the prioritization evaluation process.

STEP 4 validation and report
Based on 8 core issues selected through priority evaluation, we chose key aspects suggested by GRI G4. The chosen 7 aspect are own areas of 'pension system', 'fund management', 'ethics and compliance', 'local community', 'shared growth', 'employment', 'environment' which were finally determined and major activities and performances are reflected in this report.

materiality evaluation result



Core issues and GRI G4 aspect

2013 core issue	2014 core issue	reporting area	page
provision of correct information of pension receipt	reinforcement of pension system	pension system	18-25
reinforcement of private information protection	diversification of customer communication channel and provision of correct information		
strengthening of fund management monitoring system	reinforcement of customer information protection	fund management	26-33
increase fund profitability and diversification of portfolio	enhancement of sustainability of fund		
research fund sustainability enhancement	expansion of responsible investment and exercise of voting right		
strengthening of ethical management system	strengthening of ethical management	ethics & compliance	34-37
settlement of fair cooperative relationship	settlement of fair cooperative relationship	shared growth	44-47
Improvement of the pension benefits for vulnerable classes	participation and development of local community	local community	38-43
strengthening of employment and fostering system	diversification of employment and strengthening of fostering system	employment	48-51
effort to respond to climate change	respond to climate change	environment	52-55

* Materiality of 'respond to climate change' is relatively low, however, for the issue still matters to NPS as public institution, we decide to include in report area

How is NPS practicing reinforcement of pension system?

National Pension is a social insurance and social security system that the Korean government adopted from the insurance industry's model of receiving premiums from subscribers, employers and government, and then paying pension money to the elderly, survivors, and the disabled. These payments contribute to a more stable life and enhanced welfare. For effective management and operation of pension system, NPS was established in September 1987 to start with laborer and employers of 10 or more employee business. In 1992, expanded to 5 or more employee businesses, and in 1995, expanded to rural areas and in 1999 implemented to urban area to open the era of the whole nation pension.



WHAT

What is the most important core area for NPS?



WHY

Why is the pension system important to the continued growth of the pension?

Korea is rapidly aging. However, the preparation for old age is relatively scarce thus the interest for pension as a security measures is more increasing. However, people became very anxious when NPS announced in 2013 that calculations show that pension reserves will be exhausted in 2060. Then the addition of the basic pension was controversial, so distrust of the national pension system is continuously increasing. A change in the pension system drastically affects the amount of money in the pension fund, and people rely on pension funds to help them through their retirements. Therefore, we are aware of the future danger of social chaos or the disappearance of the national pension system.

HOW

We are reflecting stakeholders' opinion to management

stakeholder	opinion	reflected to management	page
NPS silverloan customer VOC	joint surety and advance deduction of guarantee fees becoming another constraint for the customers who use silverloan that needs improvement	abolition of joint surety for 70 years old customers and over, guarantee fee for less than 70 years old customers	22
disability pension beneficiary VOC	difficulties in preparing and submitting a disability reassessment review data. Most of the reassessment results are same grade that lacks necessity	loosened criteria for disability pension review and disability grade review	22
Choi Dong-ik, member of the National Assembly	necessary to prepare a plan to support whose wage is below KRW 350,000 and limited from receiving assistance at present	abolished lower limit for insurance support	-
Kim Hyun-sook, member of the National Assembly	owner of 9 imported cars insists there is no money to pay for national pension? it is necessary to actively inform and induce the exceptional cases to report their income	utilize of National Taxation Service data of income to confirm afterwards	21
Kim Yong-ik, member of the National Assembly	as it is not fair to support the rich with government fund, we need to prepare plan to limit this	strengthening of checking adequacy by expanding investigation on business sites	20
National Assembly	low new registration through insurance benefits improvement in system to protect the exempted with enrollment record such as housewives	support for registration and create registration condition apply the plan for registration system renewal on 'national pension comprehensive operation plan'	21
2012 NPS assessment group	need to prepare foundation to receive stable pension for people with low credit by expanding financial institutions that operates foreclosure prevention accounts	expand to 23 all financial institutions for national pension dedicated accounts	21,23
management assessment group	necessary to review the continuance and scale of implementation for silverloan necessary for further effort to expand the pension beneficiary right and contact point for 'retirement design service'	review maintaining the current business scale, but extending the business period expand 'Happy retirement design center', building 'Retirement design integrated consultation system'	24
external expert	necessary to complement basic pension policy for lower income class or vulnerable class necessary to consider policy for the income of disabled	Proper management policies to low-income subscribers, and 360,000 people workers vulnerable New Account Mitigation policies, such as running a pension, disability requirements, early disability pension payments, disability recognized zoom range	21,22

NPS will help to reassure the future of public

newly registered laborers from low income class

36 ten thousand people

Enhanced information for benefit claim

achieved **99.9%** claim rate

Enhanced support through collaboration with relevant agencies (family court, Ministry of Security and Public Administration, Ministry of Foreign Affairs, local governments, etc.), non-claimants tracking system, intensive promotion, so that there would be no case of missing pension claim due to lack of inform. As a result, we achieved 99.9% for claim rate, which is the highest performance compared to 55.2% of private pension, and 85.5% of insurance industry. Thanks to strengthening of 'zero blind spot project', the recipient of divided pension has been increased by 20% to ten thousand in 2013 from 8.3 thousand the previous year. In addition, after enhancing linkage of public pensions through related agencies collaboration (Government 3.0), the public pension linkage recipients increased 32.1% of 3.7 thousands from the previous year's 2.8 thousand. Especially through social security agreements, by strong support of the pension beneficiary right of people with a history of foreign pension, 23 hundred people received foreign pension of KRW 7.5 billion every year.

Pension risk management

achieved **99.96%** appropriate process rate

Increase in beneficiaries also increased risk for payment work. Recently, due to the social interest on welfare payment errors and voices of concerns, it is requested of the system to prevent payment by mistake by thorough verification from the beginning of the pension payment. We launched and operating 'payment investigation team' and completed a flawless pension system of payment risk prevention, risk benefit follow-up and monitoring. We are the first to operate the risk management organization among the public agencies and securing the pension payment accuracy with proper payment rate of 99.96% in 2013 compare to 99.93% in 2012.

Early blocking of dishonest payment

Launched early detection system

There exit social concerns about the dishonest payment. We need to cut off the dishonest payment from the source by thorough check of changes in the beneficiary right, such as death. By establishing 'dishonest payment early detection system', we derive the type of danger signs and by utilizing internal and external resources to discover danger signs early, we prevent the dishonest payment. Also we are checking the changes in the beneficiary right through enhanced public resources collaboration between agencies and by providing our investigation materials to other agencies, we are leading the prevention of dishonest payment of welfare benefits.

Strengthen guide for lump-sum claims for foreign workers

achieved **98%** claim rate

We implemented a lump-sum claim system to protect the beneficiary right of foreign workers. By providing step-by-step guides to foreign workers of lump-sum claim from immigration to departure, and thanks to the enhanced promotion in 2012 of payment service at the airport, users greatly increased and the lump-sum claim rate has increased from 95.9% in 2012 to 98% in 2013. Also enhanced services for foreigners by expanding foreign language information service from 2 languages to 10 languages and issuing receipts during wage counseling service in 5 languages.

Low-income class



Expanded insurance support for low-income workers benefit newly joined 360,000 people

We selected five sectors to encourage the registration of low-income workers including a temporary workers and newly admitted 360,000 vulnerable class, increased by 220,000 people, compared to 140,000 people in 2012. In addition, we mitigated insurance support criteria and increased support level to support 80 thousand people of KRW 19.4 billion additionally.

Farmers, fishermen



Farmers, fishermen up to 50% support for insurance premium 96,000 people newly joined for benefit

In case any individually insured person and voluntary insured person are farmer or fisherman, the government supports for pension premium of fixed amount(rate). In 2013, if monthly income is less than KRW 790,000, the support was 50% of pension premium of KRW 35,550 that brought 96,000 new farmers and fishermen subscribers. By supporting pension premium to 329,000 farmers and fishermen in 2013, we are working to secure income after retirement.

Vulnerable class



Guarantee of beneficiary right for vulnerable class with no income data Benefiting newly joined 480,000 people

In case of people with no income data or with vulnerable preparation for retirement are in dire need for security from pension beneficiary right. We proceed customized consulting to selected priority target of 2.93 million people of baby boomers (55-63 year olds), women with career break and recently lost their jobs to have 480,000 people of newly insureds.

Business



Relieved discomfort and enhanced reporting usability for business enhanced adequacy for standard monthly income

When business reported wrong income for enrollment, separate adjustment reporting was necessary which was inconvenient. We introduced advance verification system for adequacy of standard monthly income, through post proof submission, and corrected reporting of 1,583 people to eliminate hassle and additionally charged KRW 500 million. Also retroactively imposed KRW 22.1 billion to 28 thousand people after checking National Tax Service's income tax data of 75 thousand people.

Individually insured



Optimum management of standard monthly income of individually insured person Increase equity with workplace insured person

Individually insured people have low possibility of keeping income tax data and arises gap between the actual incomes bringing equity problem compared to workplace insured people. We guided those who do not have any taxable income to report with amount above recommended monthly income and by strengthening post-confirmation with National Tax Service, we additionally imposed 310,000 people with KRW 183 billion.

Women with career break



Push ahead system improvement focused on insured people guaranteed beneficiary right of disability and survivor pension to total of 4.64 million people including women with career discontinuity

Despite with a history of past contributions, if one does not involved in earning activities currently, an unmarried person is eligible for a disability or survivor's pension, being managed as an exception, however, a married with no earnings is not eligible for disability or survivor's pension which raised an equity issue that is urgent for solution. If one has a history of past contributions, regardless of making earnings or marital status, we prepared a plan for improvement to ensure to receive disability or survivor's pension to KRW 4.64 million people including women with career discontinuity.

Improved benefit for Silverloan

26% abolished joint surety and guarantee fee and lightened cost burden

We implemented national pension 'Silverloan' in 2012 to contribute to the livelihood of the beneficiaries' old age. In 2013 customers' feedback, complaint related to joint surety and guarantee fee accounted for 22.5% of the entire response. Through the bank loan staff meetings and research service on improvement, we decided to abolish joint surety for people over 70 years and abolish guarantee fees for people less than 70. As a result, the application of elderly people over 70 years increased from 5.6% to 14.5% and the user cost burden is mitigated to 26%. In addition, the user satisfaction rose from 81.7 points in 2012 to 92.1 points in 2013 of 10.4 points.

Strengthened effort to collect money back

95.8% accumulated collection rate

Despite the change of beneficiary right (expiry, change, cease), no reporting was made to leave KRW 60 billion of refund in the last 5 years. We collected and utilized official data (41 kinds from 19 organizations) to prevent fraud, and encouraging intensively by type for the refund already occurred, and operating the pension clinic monitoring to strengthen collecting activities. Accordingly, the collection rate for the last five years is 95.3% and cumulative collection rate of 95.8% putting us at the highest level compared to similar domestic institutions, also high compared to that of the Canada Pension Plan (CPP) of 84.5%.

Mitigation of disability review standards

Lightened economic burden of KRW **5.3** billion

As out of 260,000 of annual disability screening, 38% of 100,000 cases fall for re-examination and the disabled have appealed for the economic burden and difficulty due from uneasy mobility in preparation and submission of review materials. Also the fact that 62% of the re-examination result is the same rating caused controversy of the effectiveness of the review. To solve these issues, we will collect various opinions from government, people with disability, system improvement promotion team together with academic world, medical advisors, medical society by specialty, and greatly eased the review criteria. As a result, 40,490 people were excluded from re-examination and relieved from the inconvenience and lightened economic burden of KRW 5.3 billion. In addition, 15.5% decrease in assessment workload enabled reduction of 41 administrative power saving.

Improvement in disability assessment system to resolve inconvenience

Awarded as the top prize from the best case for Government 3.0 contest

62.9% of total customer comments were complaints about grade assessment. Thus we agreed on the necessity for improvement in the disability assessment system, and implemented the system improvement of mitigation of requirement for disability pension and mitigation of disability re-assessment standards. As a result, 49,293 people were newly registered as disabled and became eligible for social welfare benefit of disability pension, activity support benefit worth KRW 960 million annually, and 2,288 people newly takes KRW 22.1 billion of disability pension annually, and from mitigation of re-assessment standards, 40,490 people annually were to benefit the solution of inconvenience. Also we are trying to minimize the trouble of submitting necessary documents for the disability assessment. With the full implementation of disability assessment data sharing service according to 'the National Pensions Act' and 'Welfare of Disabled Persons Act', that is eliminating the discomfort of same person submitting twice, economic burden of KRW 2.63 billion from 19,971 people have lightened annually, and by providing service of directly collecting assessment documents from medical institutions for 20,427 disabled people annually, mitigated burden of KRW 600 million.

We identified the needs that are suitable for individual characteristics of newly registered disabled people and guided services of 80 or so to associate with required services and we were awarded with the top prize of government service sector at the 'best case for 'Government 3.0' contest'.



Best Practice innovative management, creative management

Presidential Award for the people focused civil administration innovation ensuring the minimum cost of living

Problem

Due to economic downturn, people with low credit has increased to nearly 2.81 million people, 8.5% of population with credit, and those pension beneficiaries receiving national pension are in trouble of minimum living as their pension receiving accounts are being seized.

Innovative management

Introduction of seize-proof account: Since we regard the pension receiving account as not a personal asset but the last resort of life, to protect the beneficiary right of the people with low credit, we introduced seize-proof national pension dedicated account ('national pension safe account') in 2010.

Expansion of innovation via network: 6 financial institutions participated in 2012 however with rapidly growing social needs, a council composed by the Financial Supervisory Service, Korea Financial Telecommunications & Clearings Institute and The Korea Federation of Banks and expanded to entire 23 financial institutions in 2013.

Creation of outcome

In 2013, 74 thousand people used the dedicated account and guaranteed their minimum living and the figure is a 29.8% increase over the previous year. A total of KRW 314.7 billion of minimum living cost of pension beneficiary with low credit were protected.

Presidential Award for civil administration leading multicultural society by trying to secure beneficiary right of foreign workers

Problem

If a foreign worker leaves Korea, it is difficult to get a refund of national pension and if the foreign worker receives the refund overseas, transfer fees is another problem. This results in complaints about inconvenience which gives Korea a bad image.

Innovative management

Approach by the process: We provided a step-by-step guide for foreign workers claiming refunds.

prior to arrive upon arrival during stay after departure

Creation of outcome

No claim of refund of national pension from foreign workers decreased to 12.5%. Furthermore, NPS contributes to improve national brand and make caring multicultural society by securing beneficiary right of foreign workers as well.

Implementation of Basic Pension

The older generation worked hard to develop Korea and sacrificed for the betterment of their children but could not prepare for their retirement. To ease the hardship of the elderly and to distribute pension benefits fairly, the basic pension was implemented in July 2014. For further information, call 129 for Ministry of Welfare or 1355 for NPS or visit basic pension homepage.

Becoming a retirement design hub institute

To become a retirement design service hub institute by legislation, we prepared a systematic support base for preparation of retirement by proposing 'a bill for retirement design support' and partial amendments to 'the National Pensions Act'. To strengthen the specialty for retirement design, we also installed 'happy retirement design center' and setup retirement design IT environment, and revamped the retirement design consultant certificate, CSA to reinforce professional human resource fostering process.

Enhancing retirement consulting service specialty and quality enhancement

While promoting the retirement design guidance from the first time subscriber to the beneficiaries, still there is a blind spot. Thus we prepared the retirement design guidance system by life cycle, and brought diversification to counseling models based on individual needs. In addition, to enhance the counseling service quality, we improved through counseling staff education system and the best practices, and the counseling quality rose to 91.8 points in 2013, 3.3 points increase from the previous year, and staff expertise has risen to 91.8 points in 2013, 4.6 points increase compared to the previous year.

Expansion of retirement design education and promotion

Considering the lacking awareness and education for retirement design, we conduct customized training by life cycle. Every branch in the country operates the dedicated retirement design consultation system and provides financial counseling, as well as in connection with related institutions, employment and health, leisure, counseling on all around the life. You can visit your nearest branch or schedule a consultation from retirement design internet site (<http://csa.nps.or.kr>).



1020

future subscriber generation

education contents

- at site education and employment connected education

accomplishments

- educated 1,051 times 29,000 people
- reflected to 14 new text books and 4 amendments



3050

in dire need for retirement plan

education contents

- visiting education for workplace subscribers
- enhancing retirement design academy life
- easy to understand financial education for social vulnerable class

accomplishments

- 2,579 times of intensive education to potential retirement
- educated 145,000 people social vulnerable class



over 60

starting the 3rd life

education contents

- provide necessary information for retirement life
- provide lecture schedule and information on the elderly college

accomplishments

- educated 776 times, 39,000 people

Special Issues

NPS going to the world

Under the global economy, by the end of 2012, overseas Korean companies are in 82 countries 10,487 place and citizens living abroad reached 7.01 million people and foreign workers are continue to increase. Guaranteeing pension beneficiary right by summing up the separate pension subscribed periods into two, and in order to reduce the double burden on workers, we signed Social Security Agreement to increase the pension benefits of foreigners residing in Korea or expatriates. In addition, we are building a global network by conducting exchange with overseas related institutions and international cooperation activities to demonstrate the leadership as one of the world's big four pension institutions.

Social security agreements reducing the burden of the people, enhancing the rights in a global era

Korean companies operating overseas and dispatched workers pay the social insurance fee twice to Korea and to hosting country which is becoming a big burden and for people staying short period overseas are experiencing disadvantage of only paying the insurance fee and not getting any pension. To solve this problem we signed social security agreement to mutually exempting insurance fee or adding up to subscribing period of each country so that reducing the burden, and enhancing the rights of the people staying overseas.

overseas transfer of national pension system and invigoration of global exchange, global cooperation without borders

To countries wishing to acquire system operating experience of NPS with high proportion of self-employed people and best practices, we operated a national pension system transfer program that contribute to the settlement of the Korean pension system to the country. In December 2013, for the first time to the corporation, we successfully performed the national pension system training course focused on the practice that is necessary for the introduction of the system to Cambodia which plans to introduce the pension system in 2015.

Services for foreign subscribers

In the time of globalization and with growing number of foreign subscribers, we set up an international cooperation center in 2011, dedicated to serving foreigners in various languages. For the foreign subscribers we support with customized services such as operating of foreign counseling call center, multi language home page, visiting mobile counseling service. Also at the 'Incheon International Airport Counseling Center', located in Incheon International Airport, we provide service of at site payment service of refund for the foreigners.

Social security agreement signed

35 countries

foreign subscribers

230 thousand people

agreement pension beneficiary

2,380 people

Is NPS stably operating the fund?

NPS is the world's 4th largest and Korea's major public pension fund with 20.74 million subscribers and KRW 427 trillion of fund as of December of 2013. Accumulated fund worth KRW 427 trillion that is 33.5% of GDP of Korea and investing KRW 83.9 trillion in stock, which takes up of 6.4% of Korean total market capitalization. Also we are investing KRW 6.3 trillion that is worth 73% of Korea's responsible investment market to the social responsibility fund. As fund size grows bigger, to prepare stable profit foundation in the long term point of view, we are trying to improve efficiency of fund portfolio and reducing bond to diversify risk, increasing overseas investment and alternative investments.



WHAT

What is the most important core area for NPS?



WHY

Why is fund's sustainability enhancement important?

In the stakeholder's point of view, the biggest interest in national pension is long-term stability on pension finance for the pension payment. The debate on depletion of the national pension due to introduction of basic pension, low profitability from economic downturn and financial environment, aging and low birth rate caused subscriber burden are still continuing. However, profitability focused operation policy cannot solve these problems. As the size of the fund grows, the weight and influence on domestic financial market is increasing and profit-focused operations can have a bad effect on the economy. In the end, when the national pension try to increase the profitability and at the same time provide the people of stability and induce affirmative social agreement, it becomes sustainable. Thus, NPS should always think about what is the fund management and focusing to find ways to increase sustainability.

HOW

We are reflecting stakeholders' opinion to management

stakeholder	opinion	reflected to management	page
fund management committee	<ul style="list-style-type: none"> to better communicate with people, necessary to disclose and explain the fund management information at the people's eye level 	<ul style="list-style-type: none"> through adequate consultation with stakeholders, including representatives of each sector, fund management information to be expanded (Oct. 2013) disclose company, amount invested for stocks with more than 5% of ownership and top 10 companies for bond, alternative investment as a follow-up measure to expansion of information disclosure, opening of website (Jul. 2014) 	32
management assessment group	<ul style="list-style-type: none"> necessary to study the long-term method to secure stability and masterplan for expertise of fund management further respond is necessary for management size per one fund management professional personnel 	<ul style="list-style-type: none"> setup of mid to long-term fund management master plan and implement expertise reinforcement consulting prepare mid-term human resource management plan and employ 38 fund management expert staff 	31
Lee Un-ju, member of the National Assembly	<ul style="list-style-type: none"> pointed out the problem of national pension that ignoring its intrinsic meaning of social responsibility, sustainability but achieving maximum profitability of performance focused investment resulting making investment to companies doing unfair trade behavior presence of short-term management goal such as 5 year profitability makes the pension fund pursuing near sighted profitability. If long-term management goal is set, invest in not too much risk taking but true meaning of social responsible investment should be possible. 	<ul style="list-style-type: none"> to promote effective responsible investment, install dedicated department of 'responsible investment team' and continue to expand responsible investment through benchmarking of overseas advanced cases, setup and promote mid to long-term management direction 	31
Choi dong-ik, member of the National Assembly inquiry	<ul style="list-style-type: none"> Opinion of necessity of strengthening stockholder's right exercise(12 government audit) necessary to secure responsible management, transparent management through strengthening of stockholder's right exercise 	<ul style="list-style-type: none"> promote to amend voting guidelines to strengthen voting right exercise in the direction of enhancing shareholder value 	32
external expert	<ul style="list-style-type: none"> necessary to expand social responsibility investment portion for fund management 	<ul style="list-style-type: none"> in 2013, newly established responsible investment team to prepare responsible investment foundation and exceeded social responsible investment of KRW 6.3 trillion 	31

Enhancing the value of national pension by stable fund management

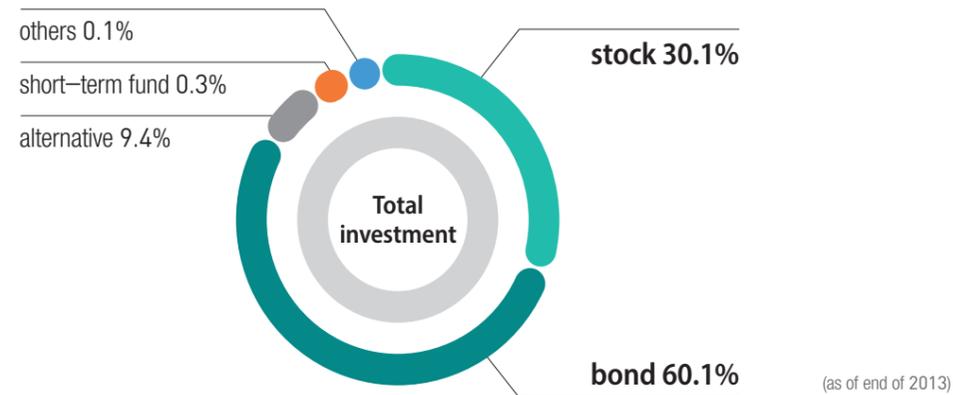
5 year average profitability

6.48%

Investment diversification and securing overseas investment competitiveness

Diversification of investment portfolio

As the fund amount increases, to prepare stable profit foundation in the long-term and to improve effectiveness in fund portfolio and risk diversification and profitability enhancement, we are promoting investment diversification in mid-long term operation direction. To do this, we performed in-depth analysis on change direction of global financial market and exercising various investment strategies such as discovering new product by region and by asset and exploring new market.

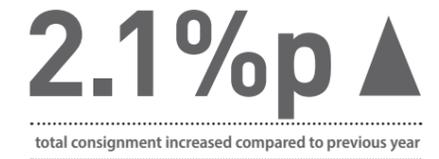


Expanding overseas investment

To overcome the limitation of domestic market and to diversify risk and to prepare long-term profit foundation, we are promoting overseas investment since 2002. In 2012, we acquired QFII (Qualified Foreign Institutional Investor) to expand investment for mainland China for the first Korean pension-fund and were allocated additional QFII of USD 300 million in 2013 and expanded the investment to the Asian emerging market of China, Taiwan, and Indonesia. Also we newly invested in the overseas high profit bond and expanded consignment operation investable credit ratings and since 2009, through purchasing undervalued overseas major landmark assets, made exceptional achievement in overseas alternative investment area. By the end of 2013, overseas investment amounts KRW 82.6 trillion which is twice grown compared to 2010 and 19.4% compared with accumulated fund amount.

Expanding consignment management

To enhance profitability and to decentralize the decision making for investment to bring down the influence of the fund to the financial market, we adopted consignment management in parallel to direct management. Prepared separate standard for selecting management company and transparency of management and gradually inducing adoption of GIPS (The Global Investment Performance Standards). For 2013, we are maintaining the level of previous year for percentage and allowance of consignment management per asset group, and total consignment increased 2.1%p compared to previous year and 35.4% compared to financial asset size. By the end of 2013 total consignment management amount is KRW 144.4 trillion and takes up 33.8% of accumulated fund.

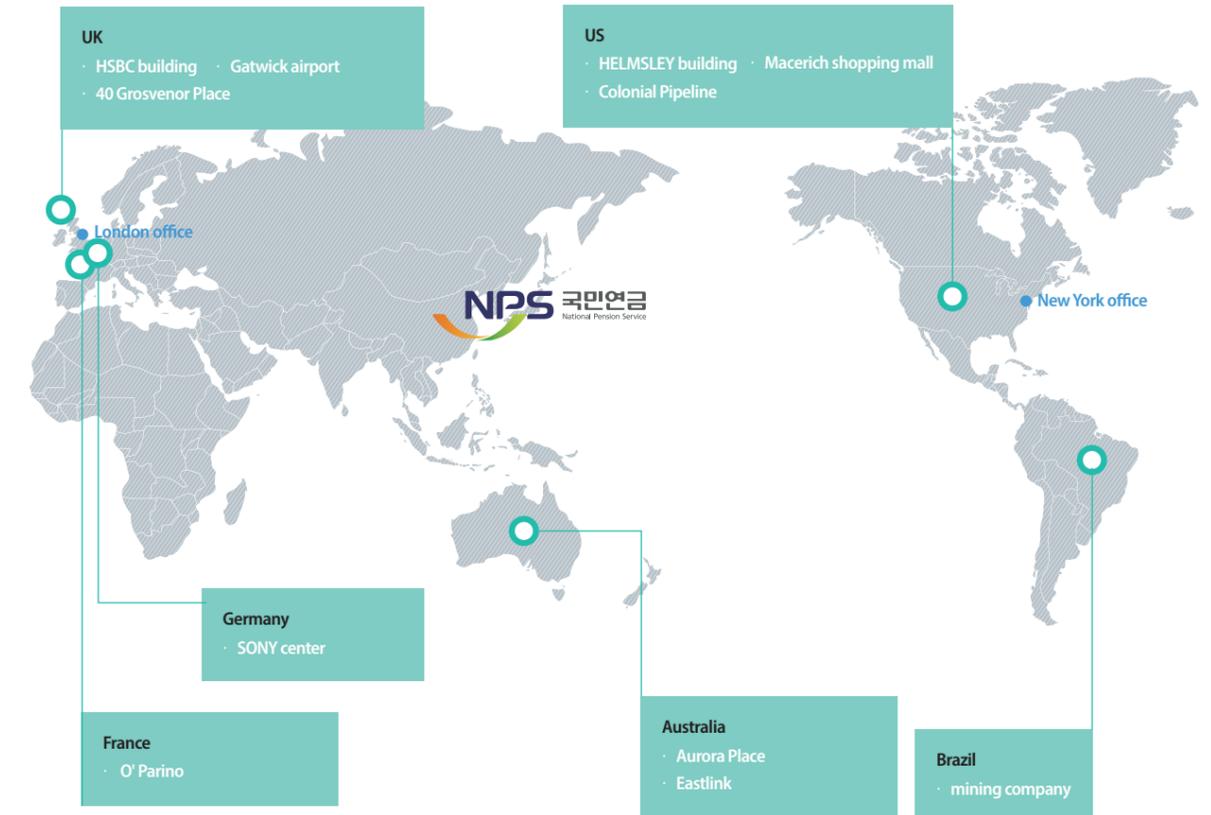


Expanding alternative investment

With an effort to discover new investment area such as infrastructure, real estate, and overseas resources development in private equity fund etc, we are raising the alternative investment rate 9.4% from KRW 33 trillion in 2012 to KRW 40.3 trillion



Foreign alternative investment status



Upgrading risk management of fund management

Setup and operation of risk management system

NPS is preemptively recognizing market risk, credit risk, liquidity risk, legal risk and management risk in overall fund management task and asset management that can affect the stability and profitability of the fund and respond swiftly. We are systematically calculate major risks and setup and operate risk management system that are manageable, and on the ground of strategic asset allocation and active risk diversification, setting up of risk limit by the asset type and total risk limit by the year. To recognize the possibility of risk occurrence, carefully monitoring various variables in financial market and reinforcing prior risk management by adopting early alarming system in local companies.



Reinforcement of risk management for alternative investment

For the alternative investment assets, that is high-risk assets, we are operating check system during investment review process by investment risk management department participation in the Due Diligence, and after the investment, through the asset quality classification and fair value assessment, and we perform post-monitoring for changes in value of alternative investment at the portfolio levels. In 2010, alternative investment risk management system has been setup and in 2011, introduced KRI (Key Risk Indicator) for quantitative risk management to standardize risk factor of alternative investment and high-risk commodities and streamlined risk management rules and analyzed various risk situation scenarios and prepared practical response plan by risk stages. In 2013, we expanded the KRI (Key Risk Indicator) to qualitative indexes and examination scope to not only real estate but debt ratio and rental rate to check various risk factors so as to grasp the risk situation of the asset.

Strengthening of overseas investment risk management

To minimize the loss of fund in the global financial crisis, NPS developed and is operating risk response plan and national pension risk index since 2010. For instance, at the time of global financial crisis such as credit ratings degrading of the US and financial crisis in Europe in 2011, credit ratings degrade of EURO 9 countries in 2012, we preemptively responded and it proved the effectiveness. In 2013, for exchange risk management, shortened the management period from quarter to month and currency for check expanded from G7 countries' currencies to Australian dollar, Swiss franc. Also by setting up of the country risk management plan and through grade assessment by country, investment limit double checking by grade, investment restriction on high risk countries, effectively manage risks differ from country to country.

Strengthening risk dedicated team

To effectively manage risks related to fund management, we installed risk management department within fund headquarters and to strengthen independence, upgraded to risk management center in January 2014. Also to consider the importance of the fund and to better control of the management risk effectively, installed and operating risk management committee that the NPS chairman takes up the committee chairperson and includes external experts. Also we have separate 'compliance officer'

to reinforce internal control function of fund management and trying for transparent management. Other than this, constant audit is made through internal auditor and external auditor, the Board of Audit and Inspection of Korea, National Assembly. In 2013, launched 'investment management committee', the post-investment management review organization, and deliberates major items of post-management of assets that the fund invested.

Strengthening global management infra and support system

Strengthening management organization expertise

The management and operation of national pension fund is exclusively carried out by fund management division within head quarter. In November 1999, we reorganized and expanded the asset management expert organization, fund management team into fund management division. In accordance with the growing overseas investment, to strengthen competitiveness and enhance expertise, reorganized overseas investment team into overseas stock team and overseas alternative team in February 2011, opened New York office in July 2011, opened London office in July 2012 to arrange base for overseas investment and to strengthen networking with global investors and takeoff to become global management expert organization. With growing fund scale, installed subordinate organizations to each risk management team, management strategy team, bond management team in 2013 to adjust and strengthen function and enhance management effectiveness and reinforced expertise.

Excellent management expertise workforce reinforcement

per capita fund management size **2.3** trillion → **2** trillion

To strengthen global competitiveness, promoted systematically in accordance with mid-term personnel plan and recruited the most in history of 38 fund management people in 2013. Also employed superb workforce from fund management interns as personnel in charge of management to prepare internal fostering foundation for new recruits and experts. With continuous recruit and fostering of human resources, decreased per capita management size from KRW 2.3 trillion in 2012 to KRW 2 trillion in 2013 and secured specialty and stability. As the fund size grows and overseas and alternative investment expands, we will continue to try to increase expert personnel.

Strengthening social responsibility of fund

Expansion of responsible investment scale

scale of fund **6.3** trillion, accumulated annual average profitability **8.3%**

Responsible investment is a comprehensive investment strategy that considers not only financial aspect but non-financial aspects such as environment (E), society (S), governance (G), reducing investment risk in the long-term perspective and pursuing enhancement of stable profitability. To enhance long-term profit and to carry out social role, we are operating social responsibility investment (SRI) fund. Since setting up of the SRI in 2006, the amount operating became KRW 6.3 trillion at the end of 2013 and accumulated annual average profitability marked 8.3%, which is excellent compared to total fund accumulated profitability of 6.35%, contributing to enhancement of fund profit. Moreover, to form companion relationship with domestic companies and induce synergy effect, we introduced and operating corporate partnership investment with domestic companies from 2011. In domestic stock consignment management area, introduced preliminary management company system in 2011 and select separate back-up management company other than regular consignment company to expand the boundary of consignable management company and providing management opportunity to preliminary management company who is prominent to grow as an excellent management company. The preliminary management company system is expanded and operating as social responsibility investment type in 2012 since its introduction limited to pure stock type in 2011.

Investment in SMEs (small and medium-sized enterprises) and social infrastructures

NPS is investing in small and medium-sized venture companies through public and private equity market to enhance profitability of fund management, and on the other hand, contributing in fostering technically competitive, however financially insufficient venture companies. The amount of money in the pension fund reached KRW 5.5 trillion at the end of 2013 through direct and indirect investing in small-and medium-sized venture companies through venture capital investment fund and small-and-medium-capitalization stock fund investment. Moreover, we are promoting co-investment in small-and-medium-sized enterprises going overseas through Corporate Partnership Program to promote growth and to build investment environment of affiliated industry, and continuously expanding investment in SOCs (social overhead capital) such as expressway, port and school.

Strengthening of voting right exercise

As the importance of national pension grows in the domestic stock market resulting in growing influence, we specified at the guideline of voting right exercise of fund management committee in 2010 to consider ESG (Environment, Society, and Governance). In 2013, the voting right exercise of domestic holding stocks were made at 645 stockholders meetings for 2,601 issues, of which were 2,319 consents, (89.2%), 281 objections (10.8%), and 1 neutral/abstention. Compared to 2008 objections (5.4%), two times increased showing active voting right exercise. However, as national pension's control over stock market grows, there exists voices of both welcome and concern related to strengthening of voting right exercise. There are stockholders expecting the role of support on responsible management of the company through active voting right exercise and in domestic corporate environment which is different from advanced countries who are famous for stockholders movements, concerns exist it might disturb corporate management right. NPS, as a trustee of fund management, is managing fund in accordance with principle of faith and integrity to enhance long-term corporate value and investment performance in the invested company and revised the guideline for voting right exercise in February 2014. In the guideline for voting right exercise revision(draft), made it to consider responsibility investment factor upon exercise of voting right to enhance long-term profitability, and strengthened independent director's participation rate for board meeting by increasing standard from 60% to 75%. Also the term of service of independent directors to include both relevant company and affiliated companies to strengthen standard for appointment of independent director. From now on, we will gather various stakeholders' opinions and try to enhance stockholder's value and to exercise rational and consistent voting right.

disclosure of list of voting right exercise : NPS is providing reference service at our fund management division homepage to better review of our voting right exercise results from 2013 domestic stock voting right exercises results.

fund management division homepage : <http://fund.nps.or.kr>

Expanded level and scope for information disclosure

In accordance with the promotion of domestic and foreign investment diversification of national pension fund and enhancement of global status, to help understand the direction and situation of fund management and to enhance transparency of fund management, expanded and disclosed fund management information in October 2013. With participation and discussion with various stakeholders such as government and national assembly, we decided the level and scope for disclosure and for domestic stock market, considering the distinctiveness of the national pension's huge influence over domestic stock market, disclosing major management policy and investment details of investment status of items of more than 5%, and annual top 10 bond and alternative investment items to strengthen credibility and transparency on fund.

Special Issues

Economic value creation and distribution

National pension is raised with pension insurance premium, management profit, accumulation and surplus from NPS income and expense settlement. Last year, in a difficult time of global delay in economic recovery and slow growth, with endless change and innovation, NPS pursued development of the system and fund. In 2013, we raised KRW 32.489 trillion from pension insurance premium and fund management profit and spent KRW 13.641 trillion to accumulate KRW 426.955 trillions of national pension fund which is KRW 34.987 trillion increase from the KRW 391.968 trillion of previous year. The value distribution of NPS is used for only approved budget by the government and for 2013, the budget of KRW 13.6 trillion was approved to be used for customers, employees, partners, local community, government and other businesses.

Status of fund accumulation

(unit: KRW billion)

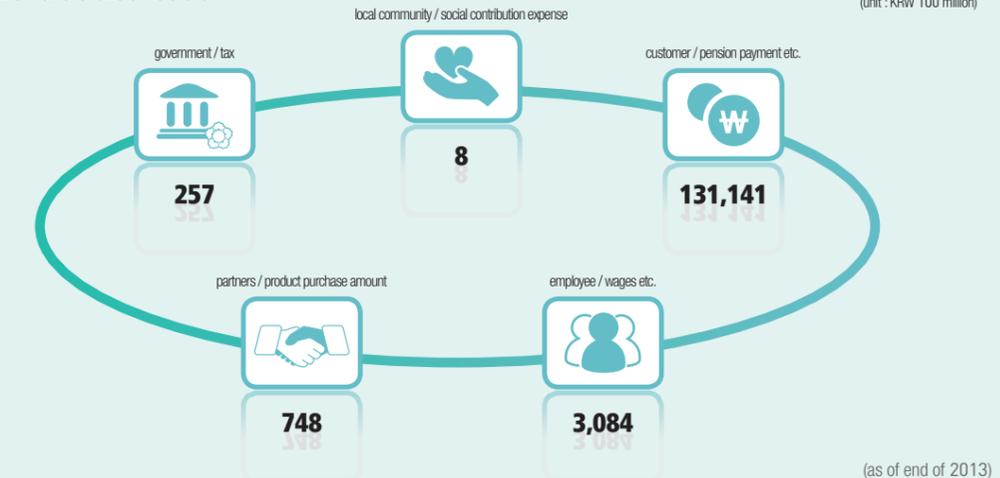
	2013
accumulation (market value)	426,955
increase in fund	32,489
income	46,130
expense	13,641
accumulation of previous year (market value)	391,968

management performance

(unit: KRW million)

	2011	2012	2013	
inherent business	total asset	612,429	675,210	861,788
	total debt	709,472	780,731	965,311
	total equity	-97,043	-105,521	-103,523
fund business	total asset	350,458,141	392,924,343	427,670,377
	total debt	1,590,449	956,675	715,854
	total equity	348,867,692	391,967,668	426,954,523

economic value distribution



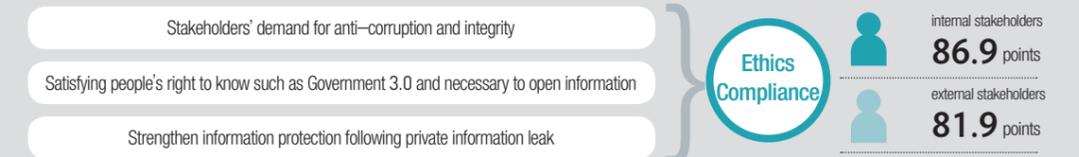
Is our ethics and compliance system working to ensure a just organization?

Recently stakeholders' demand for transparency, morality and clean culture is expanding, and unfair trading with partners and post abuse are becoming ethical issues, business ethics are emphasized. We consider ethical business practices not optional but crucial factors for sustainable growth and development and to become transparent and right organization, implementing various education and programs for employees. In 2013, we achieved 93.8 points for NPS ethics awareness diagnosis index, 'excellent' from ACRC's (Anti-Corruption & Civil Rights Commission) anti-corruption competitiveness assessment, 'ZERO' corrupt incident, 0% error for management disclosure.

<p>100 points</p> <p>Ministry of Health & Welfare's diagnosis on private information protection management level</p>	 <p>selected as excellent organization by UNGC anti-corruption international symposium</p>
<p>8.18 points</p> <p>integrity assessment (0.14 point increased compared to previous year)</p>	<p>89.7 points</p> <p>KoBEX SM (5.2 points increase compared to previous year)</p>

WHAT

What is the most important core area for NPS?



Why ethics and compliance are important to national pension's sustainable growth?

As a public institution managing people's precious retirement fund, we cannot survive without people's trust. Especially so when due to domestic and foreign change in financial environment, pension system and management's extreme change is expected.

In this perspective, people are looking at us with expectations of more particular and accurate ethical standard. Thus we have to meet this standard to gain people's trust. However, this trust can only be achieved with the integrity of the organization and its employees, transparency of fund management, and fair partnership from strict internal control, and just one corrupt incident would make a crucial damage to trust. In this regards, we are self controlling with ethical management rule which is stricter than that of any other financial or public institution.

WHY

HOW

We are reflecting stakeholders' opinion to management

stakeholder	opinion	reflected to management	page
customer's opinion on management disclosure improvement	<ul style="list-style-type: none"> make it easy to find the post of NPS's social responsibility related efforts 	<ul style="list-style-type: none"> reflected the request and posted 2 social responsibility management related disclosures 	-
management evaluation group	<ul style="list-style-type: none"> To reflect management disclosure improvement opinions on homepages, supplement the system and reinforce feedback on the disclosure monitoring results efforts to improve anti-corruption competitiveness and integrity is necessary expand disclosure of customer interested items (diversify fund management related management disclosure such as fund invested items and holding stocks) 	<ul style="list-style-type: none"> implement customer opinion gathering event, strengthen feedback such as revision of 'management guideline and manual' in accordance with monitoring result look for integrity enhancing project and enterprise-wide promotion, strengthen employee integrity education expansion of continuous items reflecting customer interested items. 	36
diagnosis of internal control level	<ul style="list-style-type: none"> necessary to strengthen advanced risk assessment activity and to form sympathy of internal control 	<ul style="list-style-type: none"> reflect to annual audit plan 	37
external expert	<ul style="list-style-type: none"> plan for enhancing pension management transparency is the very first task for integrity management 	<ul style="list-style-type: none"> increase number of anti-corruption integrity promotion group member and launch 97 branch integrity practice team, expand integrity ombudsman 230 people 	36

Reporting our efforts to realize transparent and clean organizational culture



Executing value and principle of ethical management

Starting from enactment of national pension service charter in 2000, presented employee code of conduct in 2003 to uphold as an ethical behavioral standard, and making a transparent corporate culture with a motto of 'realization of transparent management through ethical culture expansion'. As a result of reorganizing ethics charter, social responsibility management practical examples, special guidelines by rank and job function, selected as an excellent case at UNGC anti-corruption international symposium in 2013.



UNGC anti-corruption international symposium (selected as excellent organization)

Expansion of ethics and integrity practice organization

To generally and comprehensively respond to ethics and integrity issues, with social responsibility management committee headed by the chairman, deciding direction and guideline for ethical management promotion. Also launched and operating enterprise practice dedicated organization of social responsibility management department, and to internalize ethics and integrity promotion organization, increased number of people in anti-corruption promotion group in 2013, newly established 97 branch integrity practice teams and expanded integrity ombudsman to 230 people.

Effort for internalizing ethics integrity culture



With a judgement that the organization cannot be changed only with ethical management system, we are focusing to strengthen advanced prevention function by routinizing ethics within the organization culture. For executing education by job function and ranks, NPS operates ethics and integrity day for every 3rd Monday. Also, through 'clean letter', informs our activities to financial institutions and stakeholders since 2011 and requesting to become corruption monitors to report any irregularity.

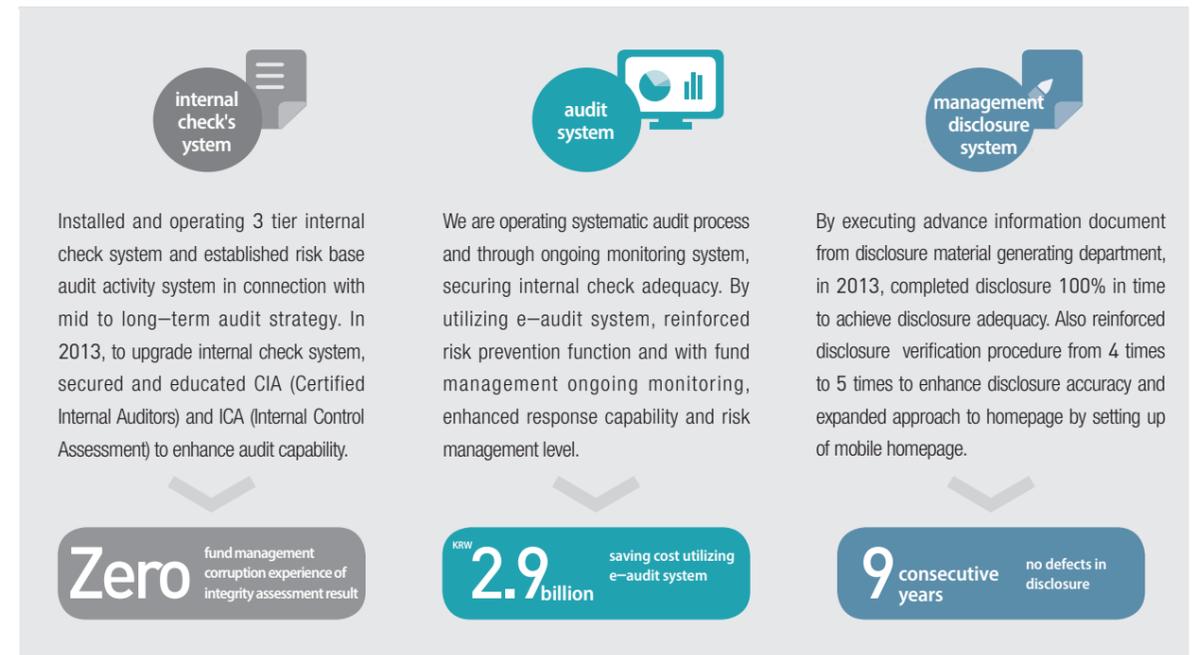
We achieved ZERO corruption cases in 2013 with these efforts. Also we had a time to share and benchmark advanced case of Siemens of Germany.



Benchmarking excellent anti-corruption case of Siemens of Germany

Improvement fund management anti-corruption system

We reinforced system to prevent the fund management related corruption. To strengthen code of conduct for employees, fund management division reviewed personal stock trading of employees and their families and checked inside classified information leaks and prohibited transaction with the institution for 6 months. Also, for fund management information control, we reinforced checking of inside information leaks by operating dedicated personnel and limiting retired fund related employees' reemployment to related companies.



Efforts to protect customer information



Due to personal information leak accidents and cyber terror, customer information protection and cyber security system is ever important. With a goal of the best public institution of information protection leading agency, we setup an information security strategy system to prevent cyber infringement and response. To safeguard customer information and management information, we upgraded information protection management system and setup cyber response system and reinforced capability of security personnel. As a result we were able to achieve 'ZERO' cyber infringement accidents and a score of 93.8 points (excellent) in an assessment for national foundation facility security level.

Strengthened personal information protection



As NPS deals with lots of personal information to execute tasks such as pension payment, personal information protection is very important. Enacted internal regulations and guidelines to stably execute personal information protection policy and educating entire employees on personal information protection utilizing on-offline. Also in terms of preventive movement of personal information protection, proceeded personal information influence evaluation on every personal information files and systems we possesses and setup and operating on-going monitoring system for personal information reading details. Besides, installed printout management system and personal information management system within PCs to be selected as 'excellent' organization as a result of personal information protection management level diagnosis for 4 consecutive years from the Ministry of Health & Welfare, and took 1st place in 50 government affiliated institutions from the result of 2013 Ministry of Safety and Public Administration's public institution personal information protection management level diagnosis.

Result of personal information protection management level diagnosis by the Ministry of Health and Welfare

	2010	2011	2012	2013
score	91.9	92.0	97.9	100
level	excellent	excellent	excellent	excellent

How does social responsibility activities promote for participation and development of local community?

Grown as one of the world's 4 largest pension funds, through advanced fund management and by expanding fund investment, created 3,937 private sector jobs in 2013. With a fund raised through voluntary support of employees and happy pension sharing campaign, pension support for low income class increased KRW 450 million and our various trust building activities were recognized through selection as management excellent case and awards.

- ♥ 에스프레소
- ♥ 아메리카노
- ♥ 카페라떼
- ♥ 카푸치노
- ♥ 카페모카
- ♥ 카라멜라떼

12.4 hours

volunteer hours per capita
(4.6 hours increased than previous year)

KRW **766** million

social contribution fund
(KRW 89million increased than previous year)

8 people

newly employed by cafe 36.5

cafe 36.5 for economic self-supporting of vulnerable class

WHAT

What is the most important core area for NPS?

- intensifying job insecurity issues such as youth unemployment
- CSV requirement of public organization
- necessity for social contribution activity suitable for NPS characteristics



internal stakeholders **78.8** points
external stakeholders **76.1** points

WHY

Why is local community important for sustainable growth?

Local community is the foundation of development of NPS and companion relationship that is important to grow together.

The roles of NPS for local community development are largely the support for self support for the disabled and low income class, creation of direct and indirect jobs as an organization that has huge influence to national economy, and local community contribution activities. Not like most of other companies looking at local community as subject to help society and return, for us, local community is important issue related to future survival. With a reality of low birthrate, the disabled and low income class self supports economically, more people get jobs and more companies formed and operate, and with increase in subscribers NPS can sustainable. Thus, we see support for local community as an important investment. With a desperate mind that 'if not invest now, we do not have a future', we are trying for development of local community.

HOW

We are reflecting stakeholders' opinion to management

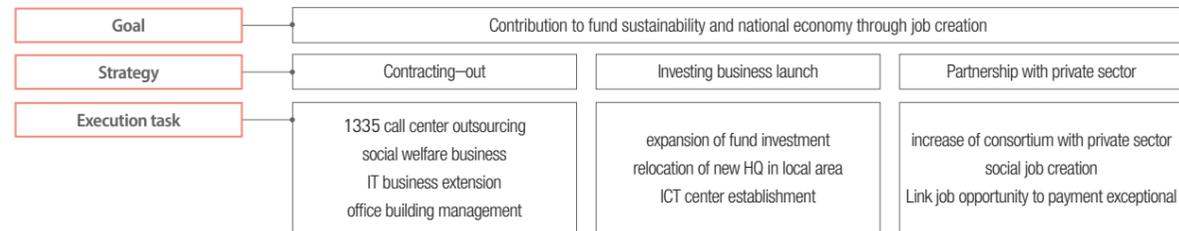
stakeholder	opinion	reflected to management	page
management evaluation group	<ul style="list-style-type: none"> - creating jobs at private sector is considered positively, and still need to make objective standard for job record - avoid making social contribution as event program 	<ul style="list-style-type: none"> - total inspection of job creation result for fund invested companies - find out businesses through change in paradigm shift in support for customer self-supporting and sustainability 	40, 41
government	<ul style="list-style-type: none"> - strengthen service for entrepreneurship and corporate activity, fair trade with SMEs, and prepare for customized one-stop support system - expand employing local candidates, compulsory employment of the disabled (3%), expand new recruit within capacity, creation of jobs utilizing temporary workers 	<ul style="list-style-type: none"> - through cooperation with local governments host cooperating company job fair, implement direct payment system, introduce subcontractor payment system - setup goal for employment of local talent, reinforce preference for the disabled and expand extra hours for short-hour workers 	41
Assembly audit	<ul style="list-style-type: none"> - prepare guideline for expansion of social contribution 	<ul style="list-style-type: none"> - expand and establish social contribution committee that participates representative of labor union - establish recognition standard for concrete social service hour 	-
external expert	<ul style="list-style-type: none"> - strengthen the role as a meeting place for neglected neighbors 	<ul style="list-style-type: none"> - Implementation of tour project for the disabled to participate 748 severely handicapped people of 21 times in 2013 	43

Reporting plan and effort to create jobs for local community

job creation for the year
3,937 people

We are actively involved in the local community to solve problems beyond the level of simple charity donation. First, through job creation of domestic employment market and elimination of manpower shortage of SMEs, making a virtuous cycle by reduction in pension payments exceptions and expansion of pension beneficiary.

Local community promotion strategy



* Low material issues among execution task are not depicted in this graph.

Social job creation through supporting establishment of cooperatives

job creation for vulnerable class, cafe 36.5 cooperative

To help economic self-supporting, setup NPS cafe 36.5 in 2011 and operating by employing the employment vulnerable class such as the disabled, single parent with children, multicultural family. We are expanding the project by establishing stores at the NPS HQ, Gangnam, Daejeon, Daegu and enacted the articles of association as cooperative, and to expand through demand survey from NPS possessing buildings. By donating 10% of revenue for local community, purchasing raw material, and utilizing fair trading channel, NPS is to fulfill the global social responsibility.



With running cafe 36.5, creating 8 social work place



'Don't worry Kim Daeri, Shopping Service' leaflet

Vitalizing local economy through small business support

As a way to vitalize local economy and create jobs, we are promoting Mangwon market distribution center vitalization project. Mangwon market was proving shopping and delivery service with a phone call as a government demonstration project, however having difficulty with reasons such as lack of sales channel. In 2014, we would contribute to vitalization of local community with providing pro bono service in promotion, marketing, service as 'Don't worry Kim Daeri, Shopping Service'. If this project becomes successful, we can rehire 2 distribution center employees of Mangwon market who were temporarily dismissed.

Creating jobs through expansion of private partnership

Job fairs utilizing existing infrastructure

NPS participated in job fairs in connection with local governments and introduced prominent partner companies to job seekers and provided various chances to employment. By sending information letters to the excepted, employers and our outstanding partners and promoted to participate to the program so as to create jobs people can actually feel. In 2013, 10 branches of Seodaemun, Eunpyeong and others hosted job fairs and 1,567 people succeeded to get jobs.



Employment booth instant interview



Local government joint job fair



Employment interview of partner companies

Creating jobs for future subscribers

To support future subscribers and to create long-term jobs, and as a participation to local community and employment education, providing talent donation of economics in pro bono to Sung II information high school. By utilizing retirement design experts and employees with certificate, we are providing long-term mentoring education for 50 times a year of 150 hours. For students, we provide chances to understand the principle of market economy and enhance economic mind, and prepare employment for various finance related public corporations and companies with TESAT(Test of Economic Sense And Thinking) education, and 18 students were employed.



Agreement ceremony on NPS Economics talent donation (May,2013)

Improve the quality of employment through outsourcing substantiality

Operation of employment succession system for partner companies

regular and employment succession given additional point

NPS is continuously creating private sector jobs through business outsourcing and cooperation with private. To support partner companies' employment stability, upon expiry of the contract and outsourcing company changes, new partner companies can hire successfully. If employs regular position or employment succession, we provide additional point. It is to safeguard the workers for SMEs with relatively unstable employment and provide quality service in stable condition, which is good for accompanied growth benefiting NPS.

Special Issues

NPS CSV Activity

CSV strategy

Goal	Practicing CSV(Creating Shared Value)		
Strategy	internalization of NPS-society CSV	expand pension subscribers through resolving social issues	contribute to vitalization of creative economy through promotion of CSV diffusion
Execution task	promote integrated strategy between budget and planning department and social responsibility department (reflect CSV goal from planning stage) reflect CSV evaluation index for business report and assessment report establish CSV process through setting up of enterprise CSV structure	creating economy instructor jobs through 'Firefly teacher fostering project' creating economy instructor jobs through 'Visiting home crisis search cooperative'	leading CSV promotion through development of NPS's own CSV representative model fostering CSV specialists through social responsibility management practice leader gathering stakeholders' opinion through CSV division committee (CSV division committee within social responsible management committee)

Resolving social issues and creation of jobs

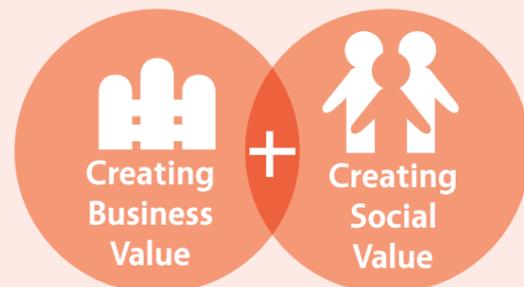
Where business opportunities of companies and needs of local community meet create social value and pursuing economic and social benefit, CSV (Creating Shared Value) is becoming new growth engine for corporate. As a Y-CSR, a college students' conference on social responsibility of company, NPS held contest for CSR ideas of college and graduate students, and employees supported as a mentor to realize the ideas. We are planning to promote the projects selected through this, 'firefly teacher fostering' and 'visiting home crisis search cooperative' from 2nd half of 2014. We will continue to create jobs only NPS can and at the same time actively support creating shared value activities that is resolving social issues.

'Firefly teacher fostering' project

Through professional education to woman with discontinued career because of marriage or child birth, or single moms, turn them into after school economy instructor so that create jobs for career discontinued woman and resolve problem with children and youth who have no one to take care of after school due to both parents working, and can increase pension subscribers, a win-win project.

Visiting home crisis search cooperative

A social worker and new employee (mainly from vulnerable class) to form 'national pension social welfare cooperative' to create jobs and utilizing related data from national pension to search for crisis homes suffering livelihood and support social welfare and educate them to be reemployed by cooperative.



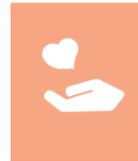
Creating Shared Value



subscriber love plus

For low income class that need stable retirement fund, provide 'pension premium support project for low income subscriber' to help acquire national pension benefit. Also deployed a 'happy pension sharing campaign', national pension beneficiary voluntarily donates certain portion of the pension and making a society living together.

pension premium support in 2013 (people)
1,279



beneficiary love plus

For living alone elderly who are in welfare blind spots, we engaged 'heart linking social service', 'greeting calls of love', 'sympathy tour with living alone elderly'. Through this, we link our job with social contribution that assigning social responsibility function to our own work to strengthen role as a stable pension management organization.

linking heart service accumulated (people)
4,611



disabled love plus

We are implementing various programs to help alleviate feelings of alienation in severely disabled people. Besides a "sympathy tour for the disabled" which disabled people gave good reviews about, we are executing social contribution activities considering the disabled in multiple angles, such as 'sports sponsor', 'culture sponsor', 'wedding ceremony sponsor', 'happy accompany fund'.

happy accompany fund accumulated amount (KRW million)
140



local community love plus

To make local community healthy and happy, NPS is engaged in various projects such as 'NPS Cafe36.5', '1 company 1 village sisterhood', '1 company 1 market sisterhood', '1 company 1 barrack sisterhood'. Also, to create proactive volunteer culture of the employees, we are continually engaged in 'newly recruit volunteer', 'year-end meeting substitute volunteer' and 'holiday volunteer activity'.

total volunteer hour of employees (hour)
60,000



Sympathy tour with the disabled



Visit to Bosa senior welfare center



Home coming for multicultural families

How is NPS practicing accompanied growth with partner companies?

NPS is to fulfill the responsibility on partner companies by realizing sustainable accompanied growth. We are building system for accompanied growth with SMEs and expanding system for cooperation with partner companies. Also to establish fair trade, we are trying to eliminate unfair trading factors from the root.

77.9 %

purchase of SMEs product
(2.9% increase than previous year)

KRW **5.5 trillion**

SMEs cooperation investment for entering overseas

100 %

percentage of advanced payment
23 cases

91.4 points

partner company satisfaction
(3.6% increase than previous year)

WHAT

What is the most important core area for NPS?

intensifying gap between big companies and SMEs

necessary for settlement of fair trade culture

demand for public organization's leading accompanied growth

accompanied growth

internal stakeholders
80.2 points

external stakeholders
80.6 points

WHY

Why is accompanied growth important to national pension's sustainable growth?

For the last 40 years the industrialization of Korea was led by the government and export and large companies' centered, and after 90s, rapid changes in the economic environment, the gap of adaptability between the individual economic entities' intensifying and expanding polarization between industries and large companies and small and medium companies. Among industry companies, these gaps led to polarization of income, employment, and industry, companies and developed into social problem. As a public organization, NPS is to fulfill the social duties, continue to expand and strengthen accompanied growth with SMEs through cooperation. As one of world's 4 largest pension fund organization, with 107 branches and 50 counseling centers in domestic only, NPS is to utilize this network to initiate accompanied growth culture and the culture is spreading.

HOW

We are reflecting stakeholders' opinion to management

stakeholder	opinion	reflected to management	page
government	<ul style="list-style-type: none"> strengthening fair trade tradition with SMEs prepare customized one stop company support system 	<ul style="list-style-type: none"> direct payment to prevent chain bankruptcy of 92 second, third partner companies 	47
partner company accompanied growth meeting	<ul style="list-style-type: none"> necessary to prepare rational unit price compensation plan multiple-angle management consulting and company diagnosis continuity necessary for mid-term product purchase demand for product sales channel increase in small and medium companies suffering workforce shortage necessary to expand financial support due to economic slowdown need to find out small and medium company coexistence policy 	<ul style="list-style-type: none"> increased lowest price private contract permanent FKI(Federation of Korean Industries) free management consulting expand SME product purchase promote SME product on company bulletin free booth for job fair expand pension premium support for small businesses loosen net capital ratio of stock companies 	46
external expert	<ul style="list-style-type: none"> active promotion is necessary on what effect SMEs can expect from coexistence cooperation make periodic gathering and cooperation to increase partner companies' feel infrastructure is necessary of contract structure, sub-contractor customs so that SMEs with special technology can grow together 	<ul style="list-style-type: none"> through accompanied growth Dodream center, permanent on-offline counseling system is ready partner company workshop, CEO meetings to communicate through multi-layer channels payment is made in cash within 15 days for subcontractors and for special technology SMEs under discussion 	46, 47

We are supporting SMEs' growth for better industry ecosystem

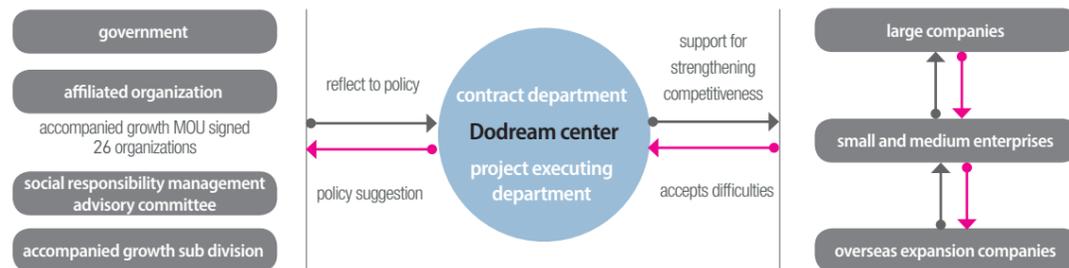
investment on SME
KRW **5.5** trillion

Accompanied growth

Goal	On the base of coexistence and cooperation, continue to grow together with partner companies	
Strategy	enhancement of competition of SMEs reflected on business characteristic	NPS's style of growing together by using capability
Execution task	activation on benefit system with partner companies Extension of participation on goods, services and ordering construction	Strengthening on capability of SMEs, women and social enterprises enhancement social role of fund Increase of support for annuity insurance of small-scale business

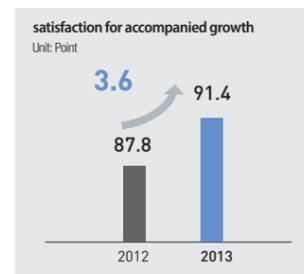
NPS support system for accompanied growth

To settle accompanied growth and coexistent culture, we are operating internal dedicated organization 'Dodream Center' that promotes planning, executing, monitoring of accompanied growth, and external cooperation organization 'accompanied growth counsel' that listens to difficulties of partners, trying for coexisting management on the base of trust and harmony.



Operation of accompanied growth programs reflecting partner companies' demand

priority	partner company needs	system improvements
1. rational price	need to make rational price compensation plan	increased price for lowest price private contract
2. support for competitiveness	multiple-angle management consulting and company diagnosis	permanent FKI(Federation of Korean Industries) free management consulting
3. support for sales channel	continuity necessary for mid-term product purchase	expand SME product purchase
	demand for product sales channel	promote SME product on company bulletin
4. support for manpower	increase in small and medium companies suffering workforce shortage	free booth for job fair
	necessary to expand financial support due to economic slowdown	expand pension premium support for small businesses
5. support for finance	need to find out small and medium company coexistence policy	loosen net capital ratio of stock companies



Performance of accompanied growth with partner companies

360,000 new low income subscribers through pension premium support

supported total KRW 19.4 billion to 56,616 companies to stabilize small companies' finance

Since 2012, the support project of national pension and employment insurance for low income workers of KRW 1.35 million and working for small companies with less than 10 people, we are trying to promote continuing growth with SMEs.

Promoting coexistence by loosening entrance barriers for small and medium management companies

increased 8 competitive small and medium management companies, lowered capital reserve ratio eased eligibility requirement

To find out competitive small and medium management companies and to provide equal transaction opportunity, introduced preliminary management companies system. Backup management companies, selected and managed separately by expanded applicable scope, increased to 19 in 2013 from 11 in 2012. Also we eased net capital ratio for stock company to contribute sales activities and investment activation of stock companies.

Cooperation for settlement of fair cooperation relation

By removing financial stability and similar service result from quantitative evaluation from 2013, we promoted system improvement to enable fair competition between big companies and small and medium companies. Also held pre-briefing to fund management transaction related companies to reinforce transparency in the process of consignment management company selection.

IT outsourcing 1st subcontractor bankruptcy for direct payment to 2nd and 3rd partners

Bankruptcy of our IT subcontractor stopped payment and to protect the other subcontractors activated Dodream center and implemented direct payment to prevent 92 partner companies from chain bankruptcy. Furthermore, we introduced a second-and-third-partner-direct-payment-monitoring system to prevent further bankruptcies.

Efforts to support partner companies' sustainable management

Technology evaluation for Social responsibility of partner companies

expansion of social responsibility to partner companies

For service order technology evaluating, introduced to reflect social responsibility evaluation of partner companies, and will expand enterprise wide to induce execution of partner companies and new companies of social responsibility.

Sustainable management education support for partners

perception on social responsibility changed 76.6% positively

For the coexistence with partners, held sustainable business education and workshop in first half and second half of 2013, out of 40 attendants, over 76.6% answered big changes in perception on social responsibility and were to remind of the meaning of sustainable management and harden the will for practice.

Technology evaluation assessment items

(service : 2014 social responsibility management report published and CSR strategy rebuilding service)

1. main business, revenue, organization structure, human resource
2. appropriateness as service execution organization
3. social responsibility performance of the suggested company (creation of jobs, accompanied growth, social contribution, ethical management etc.)
4. proposing company's strength when executing service

What kind of efforts is NPS doing to foster personnel?

With uncertainty in global business environment and intensifying competition, the human resource, in relation with our characteristics, is ever more important.

To make a good workplace that executives and employee are respected and balance of work and life is guaranteed is foundation of securing talents and essential factor for mid to long-term growth. We would like to make an organization culture that seriously considers people and fulfill the duty to employees. For the ongoing growth of people, we are strengthening talent fostering system and through communication between labor and management, we are trying to gather opinions.

Also we prohibit discrimination in principle and through open employment, we are supporting the socially vulnerable class to achieve the potential capabilities.

226 people
new recruit in 2013

42.0 %
percentage of female employee

4.04 %
percentage of the disabled

42.5 %
percentage of the local talent

(as of end of 2013)

We will provide fair work environment to make organizational culture that employees satisfy

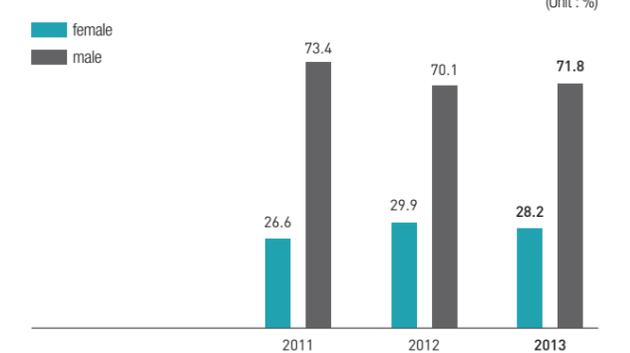
employee grievance acceptance rate

73.5 %

Employee status

Number of employees of NPS is 4,709.5 as of end of 2013. Out of regular employees female takes up of 42%, 1,978 people, especially, management personnel above team leader are 13.4% and keep growing. Also employment rate for the disabled is above government standard 3.0% to mark 4.04%, and there is no discrimination when recruiting and employing various capable workers of disabled, female, local talent, high school graduates and special high school graduates.

high rank(rank 1~3) sex ratio



employment result of last 3 years

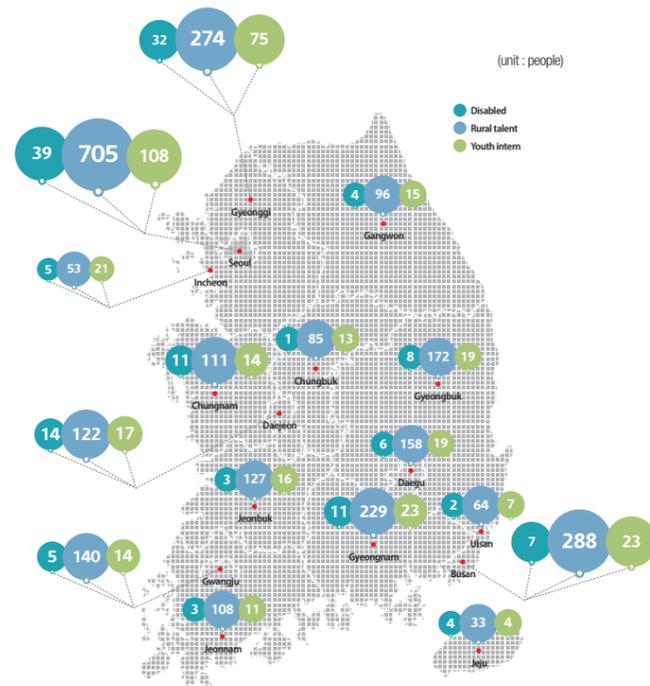
	2011	2012	2013
regular	4,627	4,578	4,709.5
number of female and percentage	1,937 (41.9%)	2,022 (42.8%)	1,978 (42.0%)
out of regular			
number of female and percentage above team leader	104 (11.2%)	103 (11.3%)	129 (13.4%)
percentage of the disabled	4.4%	4.2%	4.04%

Balance between generation and enhancing organization vitality

The result of 2013 staff survey shows the percentage of over 45 age group is high and prepared to balance between generations and vitalize the organization. We are hiring new employees every year since 2011, and expanded full-time hiring of replacement workers of maternity leave and reinforcing the professional staff and expanding new recruits. Also activated early retirement for the elderly and high-wage person and secured new budget to increase youth hiring. As a result, average age is 41.25 which is 0.72 younger that predicted and 20s increased 8.2%.

Open employment considers socially disadvantaged

We entirely prohibit discrimination in recruitment, employment, personnel affairs and abolished limitation of sex, age, education, specialty and pursuing ability and capability centered employment. To consider socially disadvantaged class, we give preference to the disabled and employment support applicants, and allocated certain percentage to high school graduate, and youth intern experienced to expand social fair employment. Also to search local talents and application, introduced employment target system for Jeonbuk area where headquarter is supposed to relocate. In 2013, number of staffs employed with social fairness is 155 people of the disabled, which is 59 people increased than 2011, 2,775 people of rural talents which is big increase compared to 341 of 2011 and 62 of 2012. Youth intern of 2013 were 399 people.



Strengthening job specialty education

With a career value of 'pension welfare specialist creating happy future with trust and passion', we are trying to strengthen employees' capability through systematic talent fostering. First we separated education and training from personnel affairs and newly established human resource development department and for job education substantiality, introduced job professor system reflecting core duty. Also we operate customized education reflecting the needs in accordance with capability diagnosis by staff and provide various educational opportunities by expanding educational areas such as leadership, job and humanities. We installed 'happy retirement plan center', a dedicated organization for retirement plan to strengthen specialty, and supporting systematic retirement plan by concentrated arrangement of retirement plan lecturer. Also to strengthen global asset management capability, we reinforced overseas investment workforce and implementing strategic alliance training with overseas advanced fund management institutions such as World Bank and professional commissioned education related to finance. With this special workforce fostering by core duties, customer satisfaction increased to 90.0 points and overseas stock profitability enhanced to 21.3%.

Operation of performance and capability centered evaluation system

performance management policy compliance **97.12** points

We are operating rational and fair personnel system employee's evaluation result on achievement and capability are connected to promotion, position and remuneration and being evaluated. We strengthened performance evaluation and personnel management and the performance management policy compliance was 97.12 points, 1.69 point increased from previous year. For internalization of upright personnel culture, we cut off unfair factors such as special requests in advance and operate fair and transparent personnel system and improving after setting up of separate strategy with satisfaction measure on personnel system operation.

Efforts to protect employee rights

To protect the right of employees, we are trying in various angles. We are operating grievance committee, composed of 1 person from each labor and management to solve worries on working environment and other difficulties, and from labor-management committee that was held 4 times a year, the percentage of difficulty acceptance was 73.5%, 1.3% increase that previous year. Problems related to sexual harassment, systematically managed separately by gender equality grievance committee. Also to gather employee's problem right away and discuss the issues at site, labor-management at sight discussion and labor-management discussion is held and for major business changes, notify in advance to enhance work safety and trying to buildup labor-management trust.

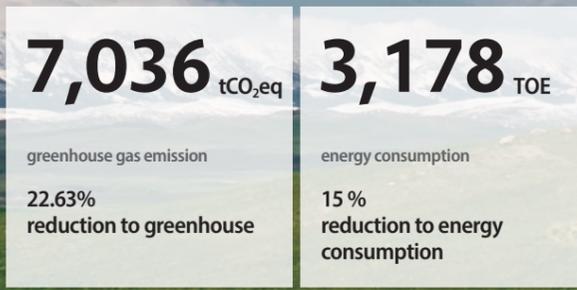
Maintaining balance between work and life

As working couple and female participation in social activity is growing, the government is preparing measures such as time shift job creation, prevention of female career discontinuation. For NPS also the percentage of female staff is increasing and demand for support for both of work and family, trying enterprise-wise to balance family and work. To prevent career discontinuation, changed promotion is possible during maternity leave and flex time is now available. In 2013, a total of 302 workers were on maternity leave, which was an increase of 34 people over the previous year. Also implementing 'family love day', leaving the office on time to promote family relationship and expanding EAP(Employee Assistance Program) to resolve problems of entire daily life from work and family such as psychology, health with expert.

	type	detail	2012	2013
support for birth and nurturing	miscarriage leave	16~21weeks into pregnant 45days	2 people	—
	maternity off	child of less 3 years, 1 day per month	252 people	227 people
	maternity protection time	shortened working hour for pregnant period 1 day 1 hour per month	52 people	65 people
	maternity leave	less 6 years old for less 3 years	268 people	302 people
	paternity leave	paid 5 days	80 people	78 people
	expanded and operation of family love day	expansion of leave the office on time	once a week	once or twice a week
enhancement family relationship	welfare point	increase service year point (1.5 times up)	2~60,000 P	4~90,000P
	expansion of rest center operation	expansion of operating period	summer high season	anytime of the year
		condo membership	—	10 accounts
		summer high season(1.1 times up)	17 places	19 places
support for health care	miscarriage leave (pregnant for 12~15 weeks)	expanded number of days(2.0 times up)	5 days	10 days
	birth congratulation point	over 3 rd child(30 times up)	100,000 points	2~3 million points
	group insurance	expansion to hospitalization and discharge,	10million each	20million each
	E A P	expanded payment subjects	trial operation (2 nd time)	all branch
	supporting with muscular skeletal disease protection kit	expanded payment subjects	1/2 of staff	entire staff

How is NPS responding to global climate change?

Climate change and environment destruction that the whole world is facing, are becoming risk factors for corporate management activities such as increase in physical risk due to abnormal weather, increase in energy cost, strengthening of environmental regulation. However, with growing awareness of crisis of environment within the society and strengthening of environment regulation of government, expectation on public organization's environmental management is also increases. To respond to these changes, we would fulfill the duty for the environment by practicing environmental management to minimize influence to eco-system.



(as of end of 2013)

We will fulfill the duty for environment through participation and expansion



Environmental management promotion strategy

Goal	With strengthening of green management, we would become a beloved NPS by the people			
Strategy	save resources and energy	expand green purchase	reduce greenhouse gas and environmental pollution	proliferation of environmental friendly living culture
Execution task	save resources save energy	purchase green product	prevent environmental pollution reduce greenhouse gas reduce waste and increase recycling	environmental friendly building certification induce partners to participate green management comply with environmental regulation issuance of sustainability report

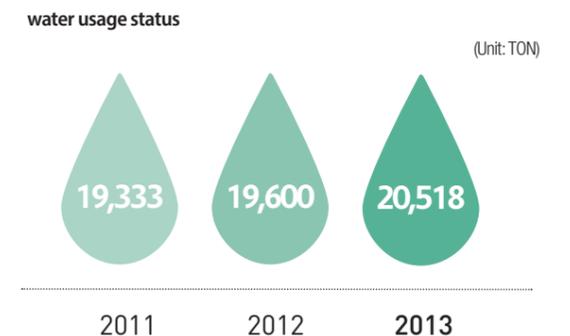
Reduce resources and energy >>> reduce environment influence

Energy consumption status **3,178** TOE

To restraint from emitting greenhouse gas and to reduce wasted energy consumption, we established are practicing enterprise energy management promotion plan. 'Energy saving promotion committee' setups annual energy saving management plan in every related areas such as management of building and transportation, usage of products and analyses and evaluates half-yearly, and for winter and summer time, executes special checkup. Also energy consumption is systematically managed by the day, month, and quarter in every branch. In 2013, propagated '5 rules to save summer time energy and greenhouse gas' of cool clothes (recommended not to wear ties and wear short sleeves), plug off standby power, install PC standby power saving program, light out and turning off cooler for lunch hour, expansion of high efficiency fluorescent light to create energy saving culture in employee's lives.

Water saving and management

Water management is measured at the level of total unit of the building and by using basic unit data, managing monthly usage. Especially, for objective analysis, comparing ups and downs of usage of previous month, usage of same period of previous year continuously, and thoroughly analyzing and implementing the waste in water. Also installing water saver and attaching water saving slogan, trying to save water and optimize water usage.



Expansion of green purchase >>> environmental friendly supply chain management

Expansion of green purchase **155%** increase

Green product purchase amount for 2013 is 95.8% of total purchase KRW 6.169 billion, a 155% increase from the previous year. Through green purchase, secured stability on human, saved maintains and waste cost and encouraging partner companies' environmental friendly production activities. Especially, made 'priority purchase preview system' compulsory to create purchase base for green product from the planning stage and in signing stage, made the contract to reflect 'green product purchase contract special condition'. In 2014, upgraded green purchase result computing system to enhance speed and accuracy of purchase result statics. Opened CoP to knowledge system and made it possible to share experience and information between the purchase officers to come up with practical purchase support plan. Also we are planning to provide compulsory, recommended purchase practice education to purchase officers of entire branches so as to promote green purchase.

Environmental friendly supply chain management



Reduction of greenhouse gas and environment pollution

>>> use of sustainable resources

Strengthened energy management through change into LED lighting

22.63% reduction rate compared to greenhouse goal

NPS setup in 2011 of greenhouse emission performance management system to check and manage the emission of the entire branch and own buildings and cars and every sources of greenhouse emission. Especially in 2013, participated and selected for LED supply to public organization project and received KRW 100 million from Korea Energy Management Corporation and changed to 2,052 pieces of high efficiency LED lights. Also changed windows to double pane window and attached insulating film to reinforce insulation capability of the buildings. Greenhouse emission for 2013 was 7,036tCO₂eq to achieve total energy consumption reduction goal and created energy saving effect of about KRW 320 million. This is equivalent to planting 269,800 pine trees annually, and could be regarded as a big contribution to our country's low carbon green growth. These efforts were recognized to receive highest score among related organizations for government greenhouse gas energy evaluation and excellent organization for greenhouse gas and energy management.

Expansion of purchasing environmental friendly car **purchase of small car and hybrid car**

In accordance with the management and operation manual of official car of Ministry of Safety and Public Administration, trying to purchase energy saving small car and hybrid car. We indicated in automobile management guideline to purchase environmental friendly car when purchasing cars and out of 328 cars, we are possessing 150 small and 17 hybrid environmental friendly cars. We would expand to purchase environmental friendly cars.

Strengthening of waste management **380** waste emission (TON)

We are managing and treating domestic waste, food waste, and designated waste in accordance with legal procedures and trying to reduce emissions. Outdoor waste storage as well as in indoors installed waste boxes, paper cup, battery, fluorescent light storage and collecting separately. Also through purchase and usage of pay-per-use waste bag, manage monthly waste emission and monitoring performance in accordance with reduction goal and continuously improving.

Expansion of environmental friendly living culture

Inducing participation of partner companies **Evaluating environment performance of the company upon service contract**

To actively respond to climate change, we are inducing participation to green management through green investment. Expanded investment on green industry such as reusable energy, environment friendly facility, waste resource treatment of 150% more than KRW 330 billion in 2010. Also took an idea from an interview of Lim Hyunjeon, head of environmental economy office of KEITI (Korea Environmental Industry & Technology Institute), 'the necessity to put environmental friendly company first when contracting or investing the fund', when evaluating technology for bidding, we reflected CSR (Corporate Social Responsibility) performance including environmental performance to induce partner companies to participate in green management.

Environmental friendly building certification system

1st grade preliminary certification of new company building energy efficiency

We are complying to regulations through periodic situation inspection against environment related laws. Also to actively response to low carbon and green growth policy, for relocation of headquarter office building, we are pushing for environmental friendly building certification and promoting energy usage efficiency of new building by constructing nature friendly office building. As a result of using energy saving materials after reviewing of technology and economy, and high efficiency insulators reflecting the system and insulated windows, acquired preliminary 1st grade in energy efficiency. Moreover, we are trying to save energy by taking energy diagnosis for every 5 years for building of more than 10,000m² of total floor area and ESCO project.



Bird eye's view on new office building of NPS

		64 page Memberships and principles
	60 page GRI G4, ISO 26000 Index	
57 page Third party assurance		

Appendix

57	Third party assurance
60	GRI G4, ISO 26000 Index
64	Memberships and principles
65	Survey

65 page Survey

Third party assurance

To NPS' Management

THE CSR ("Assurance provider") was requested by The National Pension Service to conduct an independent assurance of sustainability report for the year 2014 ("Report"). NPS wrote the report, and all activities and procedures for the report such as data acquisition and materiality tests were reviewed by NPS' CSR committee, advisory committee, and working level committee. This statement will be only provided to NPS Management for the purpose of enhancing reliability of the report, but will not be provided to other organizations or other use.

Assurance Standards

Assurance was performed by applying principles of AA1000AS (2008), GRI G4 Reporting Guidelines including Financial Services Sector Disclosures, ISO 26000 and the UN Global Compact.

- AA1000AS(2008): Principles on Inclusivity, Materiality, and Responsiveness
- GRI G4 Guidelines: Principles on Contents of Report and Quality
- ISO 26000: Establishment of CSR management process
- UN Global Compact: 10 principles of Human Rights, Labor, Environment, and Anti-Corruption

Assurance Level

Type 1 (moderate assurance level) was adopted which is mainly focused on adherence of the AA1000AS (2008) Principles. Data sampling and interviews were conducted under Limited Level with a primary focus on the internal stakeholders. During the assurance process, the following activities were conducted:

- Internal document review: Reviewing GRI G4 application and finding errors on the report
- Interview with CSR officers in charge: Reviewing CSR strategies and action plans
- Inspection of stakeholder participation process: Reviewing stakeholder engagement strategy and activities
- Review of evidences for CSR achievement: Checked computing system of CSR performance data
- Review of the materiality assessment process: Traced rationality of materiality test processes

Assurance Limitation

Since the assurance provider presents the information based on the limited scope of stakeholder's participation and report review, the credibility for the contents of this report meets the requirements, but does not guarantee 100% of the credibility.

Assurance Result

The assurance provider submits the following assurance statements based on a series of processes for proving compliance with AA1000AS (2008) assurance standards and principles of international guidelines.

- **Inclusivity** **Has NPS conducted engagement with various stakeholders?**

The process of identifying NPS' stakeholder groups was checked, and did not find intentionally excluded groups during the process. No evidence was found showing that NPS did not apply inclusivity principles while performing social responsibilities. It is recommended that NPS should identify important stakeholders in detail and organize stakeholder engagement activities systematically based on priorities.

- **Materiality** **Has NPS reported important information which is material to both stakeholders and NPS?**

The procedures of materiality assessment were reviewed to ascertain whether the procedure and the contents are duly described. No serious mistake or errors in applying the procedure for assessing materiality were found. It is recommended that NPS should manage different stakeholder communication channels in an integrated manner. Also, more qualitative approach is recommended as it will allow to interview important stakeholder groups.

- **Responsiveness** **Has NPS reasonably responded to the demand of stakeholders?**

There was no serious problem in response activities and reports for key stakeholder issues. It is recommended that NPS should plan participatory activities based on concrete engagement strategies. This will allow the issues brought up by stakeholders to be discussed during CSR committee meetings or the existing CSR governance body.

Standard Disclosures

It was checked that the report was written in accordance with the core option of GRI G4 Guidelines. It was verified that NPS provided DMA, general standard disclosures report index, 12 aspects of specific standard disclosures, and report index. All reviewed report indexes are the following:

Economy	Environment	Society
<ul style="list-style-type: none"> • Economic Performance_EC1 • Indirect Economic Impacts_EC7 • Procurement Practices_EC9 	<ul style="list-style-type: none"> • Energy_EN3 • Water_EN8 • Emissions_EN15 • Effluents & Waste_23 	<ul style="list-style-type: none"> • Employment_LA3 • Diversity and Equal Opportunity_LA12 • Local Communities_S01 • Anti-corruption_S04, S05 • Supplier Assessment For Impacts on Society_S010

Independence of Assurance

Assurance Provider does not have relations of interest, which may affect the assurance result, with NPS. As an independent assurance organization, the independent and ethical status was secured to present this statement.

Recommendation for Management Improvement

- NPS should reflect voices from stakeholders in the process of fund management, and stakeholders need to be managed in an integral manner in order to strengthen connectivity of reporting contents.
- NPS should communicate more where details of commitments, action plans, and goals are required when responding to the expectations brought up by stakeholders.
- NPS should manage CSR KPIs by applying a quantitative approach and maintaining consistency. Working with the Government managerial evaluation report will enhance the efficiency of reporting cycle.
- NPS should apply environmental index of GRI G4 guidelines more strictly, and apply Financial Services Sector Disclosures or framework of UNPRI (PRI: Principles for Responsible Investment).

Assurance Team

THE CSR, requested by NPS to provide this assurance statement, was founded in 2013. Specializing both in the assurance of Sustainability Report and consulting for CSR strategies and education, it is operated with a multi-national knowledge network of CSR experts in the UK and Germany as well as in Korea. The assurance team consists of the best experts in sustainability with sufficient knowledge and expertise in the area.



October 31st, 2014
ASSURANCE COMMITTEE
THE CSR CO., LTD.

Tawuya Katso, Ph.D
University of Nottingham
Technical Advisor

Dae-Woong Lim
Sustainability Specialist
Assurance Committee

CPA Young Kyun Kim
Director of Sustainability
Assurance Committee

Se Woo Jung
Chairman
Assurance Committee

GRI G4, ISO 26000 Index

● Fully ● Partially ○ Not reported

Category	Indicators	Core	Contents	Level of disclosure	Page	ISO 260000	External assurance	Reason for omission
Strategy and Analysis	G4-1	●	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	●	5	6.2	✓	
Organizational Profile	G4-3	●	Report the name of the organization	●	4	-	✓	
	G4-4	●	Report the primary brands, products, and services.	●	4	-	✓	
	G4-5	●	Report the location of the organization's headquarters.	●	4	-	✓	
	G4-6	●	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	●	4	-	✓	
	G4-7	●	Report the nature of ownership and legal form.	●	4	-	✓	
	G4-8	●	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	●	4	-	✓	
	G4-9	●	Report the scale of the organization	●	4	-	✓	
	G4-10	●	A. Report the total number of employees by and gender. B. Report the total number of permanent employees by employment type and gender. C. Report the total workforce by employees and supervised workers and by gender. D. Report the total workforce by region and gender. E. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. F. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	●	49	6.4/6.4.3	✓	
	G4-11	●	Report the percentage of total employees covered by collective bargaining agreements.	●	51	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10	✓	
	G4-12	●	Describe the organization's supply chain.	●	44, 46	6.6.6	✓	
G4-13	●	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	●	6-7	-	✓		
G4-14	●	Report whether and how the precautionary approach or principle is addressed by the organization.	●	20, 21	6.2	✓		
G4-15	●	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	●	65, 66	6.2	✓		
G4-16	●	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization:	●	65, 66	6.2	✓		
Identified Material Aspects and Boundaries	G4-17	●	A. List all entities included in the organization's consolidated financial statements or equivalent documents. B. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	●	33	6.2	✓	
	G4-18	●	A. Explain the process for defining the report content and the Aspect Boundaries. B. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	●	2, 16-17	-	✓	
	G4-19	●	List all the material Aspects identified in the process for defining report content.	●	16-17	-	✓	
	G4-20	●	For each material Aspect, report the Aspect Boundary within the organization	●	19, 27, 35, 39, 45, 48, 52	-	✓	
	G4-21	●	For each material Aspect, report the Aspect Boundary outside the organization,	●	19, 27, 35, 39, 45, 48, 52	-	✓	

Category	Indicators	Core	Contents	Level of disclosure	Page	ISO 260000	External assurance	Reason for omission
	G4-22	●	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	●	2, 4	-	✓	
	G4-23	●	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	●	2	-	✓	
Stakeholder Engagement	G4-24	●	Provide a list of stakeholder groups engaged by the organization.	●	11	6.2	✓	
	G4-25	●	Report the basis for identification and selection of stakeholders with whom to engage.	●	11	6.2	✓	
	G4-26	●	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	●	11	6.2	✓	
	G4-27	●	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	●	12-15	6.2	✓	
	Report Profile	G4-28	●	Reporting period (such as fiscal or calendar year) for information provided.	●	2	-	✓
G4-29		●	Date of most recent previous report (if any).	●	2	-	✓	
G4-30		●	Reporting cycle (such as annual, biennial).	●	2	-	✓	
G4-31		●	Provide the contact point for questions regarding the report or its contents.	●	2	-	✓	
G4-32		●	A. Report the 'in accordance' option the organization has chosen. B. Report the GRI Content Index for the chosen option (see tables below). C. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	●	2	-	✓	
Governance	G4-33	●	A. Report the organization's policy and current practice with regard to seeking external assurance for the report. B. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. C. Report the relationship between the organization and the assurance providers. D. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	●	60-61	7.5.3	✓	
	G4-34	●	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	●	8-10	6.2	✓	
	G4-38	●	Report the composition of the highest governance body and its committees	●	8-10	6.2	✓	
	G4-39	●	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	●	8-10	6.2	✓	
	G4-40	●	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	●	8-10	6.2	✓	
G4-48	●	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	●	8-10	6.2	✓		
G4-52	●	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	●	8-10	6.2	✓		

Category	Indicators	Core	Contents	Level of disclosure	Page	ISO 260000	External assurance	Reason for omission
Ethics and Integrity	G4-56	●	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	●	34-37	6.6, 6.6.1, 6.6.2, 6.6.3, 6.6.5	✓	
	G4-57	●	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	●	34-37	6.6, 6.6.1, 6.6.2, 6.6.3, 6.6.5	✓	

Category	Sub-category	Aspect	Core	Aspect	Contents	Level of disclosure	Page	ISO 26000	External assurance	Reason for omission
Economic	Economic Performance	●	DMA		General Disclosure on Management Approach	●	26, 33	-	✓	
		●	G4-EC1		Direct economic value generated and distributed	●	33	6.8, 6.8.3, 6.8.7, 6.8.9	✓	
	Indirect Economic Impacts	●	DMA		Disclosure on Management Approach by Aspect	●	38-39	-	✓	
		●	G4-EC7		Development and impact of infrastructure investments and services supported	●	38-43	6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.7, 6.8.9	✓	
		●	DMA		Disclosure on Management Approach by Aspect	●	44-45	-	✓	
	조달관행	●	G4-EC9		Proportion of spending on local suppliers at significant locations of operation	●	46	6.6.6, 6.8, 6.8.5, 6.8.7	✓	
		Environmental	Energy	●	DMA		Disclosure on Management Approach by Aspect	●	52	-
	●			G4-EN3		Energy consumption within the organization	●	53	6.5, 6.5.4	✓
	●			G4-EN6		Reduction of energy consumption	●	53	6.5, 6.5.4	✓
Water	●		DMA		General Disclosure on Management Approach	●	52	-	✓	
	●		G4-EN8		Total water withdrawal by source	●	54	6.5, 6.5.4	✓	
Emissions	●		DMA		Disclosure on Management Approach by Aspect	●	52	-	✓	
	●	G4-EN15		Direct greenhouse gas (GHG) emissions (Scope 1)	●	53	6.5, 6.5.5	✓		
	●	G4-EN19		Reductions of greenhouse gas (GHG) emissions	●	53	6.5, 6.5.5	✓		
Effluent and waste	●	DMA		General Disclosure on Management Approach	●	52	-	✓		
	●	G4-EN23		Total weight of waste by type and disposal method	●	54	6.5, 6.5.3	✓		
	●	G4-EN32		Percentage of new suppliers that were screened using environmental criteria	●	55	6.6.6	✓		

Category	Sub-category	Aspect	Core	Aspect	Contents	Level of disclosure	Page	ISO 26000	External assurance	Reason for omission
Social	Labor Practice and Decent Work	Employment	●	DMA	Disclosure on Management Approach by Aspect	●	48	-	✓	
			●	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	51	6.4, 6.4.3, 6.4.4	✓	
			●	G4-LA3	Return to work and retention rates after parental leave, by gender	●	51		✓	
	Diversity and Equal Opportunity	●	DMA		General Disclosure on Management Approach	●	48	-	✓	
		●	G4-LA12		Composition of governance bodies and breakdown of employees per employee category	●	49-50	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4	✓	
		Society	Local community	●	DMA	Disclosure on Management Approach by Aspect	●	38-39	-	✓
●	G4-S01			Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	●	40-43	6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7	✓		
Anti-corruption	●		DMA		Disclosure on Management Approach by Aspect	●	34-35	-	✓	
	●	G4-S04		Communication and training on anti-corruption policies and procedures	●	36-37	6.6, 6.6.3	✓		
	●	G4-S05		Confirmed incidents of corruption and actions taken	●	36-37	6.6, 6.6.3	✓		
Supplier Assessment for Impacts on Society	Supplier Assessment for Impacts on Society	●	G4-S010		Significant potential and actual negative impacts on society in the supply chain and actions taken	●	36	6.6.6	✓	

Memberships & Principles

Memberships

Name of organization	Name of organization
Korean Social Security Association	Korea Insurance Research Institute
Social Security Network	Korea Employers Federation
Korean Academy of Social Welfare	Pacific Pension Institute, PPI
Korean Association of Public Finance	Korean Association for Survey Research
Korea Development Institute	IPC (International Pensions Conference)
Korean Association of Social Welfare Policy	Korean Economic Association
Russell 20-20 (20-20 Investment Association)	Seoul Economist Club
Korean Labor Economic Association	Korea Institutional Finance Association
Korea Labor Institute	Korean Pension Association

UN Global Compact & UN PRI Principles



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



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

Area	UN Global Compact Principle	UN PRI Principle
Human Rights	Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and	Principle 1 We will incorporate ESG issues into investment analysis and decision-making processes.
	Principle 2 : make sure that they are not complicit in human right abuses.	
Labour	Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Principle 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
	Principle 4 : the elimination of all forms of forced and compulsory labour;	
	Principle 5 : the effective abolition of child labour; and	Principle 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
	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 4 We will promote acceptance and implementation of the Principles within the investment industry.
	Principle 8 : undertake initiatives to promote greater environmental responsibility;	
	Principle 9 : encourage the development and diffusion of environmentally friendly technologies.	Principle 5 We will work together to enhance our effectiveness in implementing the Principles.
Anti-Corruption	Principle 10 : Businesses should work against corruption in all its forms, including extortion and bribery	Principle 6 We will each report on our activities and progress toward implementing the Principles.

Survey



We thank you for reading NPS social responsibility report. To make better report, we await your opinion. Your precious opinion and suggestions are to be reflected in our sustainable management activities and next issue. Thank you.

Please use mail or fax to send us.
 To : Social responsibility management department, NPS
 13, Olympic-ro 35Da-gil, Songpa-gu, Seoul, Korea
 Tel. +82-2-2240-1908 Fax. +82-2-3485-9812

1. Which of the following best describes you?

<input type="checkbox"/> Customer	<input type="checkbox"/> Employee	<input type="checkbox"/> Investment institution and private investor
<input type="checkbox"/> Partner company	<input type="checkbox"/> Government agency	<input type="checkbox"/> Civic group and local resident
<input type="checkbox"/> Press and Academic	<input type="checkbox"/> Industry	<input type="checkbox"/> Others :

2. What made you to read this report?

<input type="checkbox"/> to acquire investment information	<input type="checkbox"/> to utilize as reference
<input type="checkbox"/> to learn about social responsible management of NPS	<input type="checkbox"/> research and education purpose
<input type="checkbox"/> other :	

3. Which part of this report did you find most interesting? (choose 2 □)

<input type="checkbox"/> CEO Message		
<input type="checkbox"/> Sustainable Business		
<input type="checkbox"/> Social responsibility management structure	<input type="checkbox"/> Sound and transparent governance	<input type="checkbox"/> Stakeholder participation
<input type="checkbox"/> Social responsibility management core issue (choose 2)		
<input type="checkbox"/> pension system	<input type="checkbox"/> fund management	<input type="checkbox"/> ethics · compliance
<input type="checkbox"/> local community	<input type="checkbox"/> accompanied growth	<input type="checkbox"/> employment
<input type="checkbox"/> environment		

4. Which part(s) of this report needs supplementation? (choose 2 □)

<input type="checkbox"/> CEO Message		
<input type="checkbox"/> Sustainable Business		
<input type="checkbox"/> Social responsibility management structure	<input type="checkbox"/> Sound and transparent governance	<input type="checkbox"/> Stakeholder participation
<input type="checkbox"/> Social responsibility management core issue (choose 2)		
<input type="checkbox"/> pension system	<input type="checkbox"/> fund management	<input type="checkbox"/> ethics · compliance
<input type="checkbox"/> local community	<input type="checkbox"/> accompanied growth	<input type="checkbox"/> employment
<input type="checkbox"/> environment		

5. What do you think about this report.

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1. content	1.1) easy to understand sentence description	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	1.2) easy to understand words	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. deals enough with core issues (core issues: pension system, fund management, ethics-compliance, local community, accompanied growth, employment, environment)	3.1) appropriate color	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3.2) easy to understand graphs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3.3) appropriate character size	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3.4) easy to read font	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. trusting information		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. overall satisfied		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Feel free to write down your opinion for our next report. Thank you.

NPS Social Responsibility Report 2014

Survey



A wealthier nation with a stronger pension



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To those who want to send, please cut the paper along with dotted line, and send it in an envelope.

**A wealthier nation
with a stronger pension**