NPS National Pension Service

RESPONSIBLE INVESTMENT & GOVERNANCE REPORT 2024

RESPONSIBLE INVESTMENT & GOVERNANCE REPORT 2024

National Pension Fund

NPS National Pension Service

CONTENTS

CIO's Message ····· 3

Ⅰ. Overview

1. Definitions ····· 4
2. Legal Basis ····· 5
3. Policy ····· 6
4. Governance ····· 7
5. Milestones ····· 12

Ⅱ. Our Approach

1. ESG Integration ····· 14
2. Negative Screening ····· 18
3. Voting ····· 19
4. Engagement ····· 22

Ⅲ. Partnerships and Collaborations ····· 31

Ⅳ. Looking Ahead

1. Dialogues ····· 33
2. Energy Transition ····· 33
3. Litigation ····· 33
4. Capacity Building ····· 34

Ⅴ. Statistics

1. Domestic Equity ····· 35
2. Global Equity ····· 36
3. Engagement Activities ····· 37

About this report

This report covers responsible investment activities undertaken by NPS from January 1, 2024 to December 31, 2024. Some information contains activities conducted in the first half of 2025.

For Inquiries

This report is available online in PDF format on the NPSIM website at https://fund.nps.or.kr. More information about NPS's responsible investment activities is also available on the website. For inquiries about this report, please contact the Global Responsible Investment & Governance Division.

CIO's Message

Seo Won-joo

Executive Fund Director & Chief Investment Officer,
National Pension Service

The National Pension Fund is managed with a view to achieving the highest possible returns to ensure the long-term sustainability of the National Pension Plan and fulfill pension payment obligations. NPS Investment Management was founded in 1999 as a dedicated fund management arm of National Pension Service (NPS) with six teams and KRW 47 trillion in assets. NPSIM has evolved and grown into a global fund management organization comprising three managing directors, 15 divisions, and four overseas offices, with KRW 1,212.9 trillion in assets under management as of December 31, 2024.

Economic conditions were unfavorable in 2024, driven by slowing global growth due to weaker employment and consumption in the U.S. and China's shift into a prolonged low-growth trajectory. The Fund nevertheless delivered a 15.32% return, marking an all-time high since the inception of the National Pension Plan. This performance reflects our continued commitment to diversifying investment portfolios, strengthening risk management frameworks, and enhancing cost efficiency.

The National Pension Act was amended in January 2015 to integrate environmental, social, and governance (ESG) factors into investment decisions to deliver long-term and sustainable returns. Since then, the National Pension Fund Management Committee (FMC), the highest governing body, has approved a Plan to Facilitate Responsible Investment (RI) to promote RI activities, mitigate investment risks, and thereby enhance the sustainability of the Fund. Accordingly, NPS has added an investment principle-Sustainability-to the Guideline for the Management of National Pension Fund, requiring that investments be made in good faith with due consideration of ESG factors to foster the long-term sustainability of assets under management. In addition, nine RI Principles have been defined to provide the foundation for implementing RI and stewardship activities, with their scope continuously expanding and being executed.

Notably, efforts to develop measures to translate the declaration of coal phase-out into action continued in 2024. After consulting with an array of stakeholders, NPS supported the FMC to approve an Investment Strategy for Energy Transition in Coal-related Companies. In addition, voting guidelines were amended to improve the transparency of the exercise of voting rights on domestic equity investments and reflect market changes, and a plan to adopt dialogues with companies in the global equity portfolio was formulated to augment long-term returns. Moreover, the Corporate Governance Team under the Global Responsible Investment & Governance Division was split into Corporate Governance Team 1 and Corporate Governance Team 2 to expand the scope of companies subject to the exercise of voting rights and advance voting guidelines for global equities. Moreover, to expand ESG-related activities, the Responsible Investment Team was renamed the ESG Strategy Team, creating a more robust foundation for stewardship activities.

Going forward, we will continue our deliberate efforts to continuously generate stable returns by further expanding RI activities, managing portfolio risks, and boosting the sustainability of the Fund.

Thank you.

I. Overview

1. Definitions

National Pension Service (NPS) conducts responsible investment (RI), formulates RI strategies, and continuously expands the approach, with the aim of achieving long-term and stable returns. At NPS, RI is implemented through ESG incorporation and stewardship. ESG incorporation is a way to consider environmental, social, and governance (ESG) factors in investment decision-making, and stewardship is involved in voting and dialogues that are aimed at enhancing ESG-related risk management capabilities and enterprise value.

Generally, RI approaches are classified into Screening, ESG Integration, Thematic Investing, Impact Investing, and Stewardship, jointly defined by the Principles for Responsible Investment (PRI), the CFA Institute, and the Global Sustainable Investment Alliance (GSIA). Screening applies rules based on defined criteria that determine whether an investment is permissible. ESG Integration considers ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns. Thematic Investing selects assets to access specified trends. Impact Investing seeks to generate a positive, measurable social and/or environmental impact alongside financial returns. Stewardship refers to the use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, such as the exercise of voting rights at shareholder meetings, dialogues with portfolio companies, and shareholder proposals.

At NPS, the following RI approaches are executed:

NPS Responsible Investment Approach

Classification		Definition	Remarks
ESG Incorporation	ESG Integration	Considering ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns	ESG rating is considered when managing equities and fixed income (corporate bond).
	Screening	Applying rules based on defined criteria that determine whether an investment is permissible, including positive, best-in-class, negative, and norms-based screening	Screening will be implemented according to the Investment Strategy for Energy Transition in Coal-related Companies approved by the FMC in Dec. 2024.
Stewardship		Using investor rights and influence to protect and enhance overall long-term value of assets entrusted • Exercise of voting rights at shareholder meetings • Shareholder engagement not involved in management affairs: dialogue with companies, etc. (confidential dialogue, selection of confidential and public focus list) • Shareholder engagement involved in management affairs: shareholder proposal, etc. • Litigation: derivative suit, damage claim, etc.	Voting rights are exercised on domestic and global equities, and dialogues are conducted on focus areas and unexpected concerns with companies in the domestic equity portfolio.

2. Legal Basis

The legal basis for responsible investment (RI) to incorporate ESG factors into investment decision-making was established in January 2015 through amendments to the National Pension Act. In line with this, a new provision on the implementation of RI was added to the Guideline for the Management of National Pension Fund in April 2016. NPS's Stewardship Code, Responsible Investment & Governance Principles, and related guidelines were enacted and amended in July 2018 to form grounds for the exercise of shareholder rights. In December 2019, a Guideline for Active Ownership for National Pension Fund was enacted as detailed implementation measures to exercise shareholder rights in a broader manner. In November 2019, a Plan to Facilitate Responsible Investment for National Pension Fund was formulated to add a new investment principle, sustainability, to the existing five investment principles: Profitability, Stability, Public Benefit, Liquidity, and Independence.

Legal Basis for Responsible Investment

National Pension Act

Article 102 (Management and Operation of Fund)

(4) Where the Minister of Health and Welfare manages and operates the Fund pursuant to paragraph (2) 3, he/she may take into account environmental, social, and governance factors related to investment targets, to achieve long-term and stable revenues.

Guideline for the Management of National Pension Fund

Article 4 (Investment Principles)

5. Sustainability: To fulfill its fiduciary duty to enhance the sustainability of investment assets, particularly by integrating environmental, social, and governance (ESG) factors into investment decision-making

3. Policy

NPS conducts responsible investment (RI) in the best interests of the contributors and beneficiaries of the National Pension Plan with the objective of achieving stable growth of the National Pension Fund. To this end, NPS has adopted Responsible Investment Principles and Responsible Investment & Governance Principles, or Stewardship Code; has integrated non-financial factors, such as ESG, into investment decision-making in accordance with standards, methods, and procedures set out in the Guideline for Stewardship Activities for National Pension Fund; has secured independence and transparency in the process of exercising shareholder rights.

Responsible Investment Policies

Guideline for the Management of National Pension Fund

Article 17 (Responsible Investment)

(1) Where the Fund is administered and managed by means of trading and lending of securities, ESG aspects may be taken into consideration in investment decisions, in order to deliver long-term stable returns. The Principles for Responsible Investment shall be presented in Appendix 4.

Article 17-2 (Principles on Responsible Investment & Governance)

In a bid to enhance transparency and independence of stewardship activities and improve long-term returns, stewardship activities shall be conducted in accordance with the Responsible Investment & Governance Principles approved by the FMC and referred to by the Korea Stewardship Code, the “Principles on the Stewardship Responsibilities of Institutional Investors.”

Article 17-3 (Responsible Investment and Exercise of Shareholder Rights)

Responsible investment and exercise of shareholder rights shall be undertaken:

(1) With the objective of achieving stable growth of assets under management;

(2) In good faith in the best interests of the contributors and beneficiaries of the National Pension Plan;

(3) In a direction towards increasing shareholder value over the long run;

(4) In compliance with standards, processes, and procedures as stipulated in the Guideline for Stewardship Activities for National Pension Fund approved by the FMC.

Responsible Investment Principles

(1) Achieve long-term and stable returns

(2) Implement RI according to the Guideline for Stewardship Activities for National Pension Fund

(3) Implement RI on equity and fixed income assets

(4) Incorporate non-financial factors, including environmental, social, and governance (ESG) into investment decisions

(5) Conduct shareholder engagement with investee companies

(6) Consider RI when selecting and assessing external managers

(7) Encourage investee companies to publicly disclose ESG-related information

(8) Enhance capabilities and expertise in RI

(9) Regularly report RI activities

Responsible Investment & Governance Principles (Stewardship Code)

(1) Formulate and publicly disclose Stewardship Activities Policy

(2) Formulate and publicly disclose Conflicts of Interest Prevention Policy

(3) Regularly monitor investee companies

(4) Formulate a guideline for stewardship activities and conduct shareholder engagement

(5) Formulate and publicly disclose Voting Right Policy, and publicly disclose voting results and reasons for each vote

(6) Regularly report stewardship activities

(7) Enhance capabilities and expertise in effective implementation of stewardship activities

Guideline for Stewardship Activities for National Pension Fund

PART 1 (General Provisions): Purpose, Scope of Application, Basic Principles, Stewardship Activities, Decision Making Body

PART 2 (Responsible Investment): Target Companies, Non-Financial Factors (ESG), Incorporation Method

PART 3 (Exercise of Shareholder Rights)

- Voting (Target Companies, Basic Principles, Specific Voting Guidelines, etc.)
- Stewardship Activities on Focus Areas (Confidential Dialogues, Selection of Confidential/Public Focus List, Open Letters, Shareholder Proposals, etc.)
- Stewardship Activities on Unexpected Concerns (Target Companies, Provisions Applicable Mutatis Mutandis)
- Initiation of Litigation (Determination on Initiation of Litigation, Request for Litigation, Initiation of Damage Claim, Provisions Applicable Mutatis Mutandis, etc.)

PART 4 (Public Disclosure, Submission, etc): Notification and Disclosure, Public Disclosure and Submission, Responsible Investment & Governance Report, Internal Control, Record Keeping, Capacity Building, etc.

Exhibits: Voting Guidelines for Domestic Equity, Voting Guidelines for Global Equity, Voting Results, Focus Areas Selection Criteria

4. Governance

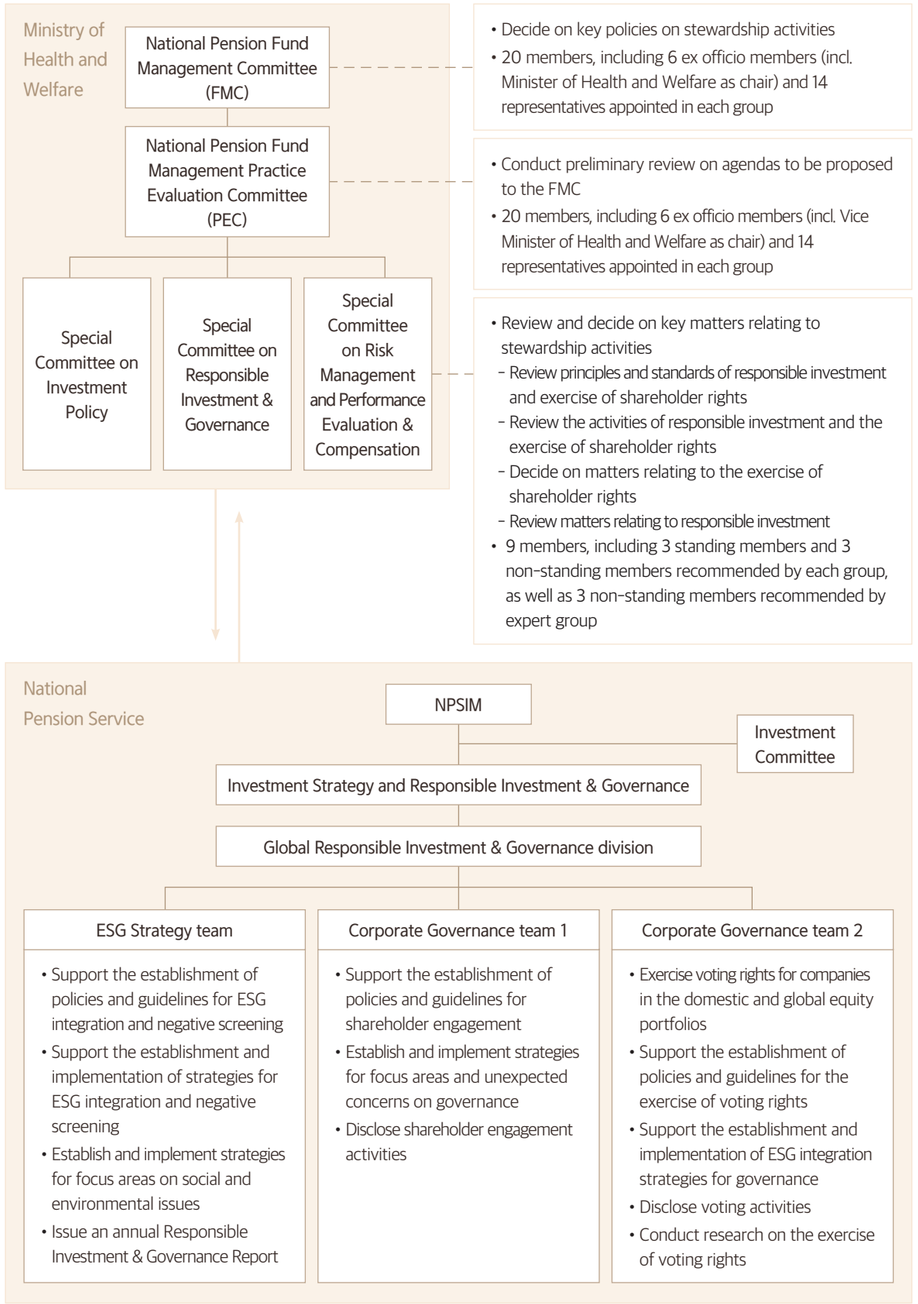
NPS conducts responsible investment (RI) in accordance with policies approved by the National Pension Fund Management Committee (FMC), the highest governing body. The Special Committee on Responsible Investment & Governance, consisting of standing members and external experts, supports the FMC in decision-making on RI activities; reviews and decides on key matters concerning ESG investing and the exercise of shareholder rights. The Investment Committee, which deliberates on and resolves key matters relating to fund management within NPSIM, determines directions for the exercise of voting rights on companies in the domestic and global equity portfolios.

At NPSIM, Global Responsible Investment & Governance division and investment teams implement RI. As of December 31, 2024, the division comprises 17 members. At the start of 2024, Responsible Investment team under the division was renamed ESG Strategy team, and Corporate Governance team was divided into Corporate Governance team 1 and Corporate Governance team 2. By doing this, expertise in the execution of ESG strategies and the exercise of voting rights has been strengthened to deliver long-term, stable returns.

ESG Strategy team supports the development of policies and guidelines for ESG integration and negative screening; formulates associated strategies and action plans that help portfolio managers consider ESG factors in investment decision-making; conducts ESG evaluation, relevant research, and shareholder engagement on social and/or environmental issues. Corporate Governance team 1 supports the development of policies and guidelines for shareholder engagement; formulates strategies on focus areas and unexpected concerns relating to governance; conducts dialogues with companies on focus areas and unexpected concerns relating to governance. Corporate Governance team 2 supports the development of policies and guidelines for the exercise of voting rights; exercises voting rights for companies in the domestic and global equity portfolios; conducts research on the exercise of voting rights; discloses voting activities.

Responsible Investment Governance

(as of December 2024)



FMC Meetings on Responsible Investment in 2024

Session	Date	Agenda
2nd	Mar. 28	Amendments to the Guideline for Stewardship Activities for National Pension Fund (proposal)
5th	Jul. 2	Plan to Adopt Dialogues with Companies in the Global Equity Portfolio (interim report)
6th	Sept. 24	Plan to Adopt Dialogues with Companies in the Global Equity Portfolio
7th	Nov. 22	Interim Report on Investment Strategy of Energy Transition in Coal-related Companies (proposal)
8th	Dec. 19	Investment Strategy of Energy Transition in Coal-related Companies (proposal)

Meetings of Special Committee on Responsible Investment & Governance in 2024

Session	Date	Agenda
1st	Feb. 1	Selection of Companies Subject to Confidential Dialogues on Concerns over Violation of Laws and Regulations (proposal)
		Identification of Improvement Status of Companies Subject to Confidential Dialogues and Selection of Confidential Focus List on Concerns over Violation of Laws and Regulations (proposal)
		Report on the Result of 2023 1st ESG Evaluation on Domestic Equity and Fixed Income
		Report on the Result of Periodic Monitoring on Stewardship Activities and Proxy Voting
		Report on the Status of the Operation of the Governance Advisory Committee
		3rd Report on Amendments to the Guideline for Stewardship Activities for Domestic Equity (proposal)
2nd	Feb. 19	Selection of Companies Subject to Materiality Assessment on Unexpected Concerns (proposal)
		Selection of Companies Subject to Confidential Dialogues on Unexpected Concerns (proposal)
		Criteria of the Exercise of Voting Rights on Board Gender Diversity (proposal)
		Report on the Status of the Exercise of Voting Rights in Annual General Meetings in March
		Interim Report on Confidential Dialogues on Unexpected Concerns
3rd	Mar. 7	Identification of Improvement Status of Companies Subject to Confidential Dialogues and Selection of Confidential Focus List on Repetitive Vote Against (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Hyosung (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Hyosung TNC (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of HS Hyosung Advanced Materials (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Hyosung Heavy Industries (proposal)
4th	Mar. 14	Identification of Improvement Status of Companies Subject to Confidential Dialogues and Selection of Confidential Focus List on Dividend Policy (proposal)
		Identification of Improvement Status of Companies Subject to Confidential Dialogues and Selection of Confidential Focus List on Remuneration Cap for Directors (proposal)
		Identification of Improvement Status of Companies Subject to Confidential Dialogues and Selection of Confidential Focus List on Repetitive Vote Against (proposal)
		Identification of Improvement Status of Companies in Confidential Focus List and Selection of Public Focus List on Repetitive Vote Against (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Korean Air Lines (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of POSCO Holdings (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of KB Financial Group (proposal)

Session	Date	Agenda
4th	Mar. 14	Voting Position on Agenda(s) at Annual General Meeting of Hana Financial Group (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Samsung C&T (proposal)
5th	Mar. 21	Identification of Improvement Status of Companies Subject to Confidential Dialogues and Selection of Confidential Focus List on Dividend Policy (proposal)
		Identification of Improvement Status of Companies in Confidential Focus List and Selection of Public Focus List on Remuneration Cap for Directors (proposal)
		Identification of Improvement Status of Companies Subject to Confidential Dialogues and Selection of Confidential Focus List on Repetitive Vote Against (proposal)
		Identification of Improvement Status of Companies in Confidential Focus List and Selection of Public Focus List on Repetitive Vote Against (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of GC Cell (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Park Systems (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of KCC Glass (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of NH Investment & Securities (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Hybe (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of POSCO Future M (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of DGB Financial Group (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Shinhan Financial Group (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Woori Financial Group (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Naver (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of KT (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of KT&G (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of HD Hyundai Heavy Industries (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Kumho Petrochemical (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Dongkuk Holdings (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of CJ CGV (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of KG Steel (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of COSMO AM&T (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of COSMO Chemical (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Hanwha Systems (proposal)
6th	Mar. 26	Voting Position on Agenda(s) at Annual General Meeting of LS (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Samyang Foods (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of DB HiTek (proposal)
		Voting Position on Agenda(s) at Annual General Meeting of Hanmi Science (proposal)
7th	May 23	Report on the Result of 2023 2nd ESG Evaluation on Domestic Equity and Fixed Income
		Interim Report on Formulating Amendments to the Guideline for Stewardship Activities in relation to Criteria for Initiating a Derivative Suit
		Selection of Companies Subject to Confidential Dialogues on Concerns over Violation of Laws and Regulations (2024 Q1)

Session	Date	Agenda
7th	May 23	Selection of Companies Subject to Confidential Dialogues on Unexpected Concerns (proposal)
		Identification of Improvement Status of Companies Subject to Confidential Dialogues and Review of Implementation of Active Ownership Activities on Unexpected Concerns
8th	Jun. 21	Progress Status and Future Plan of Adoption of Dialogues with Companies in the Global Equity Portfolio
		Interim Report on Confidential Dialogues on Unexpected Concerns
		Report on the Result of Periodic Monitoring on Stewardship Activities and Proxy Voting
9th	Aug. 9	Selection of Companies Subject to Confidential Dialogues on Dividend Policy (proposal)
		Selection of Companies Subject to Confidential Dialogues on Remuneration Cap for Directors (proposal)
		Selection of Companies Subject to Confidential Dialogues on Repetitive Vote Against (proposal)
		Voting Position on Agenda(s) at Extraordinary General Meeting of DL E&C (proposal)
		Plan to Conduct Confidential Dialogues on Unexpected Concerns (proposal)
		Responsible Investment & Governance Report (proposal)
10th	Aug. 22	Voting Position on Agenda(s) at Extraordinary General Meeting of SK Innovation (proposal)
11th	Sept. 12	Interim Report on Investment Strategy for Energy Transition in the Coal Industry
		Selection of Companies Subject to Confidential Dialogues on Concerns over Violation of Laws and Regulations (2024 Q2)
		Identification of Improvement Status of Companies Subject to Confidential Dialogues and Selection of Confidential Focus List on Concerns over Violation of Laws and Regulations (proposal)
		Identification of Improvement Status of Companies in Confidential Focus List and Selection of Public Focus List on Concerns over Violation of Laws and Regulations (proposal)
		Plan to Adopt Dialogues with Companies in the Global Equity Portfolio (proposal)
12th	Sept. 23	Selection of Companies Subject to Confidential Dialogues on Climate Change (proposal)
		Selection of Companies Subject to Confidential Dialogues on Industrial Safety (proposal)
13th	Nov. 18	Report on the Result of Periodic Monitoring on Stewardship Activities and Proxy Voting (2024 Q2)
		Report on the Result of Periodic Monitoring on Stewardship Activities and Proxy Voting (2024 Q3)
		Selection of Companies Subject to Confidential Dialogues on Concerns over Violation of Laws and Regulations (proposal) (2024 Q3)
		Identification of Improvement Status of Companies Subject to Confidential Dialogues and Review of Implementation of Active Ownership Activities on Unexpected Concerns
14th	Nov. 26	Voting Position on Agenda(s) at Extraordinary General Meeting of Hanmi Science (proposal)
15th	Dec. 9	Investment Strategy for Energy Transition in Coal-related Companies (proposal)
		Exercise of Voting Rights at Extraordinary General Meeting of Doosan Enerbility (proposal)
		Exercise of Voting Rights at Extraordinary General Meeting of Doosan Robotics (proposal)
		Selection of Companies Subject to Confidential Dialogues on Climate Change (proposal) (re-deliberation)
		Report on Cases of the Exercise of Voting Rights for Domestic Equity
16th	Dec. 13	Exercise of Voting Rights at Extraordinary General Meeting of Hanmi Pharm (proposal)

5. Milestones

NPS initiated responsible investment (RI) with externally managed RI funds for domestic equities in September 2006. Since then, NPS has been committed to taking part in a range of RI activities to establish a foundation for responsible investing. In June 2009, NPS became a signatory to the Principles for Responsible Investment (PRI). In March 2013, the Responsible Investment Team was created under the Investment Strategy Division to integrate all voting rights that had been exercised separately by domestic and global equity investment teams, thereby paving the way toward adopting stewardship activities. In 2015, a plan was developed to promote dialogues with companies in the domestic equity portfolio on dividend policy. In December of the same year, an ESG Evaluation System for Domestic Equity was established. In 2016, an ESG Information Sharing Platform that provides relevant information to portfolio managers was developed to enable the integration of ESG considerations into investment decision-making.

The Responsible Investment & Governance Principles, or Stewardship Code, was adopted in July 2018. The Responsible Investment Team was expanded and reorganized in January 2019 as the Global Responsible Investment & Governance Division, consisting of the Responsible Investment Team and Corporate Governance Team. A Plan to Facilitate Responsible Investment was formulated in November 2019 to lay the groundwork for applying RI activities to a broader range of asset classes. The Guideline for Active Ownership for National Pension Fund was developed in December 2019. NPS issued its first annual Responsible Investment & Governance Report in July 2020 to disclose its stewardship activities in a transparent manner. The Guideline for ESG integration for Domestic Equity was formulated to apply ESG integration to internally managed domestic equities in November 2020. Negative screening was adopted in May 2021 in line with the FMC's announcement on coal phase-out (exclusion of coal mining and coal-fired power generation).

The Guideline for ESG Integration for National Pension Fund was amended in June 2021 to apply the strategy to domestic fixed income (corporate bonds). In December, the Guideline for Responsible Investment on Composition and Operation of Boards of Directors was formulated and disclosed to enhance the predictability of investee companies by sharing information on NPS's directions for key RI activities, including the exercise of voting rights.

In February 2022, the Guideline for Stewardship Activities for National Pension Fund was amended to expand the scope of the exercise of voting rights to companies in the global equity portfolio (portfolio weight: from 0.5% and above to 0.3% and above). In March, e-voting was first utilized for domestic equities. In June, NPS joined the IFRS Sustainability Alliance (previously SASB Alliance), and added a requirement for the securities firm selection process to verify the issuance of a responsible investment report. As such, NPS has consistently undertaken efforts to bolster responsible investment.

The Guideline for Stewardship Activities for National Pension Fund was amended again in March 2023 to add climate change and industrial safety to focus areas, laying the groundwork for conducting shareholder engagement (e.g. confidential dialogue, shareholder proposals) with companies that show no improvement on the level of risk management relating to the issues. In addition, in order to encourage companies to strengthen their RI practices, the securities firm selection criteria for domestic equities were amended to assign additional points to RI-related evaluation factors and to add a new evaluation factor that enables the evaluation of ESG management activities of securities firms. In April, the Guideline for ESG Integration for National Pension Fund was amended to apply to global equities. A Governance Advisory Committee was formed within NPSIM in December. The Committee may present its views to the CIO of NPS on advisable governance structure, voting criteria, and direction for improvement on the Stewardship Code.

Detailed action plans for shareholder engagement around dividend policy, remuneration cap for directors, climate change, and industrial safety (including criteria and processes for selecting applicable companies and assessing progress on improvement) were amended in February 2024 to lay down specific procedures for execution. In April, the Guideline for ESG Integration for National Pension Fund was amended to apply to global fixed income. A plan to adopt dialogues with companies in the global equity portfolio was formulated in September, and accordingly, dialogues on ESG issues of global companies will be conducted going forward. In November, NPS joined the ISSB Investor Advisory Group (IIAG) that provides strategic guidance on the disclosure of sustainability. An Investment Strategy for Energy Transition in Coal-related Companies was mapped out in December, which will serve as an impetus for coal-related companies to accelerate their energy transition and achieve their sustainability goals.

Stewardship Activities Milestones

2006 ~ 2020

2006

Sept.
Launched externally managed RI funds for domestic equities

2009

Jun.
Became a signatory to the Principles for Responsible Investment (PRI)

Dec.
Added a provision on responsible investment to the Guideline for Exercise of Voting Rights

2013

Mar.
Created Responsible Investment team under Investment Strategy division

2015

Jun.
Formulated ways to promote dialogues with domestic listed companies on dividend policy

Nov.
Adopted new benchmark for externally managed domestic RI funds

Dec.
Established an ESG Evaluation System for domestic equities

2016

Apr.
Added a provision on responsible investment to the Guideline for the Management of National Pension Fund (Investment Policy Statement)

Dec.
Established an ESG Information Sharing Platform for domestic equities

2017

Jul.
Established an Evaluation System on ESG Controversial Issues for domestic equities

Sept.
Applied ESG Integration to internally managed domestic equities

2018

Jul.
Adopted Responsible Investment & Governance Principles (Stewardship Code)

Renamed and amended the Guideline for Exercise of Voting Rights to the Guideline for Stewardship Activities for National Pension Fund

2019

Jan.
Reorganized and expanded Responsible Investment team to Global Responsible Investment & Governance division (Responsible Investment team, Corporate Governance team)

Developed a Guideline for Stewardship Activities for Domestic Equity

Feb.
Decided on the disclosure scope of voting direction prior to shareholder meetings

Sept.
Joined the ICGN (International Corporate Governance Network)

Joined the ACGA (Asian Corporate Governance Association)

Nov.
Established a Plan to Facilitate Responsible Investment and adopted RI Principles

Added a new principle 'Sustainability' to investment principles set out in the Guideline for the Management of National Pension Fund

Developed a Guideline for Proxy Voting

Formulated a plan to grant additional points for the adoption of RI principles when selecting and evaluating external managers

Dec.
Formulated a Guideline for Active Ownership for Domestic Equity

2020

Jul.
Issued the first annual Responsible Investment & Governance Report

Amended the Guideline for Stewardship Activities for Domestic Equity

Sept.
Developed ways to improve materiality assessment procedures and standards on unexpected concerns

Nov.
Developed a Guideline for ESG Integration for National Pension Fund

Joined the AIGCC (Asia Investor Group on Climate Change)
AIGCC(Asia Investor Group on Climate Change)

2021 ~ 2024

2021

May.
Adopted Negative Screening

Jun.
Applied ESG Integration to internally managed domestic fixed income (corporate bond)

Dec.
Disclosed a Guideline for Responsible Investment on Composition and Operation of Boards of Directors

Formulated ways to consider RI factors when selecting and monitoring external managers for domestic and global equities and fixed income

2022

Feb.
Amended the Guideline for Stewardship Activities for National Pension Fund

Expanded the scope of voting on global equities

Mar.
Commenced e-voting for domestic equities

Jun.
Joined the IFRS Sustainability Alliance (previously, SASB Alliance)

Included the issuance of a responsible investment report as an evaluation factor in the securities firm selection process

2023

Mar.
Amended the Guideline for Stewardship Activities for National Pension Fund

Added climate change and industrial safety to focus areas

Assigned additional points to RI-related evaluation factors in the securities firm selection process for domestic equities

Apr.
Applied ESG Integration to internally managed global equities

Dec.
Formed a Governance Advisory Committee

2024

Feb.
Amended the Guideline for Stewardship Activities for Domestic Equity

Apr.
Applied ESG Integration to internally managed global fixed income (corporate bond)

Sept.
Developed a plan to adopt dialogues with companies in the global equity portfolio (proposal)

Nov.
Joined the ISSB Investor Advisory Group (IIAG)

Dec.
Developed an investment strategy for energy transition in coal-related companies (proposal)

II. Our Approach

1. ESG Integration

NPS has been committed to laying the groundwork for the implementation of ESG Integration over time. Beginning with the development of the ESG Evaluation System for domestic equities in December 2015, NPS has formulated an internal ESG research framework and established related strategies. Currently, NPS applies ESG integration to internally managed domestic equities and fixed income (corporate bond). In line with the Plan to Facilitate Responsible Investment approved by the FMC in November 2019, the application scope of ESG integration has been gradually expanded. As for internal management, ESG integration is materialized based on ESG evaluation. NPS implements ESG integration by incorporating ESG factors, coupled with financial factors, into investment decision-making for internally managed domestic equities and fixed income (corporate bond) using its internal ESG Evaluation System. As for external management, NPS considers ESG factors during the external manager selection process.

1) Internal Management

(1) ESG Integration for Domestic Equity and Fixed Income

NPS has developed its proprietary ESG Evaluation System to analyze non-financial factors, including ESG, in a systematic manner. Using the system, ESG evaluation is conducted twice a year for all listed companies on KOSPI and KOSDAQ 150, KOSDAQ listed companies in which NPS's shareholding ratio is over 5%, issuers of domestic corporate bonds, and listed companies that have issued non-corporate bonds. The ESG Evaluation System is composed of 61 ESG indicators in 14 items that affect enterprise value in terms of ESG. Considering the characteristics of each industry, different weighting per industry is applied to calculate ESG score and rating.

Based on the commissioned research conducted in the second half of 2020 to improve the ESG Evaluation System for domestic equities and establish an ESG Evaluation System for fixed income, NPS has enhanced the ESG Evaluation System for domestic equities and adopted an ESG Evaluation System for domestic fixed income in 2021. ESG controversial issues, such as environmental pollution, industrial safety, and unfair transaction of affiliates, were added to the ESG Evaluation System in 2022 to reflect such controversial issues into ESG scores and rating of companies subject to ESG evaluation. In 2023, some changes were made in ESG evaluation indicators: addition of Water Pollutant Emissions; elimination of Ratio of Auditor or Members with Long Tenure; replacement of Human Rights with Employment of Persons with Disabilities and Women; replacement of Labor Practices with Labor Management Culture. In addition, the scoring method was revised in a way to ensure consistency. In 2024, to enhance a data acquisition rate, a requirement to cite data sources, etc. was added. Going forward, NPS will continue to improve and advance the ESG Evaluation System by harnessing sustainability-related financial information provided by the International Sustainability Standards Board and Korea Sustainability Disclosure Standard.

ESG Evaluation Indicators

	Items (14)	Indicators (61)
Environmental	Climate Change	Greenhouse Gas and Energy Management System, Voluntary Climate Change Adaptation, Carbon Emissions, Energy Consumption
	Environmental Impact Management	Environment Management System Certification, Environment Management Objective, Clean Production Management, Water Consumption, Water Pollutant Emissions, Air Pollutant Emissions, Waste Emissions, Chemical Emissions
	Green Products Development	Green Product Development Activities, Green Patents, Green Product Certification, Product Environmental Improvement
Social	Human Resources Management and Human Rights	Wage, Investment in Human Resources, Employment, Family-friendly Corporate Culture (Childbirth·Childcare), Years of Service, Employment of Persons with Disabilities and Women, Labor Management Culture
	Industrial Safety	HSE System, HSE Team, HSE Management System Certification, Designation of Workplace with Frequent Incidents
	Fair Trade	Counterparty Selection Process, Fair Trade Compliance Program, Partner Company Support Activities, Violation of Subcontracting Law, Behaviors Undermining Fair Trade
	Product Safety and Consumer Protection	Product Safety and Consumer Protection System, Product Safety Management System Certification, Consumer Centered Management Certification, Consumer Dispute Settlement Channel, Product Safety and Consumer Protection Accidents
	Information Protection	Information Protection System, Information Protection System Certification, Information Leakage Incidents
Governance	Shareholder Right Enhancement	Management Protection System, Shareholder Opinion Collection System, Disclosing Date of Shareholder Meeting, Recent 3-year Dividend Payout Status
	Composition and Operation of BOD	Separation of CEO and BOD Chair, Independence of BOD, Composition of Outside Directors, BOD Diversity, BOD Activities, Director compensation policy
	Committee under BOD	Outside Director Candidate Recommendation Committee, Compensation Committee, ESG Committee
	Audit System	Outside Director Ratio in Audit Committee, Audit to Non-Audit Service Fee Ratio
	Affiliation Risk	Affiliation Contingent Liability to Net Assets, Affiliation Sales Ratio, Affiliation Purchase Ratio
	Internal Control and Compliance	Internal Control and Compliance Systems, Anti-Bribery Management System Certification, Non-Compliance with Internal Control and Compliance

The results of ESG evaluation for domestic equities (973 domestic listed companies) as of December 31, 2024 are as follows:

2024 ESG Evaluation Result (Equity)

AA	A	BB	B	C	D	Total
113 (11.6%)	202 (20.8%)	214 (22.0%)	295 (30.3%)	144 (14.8%)	5 (0.5%)	973 (100.0%)

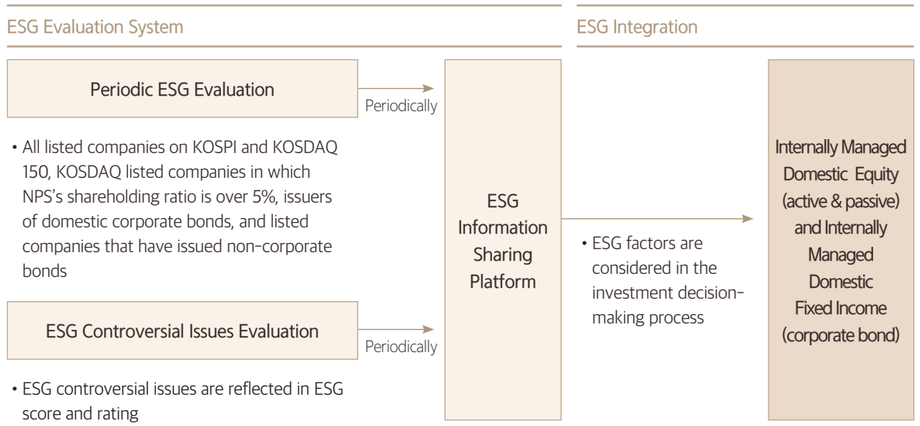
The results of ESG evaluation for domestic fixed income (1,059 domestic listed companies, issuers of domestic corporate bonds, and listed companies that have issued non-corporate bonds) as of December 31, 2024 are as follows:

2024 ESG Evaluation Result (Fixed Income)

AA	A	BB	B	C	D	Total
126 (11.9%)	207 (19.5%)	235 (22.2%)	331 (31.3%)	154 (14.5%)	6 (0.6%)	1,059 (100.0%)

Following the evaluation, ESG information, including ESG evaluation results, is provided to portfolio managers engaging in internally managed domestic equities and fixed income through the ESG Information Sharing Platform so that such information may be considered, alongside financial factors, during the investment decision-making process.

ESG Evaluation & Internal Management ESG Integration Process



In 2017, NPS initiated ESG Integration to internally managed active domestic equities. In November 2020, the strategy was expanded to apply to internally managed passive domestic equities, and a Guideline for ESG Integration for Domestic Equity, which entails enhanced implementation measures, was established to apply ESG integration to all of the internally managed domestic equities. In addition, in 2021, the Guideline for ESG Integration for National Pension Fund was amended to expand the application to internally managed domestic fixed income (corporate bond). In accordance with the Guideline, portfolio managers engaging in internally managed domestic equities examine ESG-related information when new securities are to be added to the investment universe. If such securities are placed under the lowest ESG rating, portfolio managers provide written opinions and attach an ESG report to an examination report. Moreover, when examining the investment universe, securities placed under the lowest ESG rating are checked to identify whether they are included in the universe above their benchmarks[1].

1) Companies rated D cannot be included above their benchmarks, in principle (Internally managed active domestic equities from 2021 and internally managed passive domestic equities from 2022)

If it is observed that securities placed under the lowest ESG rating are included above their benchmarks, the reason and investment opinions are reviewed and such securities are constantly monitored. As for internally managed domestic fixed income (corporate bond), if it is observed, when considering adding new securities to the investment universe or investing in new securities, that an issuer falls under the lowest ESG rating, portfolio managers examine associated ESG-related information and conduct thorough reviews on the issuer.

(2) ESG Integration for Global Equity and Fixed Income

In December 2023, NPS selected a third-party ESG ratings agency to be utilized for the implementation of responsible investment (RI) in global equities and fixed income, and since then, NPS has received ESG information on ESG score, rating, and controversial issues of global companies. For internally managed passive global equities, ESG information provided is considered when examining the investment universe and trading securities. For internally managed active global equities, ESG information provided is considered for basic analysis on companies under review for investment. For internally managed global fixed income (corporate bond), ESG information on issuers is considered when executing trading. With respect to investment institutions falling under the lowest rating in the portfolio, their ESG practices are checked thoroughly every six months. Looking ahead, NPS will develop and apply tailored ESG integration for each asset class, aligned with the attributes of each asset class and investment types, while taking into account the specific investment conditions.

2) External Management

NPS manages externally managed RI funds as one of the externally managed domestic equities. The funds track an internally developed benchmark, the NPS-FnGuide Responsible Investment Index, designed to reflect the unique characteristics of externally managed RI funds. When selecting external managers for RI funds, NPS considers various factors, including expertise, ethics, investment strategies, investment process, and adherence to the Guideline for Investment in RI Funds. Once selected, external managers may conduct a range of RI strategies. Since November 2020, NPS has required external managers managing RI funds to submit an RI report, which serves as a tool for monitoring their ongoing commitment to RI practices.

In December 2021, NPS implemented measures to consider RI factors when selecting and monitoring external managers for equities and fixed income, domestic and global, and to require all external managers entrusted to manage equities and fixed income, including those managing RI funds, to submit their RI report. To further encourage external managers to strengthen their RI practices, since December 2023, NPS has assigned additional points to RI-related evaluation factors when selecting external managers for domestic fixed income, global equities, and global fixed income.

Responsible Investment by Asset Class

(KRW trillion, %)

Asset Class		2022	2023	2024
Domestic Equity	Internal Management	62.0	72.6	69.0
	External Management	63.4	75.4	70.8
Domestic Fixed Income	Internal Management (corporate bond)	37.7	34.7	37.3
	External Management	45.6	48.3	53.8
Global Equity	Internal Management	-	138.5	208.1
	External Management	142.6	181.6	221.5
Global Fixed Income	Internal Management (corporate bond)	-	-	10.6
	External Management	32.8	36.1	37.8
Total Amount of Responsible Investment		384.1 (43.2%)	587.2 (56.7%)	708.9 (58.5%)
Total AUM		899.8	1.035.2	1,212.3

※ Responsible Investment Consideration Approach
- (Internal Management) NPS comprehensively considers financial factors and non-financial factors such as environmental, social, and governance in the investment decision-making process.
- (External Management) NPS considers responsible investment factors of external managers in the external manager selection process.

※ Notes
- Externally Managed Domestic Equity RI Funds: Approx. KRW 6.7 trillion
- Domestic ESG Fixed Income (green bonds, social bonds, sustainability bonds, sustainability-linked bonds): Approx. KRW 35.0 trillion
- Assets entrusted to external managers that have established and disclosed their responsible investment policy (guideline): KRW 57.6 trillion in Domestic Equity, KRW 37.6 trillion in Domestic Fixed Income, KRW 214.3 trillion in Global Equity, KRW 37.8 trillion in Global Fixed Income

2. Negative Screening

The FMC formulated the Plan to Facilitate Responsible Investment in November 2019, and the committee agreed to additionally review the necessity, application scope, and process of negative screening. Accordingly, in February 2021, the FMC decided to first review the adoption of negative screening in areas related to climate change. Then in May, the FMC announced the adoption of negative screening on the coal mining and coal-fired power industries as part of efforts to combat climate change, and agreed to develop a detailed action plan through commissioned research. NPS commissioned research to define the application scope, standards, and selection method of the target industry that December in preparation for the adoption of negative screening. In April 2022, the results of the commissioned research were reported to the FMC. In December 2024, an Investment Strategy for Energy Transition for Coal-related Companies was approved by the FMC after undertaking stakeholder consultations.

Overview of Investment Strategy for Energy Transition in Coal-related Companies

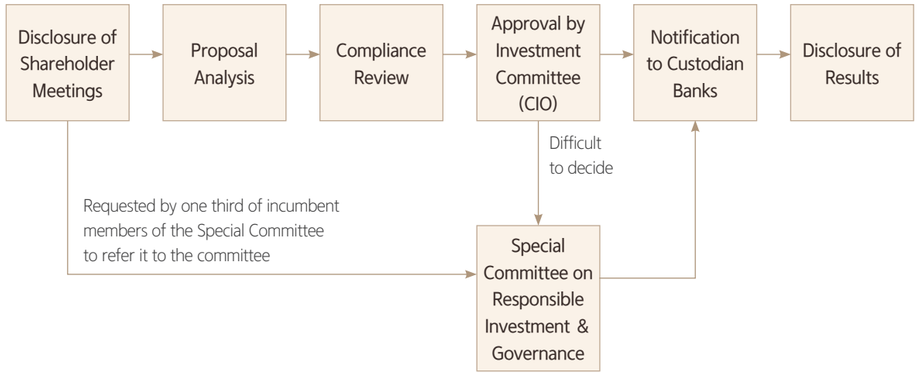
Category	Description
Target Companies	• Companies related to coal mining and power generation industry
Selection Criteria	• Companies with an average coal sales proportion of 50% or more over the past three years
Process	• Confidential dialogues will be held over a five-year period during which companies are expected to implement energy transition. If no improvement is shown, investment restrictions will be imposed.
Operation Approach	• Should any investment restrictions be determined, this will apply to all internally and externally managed investment assets (equity, fixed income).
Effective Date	• Overseas assets: effective from 2025, Domestic assets: effective from 2030

3. Voting

1) Criteria and Process

NPS exercises its voting rights on listed companies in good faith and in the best interests of the contributors and beneficiaries of the National Pension Plan according to the National Finance Act and the Guideline for the Management of National Pension Fund. Voting is conducted in accordance with the Guideline for Stewardship Activities for National Pension Fund that stipulates voting criteria, procedures, and methods, as well as by referring to advice from a third-party agency specializing in agenda analysis, to vote in a professional and faithful manner.

Voting Process



Voting rights are exercised after deliberation and resolution at the Investment Committee, etc. under NPSIM based upon NPS's shareholding ratio and a company's weight in the Fund portfolio. However, voting directions for certain agendas are determined by the Special Committee on Responsible Investment & Governance, (i) when NPS requests the Special Committee to determine voting direction as it deems difficult for NPS to make a decision, or (ii) when at least one third of the Special Committee's incumbent members requests that it be referred to the committee as it deems to have a significant impact on shareholder value over the long term. In addition, the FMC developed a Guideline for Proxy Voting and decided to delegate the decision of voting direction for some holdings to external managers from annual general meetings of shareholders in March 2020.

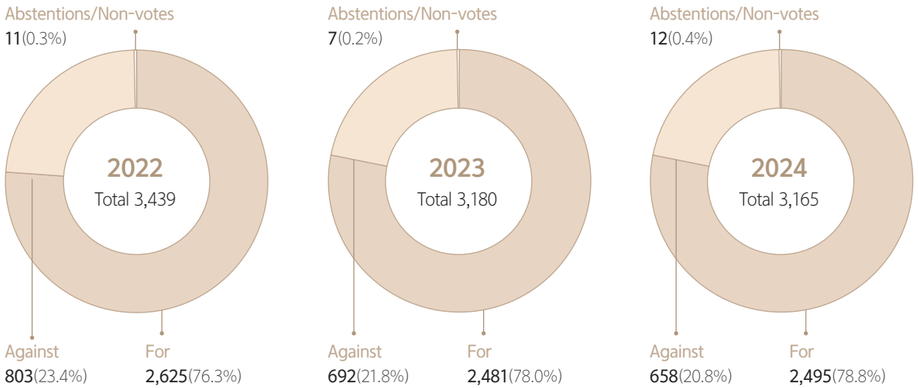
Moreover, NPS strives to determine voting positions by listening to and considering companies' views on agenda items at shareholder meetings. As such, NPS has been in constant communication with the market in light of the exercise of voting rights. In 2024, with a view to further enhancing transparency of the exercise of voting rights on domestic listed companies, NPS facilitated communication by holding an information session for listed companies and meetings with external managers prior to the annual general meeting season.

2) Disclosure and Status

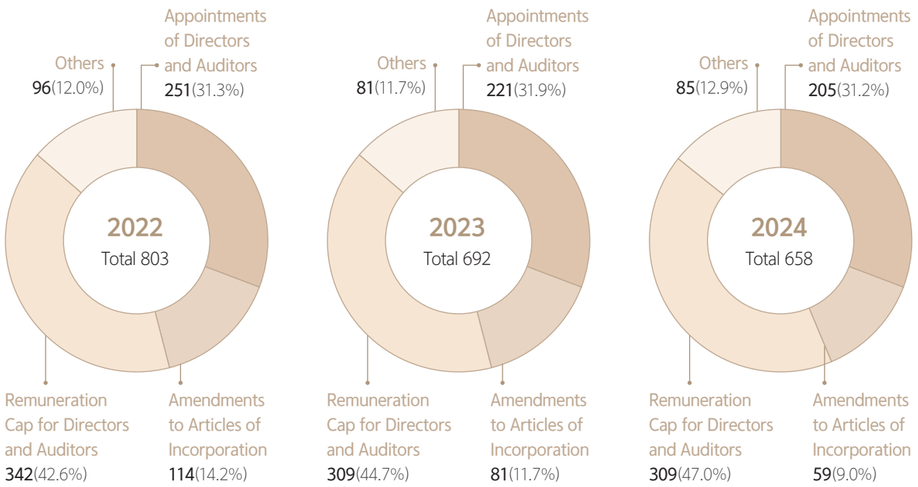
NPS discloses the results of voting activities and reasons for voting against, including applicable provisions in the Guideline for Stewardship Activities for National Pension Fund, within 14 days after a shareholder meeting is held. However, voting directions for certain agendas may be disclosed before a shareholder meeting. The agendas include (i) agendas of a company where NPS's shareholding ratio is more than 10% or its weight is more than 1% in the Fund portfolio, and (ii) agendas whose voting direction is determined by the Special Committee. In 2024, NPS disclosed 93 shareholder meetings for domestic listed companies and six shareholder meetings for overseas listed companies prior to the meetings.

In 2024, NPS exercised voting rights on 3,165 agendas in 756 shareholder meetings for domestic equities.

Voting Snapshot



Reasons for Vote Against



Voting Activities in 2024

① Financial Statement Approval

Regarding agendas to approve the financial statements of:

- Company A, whose dividend payout level appeared to be inadequate, NPS voted FOR considering that the company has disclosed and adhered to its shareholder return policy containing share buybacks;
- Company B, which paid out dividends in excess of its net profit for three consecutive years, NPS voted FOR considering that (i) the company has disclosed its dividend policy that determines the amount of dividends based on its net profit excluding non-recurring profit/loss, (ii) the dividend payout level was determined according to the policy, and (iii) the level was faithfully examined by the Board of Directors;
- Company C, where its dividend payout level appeared to be inadequate, NPS voted AGAINST considering that its dividend policy was not specific enough to evaluate the adequacy of dividends and its detailed investment plan was not verified.

② Appointment of Director and/or Auditor (Audit Committee Members)

NPS voted AGAINST the appointments of:

- an inside director nominee in Company D sitting on five to six boards, due to his/her low attendance rate to the boards in the previous year;
- an inside director nominee in Company E sitting on five to six boards, due to the excessive number of companies where he/she is paid;
- an inside director nominee in Company F, due to over-boarding as he/she sat on more than seven boards;
- an outside director nominee in Company G who had directly taken on a lawsuit of an affiliated company, due to concerns over damage to independence resulting from conflicts of interest;
- an outside director nominee in Company H who was a former employee in a client company that accounts for a large portion of the total revenue of Company H, due to concerns of damage to independence resulting from conflicts of interest;
- an outside director nominee in Company I who was a former employee in a bank that accounts for a large portion of the total debt of Company I, due to concerns over damage to independence resulting from conflicts of interest;
- a non-standing auditor nominee in Company J who was a current employee in the largest shareholder of Company J, due to concerns over damage to independence resulting from the shareholding status;
- an inside director nominee in Company K that was given sanction from the Fair Trade Commission on illegal assistance and undue benefits, as it was observed that he/she had impaired enterprise value or infringed on shareholder rights and interests;
- an inside director nominee in Company L that was given sanction from the Securities and Futures Commission, as it was observed that he/she had neglected duty of oversight, impaired enterprise value, and infringed on shareholder rights and interests.

③ Amendments to Articles of Incorporation

NPS voted AGAINST amendments to the Articles of Incorporation of:

- Company M, which intended to separate inside directors and outside directors when applying cumulative voting;
- Company N, which intended to establish an audit committee to avoid restrictions on voting rights.

④ Approval for Remuneration Cap for Directors

Where an internal review finds that remuneration cap for directors is deemed excessive relative to actual remuneration paid, or where actual remuneration paid is considered excessive relative to company performance, NPS determines voting direction by (i) contacting the companies concerned to identify grounds for the calculation of the remuneration cap that was referred to in a general meeting, (ii) considering the specificity in their compensation policy disclosed or explained, and (iii) examining their adherence to the policy.

When reviewing the specificity in a compensation policy, KPIs for remuneration, targets for each indicator, the amount paid when achieving the target, etc. are checked, and also compliance with the compensation policy for calculation of the remuneration cap and payout of remuneration is examined. NPS votes for when it deems that remuneration for directors is paid according to the compensation policy.

Accordingly, NPS voted FOR agendas to approve a remuneration cap for directors in:

- Company O, whose remuneration cap was deemed excessive relative to actual remuneration paid, as the company elaborated its compensation policy and the expected amount of remuneration to be paid pursuant to the policy, and the remuneration cap presented at a shareholder meeting was deemed reasonable considering the expected amount of remuneration to be paid;
- Company P, whose actual remuneration paid seemed not aligned with company performance, as it deemed that the remuneration paid is properly aligned with company performance in light of the compensation policy explicitly explained by the company, and based on the fact that the compensation policy and remuneration amount are determined at the Compensation Committee consisting of outside directors only.

At the same time, NPS voted AGAINST agendas for a remuneration cap for directors in Company Q, which failed to provide the company's response and in Company S, which explained expected performance bonus only without specific explanation on the compensation policy.

For global equities, NPS exercised voting rights on 484 agendas in 59 shareholder meetings, including 355 FOR (73.35%), 129 AGAINST (26.65%), and 0 ABSTENTION/NON-VOTE (0.00%).

4. Engagement

NPS has adopted Responsible Investment & Governance Principles, or Stewardship Code, to fulfill its fiduciary duty to improve long-term profitability and stability of the National Pension Fund, as well as to enhance independence and transparency in dialogues with companies. Accordingly, the scope of dialogues with companies, which had focused on the exercise of voting rights and dialogues on dividend policy, has been expanded to include remuneration cap for directors, violation of laws and regulations, and repetitive vote against. Also, legal grounds to initiate a lawsuit have been laid down in the official document. NPS exercises shareholder rights in accordance with standards and procedures stipulated in the Guideline for Stewardship Activities for National Pension Fund and the Guideline for Stewardship Activities for Domestic Equity to ensure objectivity and consistency of stewardship activities.

At the outset of the adoption of the Responsible Investment & Governance Principles, NPS exercised shareholder rights with agendas that are not involved in management affairs[2] first in consideration of concerns over potential intervention and short-swing profit. The exercise of shareholder rights on agendas involved in management affairs was allowed only when all conditions are met and upon approval from the FMC. A case in point was the shareholder proposal on limiting the powers of directors of Hanjin KAL to help enhance its shareholder value, based on concerns over damage to shareholder value due to the deviant behaviors of the management of Korean Air Lines and Hanjin KAL in February 2019[3]. In line with the increasing call for enhancing predictability and transparency on NPS's shareholder engagement as well as alleviating concerns over interference in management and autonomy, NPS developed the Guideline for Active Ownership for National Pension Fund in December 2019, which describes principles, standards, and procedures of active ownership activities in a transparent manner.

NPS has continued to review and complement dialogues with companies, and fostered communication with investee companies to ensure transparency. Climate change and industrial safety were added in March 2023 to focus areas, expanding the scope of dialogues with companies to environmental and social issues beyond governance which had been its primary focus including dividend policy and remuneration cap for directors. In September 2024, the FMC also approved a plan to adopt dialogues with companies in the global equity portfolio expanding the scope of dialogues to include global equities. Furthermore, NPS strives to strengthen transparency of dialogues with companies by constantly reviewing and complementing the Guideline for Stewardship Activities for Domestic Equity, which stipulates standards and procedures of dialogues with companies, in consideration of changes in the management environment, and by attending an event hosted by the Korea Listed Companies Association[4] to explain our efforts in dialogues with companies.

1) Shareholder Engagement in Focus Areas

With the aim of maximizing long-term and stable returns, NPS selects focus areas and conducts shareholder engagement. Focus areas include dividend policy, remuneration cap for directors, violation of laws and regulations, repetitive vote against, climate change, and industrial safety.[5]

Shareholder engagement in focus areas is undertaken in phases according to the Guideline for Stewardship Activities for Domestic Equity, including selection of confidential dialogue, selection of confidential focus list, selection of public focus list, and active ownership. In principle, NPS conducts dialogues with companies in a confidential manner. If a company shows no improvement despite a series of shareholder engagement, NPS may exercise its voting rights for agendas on appointment of directors at a shareholder meeting or send open letters. The Special Committee on Responsible Investment & Governance determines the selection of applicable companies, progress on improvement, issuance of open letters, etc. However, shareholder proposal involved in management affairs is determined by the FMC.

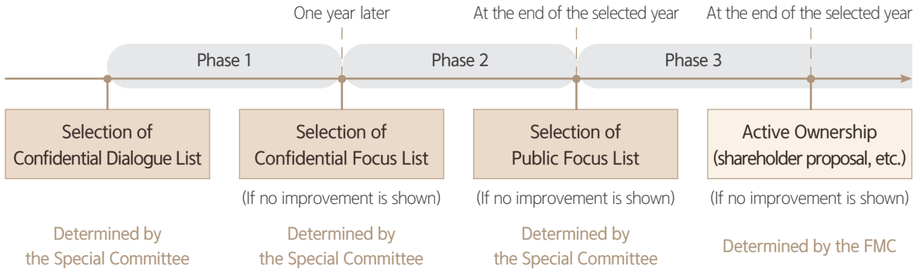
2) It refers to exercising de facto influence on a company or its executives for an appointment of executives under the Enforcement Decree of the Financial Investment Services and Capital Markets Act.

3) At an annual general meeting of Hanjin KAL in March 2019, NPS's shareholder proposal was rejected (For: 48.66%, Against, etc.: 51.34%).

4) On April 18, 2025, an information session was held by the Korea Listed Companies Association to share shareholder engagement standards and practices of Korean and overseas pension funds.

5) According to the approval by the FMC on March 7, 2023, the Guideline for Stewardship Activities for National Pension Fund was amended to remove 'ESG rating downgrade' and add 'climate change' and 'industrial safety' to focus areas.

Shareholder Engagement Process on Focus Areas



For dividend policy and remuneration cap for directors, shareholder proposal not involved in management affairs, etc. is first made based on the decision of the Special Committee.

Selection Criteria of Companies Subject to Focus Area

Dividend Policy	In case a company has not established a reasonable dividend policy or has not paid out dividends in accordance with its reasonable dividend policy
Remuneration Cap for Directors	In case shareholder rights and interests are infringed as a proposed remuneration cap is not aligned with the company's remuneration and performance
Violation of Laws and Regulations	In case a company falls into any of the following situations based on objective facts, such as investigations by authorities: ① Embezzlement or breach of trust; ② Provision of illegal assistance to related parties or another company (illegal assistance); ③ Provision of undue benefits to related parties (undue benefits)
Repetitive Vote Against	In case a company shows no improvement despite NPS's repetitive votes against at shareholder meetings
Climate Change	In case it is observed* that a company, whose enterprise value is significantly affected by climate change issues, shows no improvement on risk management * Based on ESG evaluation indicators in relation to greenhouse gas emissions
Industrial Safety	In case it is observed* that a company, whose enterprise value is significantly affected by industrial safety issues, shows no improvement on risk management * Based on ESG evaluation indicators in relation to industrial safety

① Dividend Policy

NPS selects companies subject to confidential dialogues on dividend policy from among companies that have not established or disclosed a reasonable dividend policy, or have not paid out dividends in accordance with their dividend policy. As it was observed that a reasonable dividend policy and predictable decision-making on dividends are necessary, given a majority of domestic listed companies make decisions without a dividend policy in place, and that the low dividend payout ratio in the Korean stock market relative to other major countries affect the investment performance of domestic equities, the FMC adopted a plan to conduct dialogues with companies on dividends in June 2015. Prior to dialogues with companies, voting positions were decided based on quantitative and qualitative analysis, as well as views from the company concerned, NPS's in-house and external managers, and advisory firms. If a company's dividends were deemed deficient or excessive based on the analysis and views, NPS voted against. However, through dialogues with companies since 2016, NPS has encouraged investee companies to establish and disclose a reasonable dividend policy in terms of transparency, predictability, consistency, and communication with the markets. Furthermore, since 2024, investee companies have been encouraged to establish and disclose a dividend policy that considers shareholder value in light of comprehensive capital deployment. Through dialogues with companies, NPS seeks to encourage investee companies to deliberate on their dividend policy at the board and obtain views from shareholders in the process of establishing their dividend policy; to establish the dividend policy that considers shareholder value from the perspective of comprehensive capital deployment including management environment, investment plan, financial structure, and capital costs; to disclose and comply with it. During the process, companies are informed to refrain from presenting specific dividend amounts. By transparently disclosing a company's management plan aimed at maximizing long-term shareholder value, it is expected to enhance the predictability of investors and prevent decisions that harm overall shareholder value.

Companies subject to dialogues on the establishment of a dividend policy are determined annually at the Special Committee on Responsible Investment & Governance after an annual general meeting of shareholders on the basis of quantitative analysis of a disclosed dividend policy and financial statements, qualitative analysis of industry attributes, and views from in-house and external managers, as well as advisory firms. Dialogues are conducted with CEO, CFO, outside director(s) in charge of shareholder rights and interests, or other management personnel closely related to the establishment of a dividend policy, to listen to management-specific considerations at the board regarding capital deployment and express NPS's views directly. In addition, through sufficient working-level meetings before and after dialogues with the management, NPS provides detailed explanation of the intention of dialogues, selection background, views on dividend policy, and future procedures. During dialogues, they are advised not to provide material non-public information, and NPS shares its views on existing dividend policies, and explains the purpose of dialogues to help companies voluntarily establish their own specific dividend policy considering the company's attributes and shareholder value and disclose it transparently.

Moreover, NPS makes inquiries on a company's management environment, financial structure, cross ownership, shareholder return, treasury stocks, and disclosure status of an enterprise value enhancement plan. Based on dialogues with companies and their dividend policy, the Special Committee determines the improvement status by checking and evaluating whether companies deliberate on their dividend policy at the board, obtain views from shareholders in the process of establishing the policy, consider shareholder value in terms of comprehensive capital deployment including management environment, investment plan, financial structure, and capital costs, disclose the dividend policy and the process of the establishment of the dividend policy, and adhere to the established dividend policy.

NPS selected Company T for confidential dialogues on dividend policy. Company T had disclosed matters concerning dividends on its business report and governance report, but the contents were generic, resembling those typically found in statutory provisions or articles of incorporation, lacking specificity and making it hard to regard it as a practical dividend policy.

NPS sent a confidential letter to notify Company T that it is selected as a company subject to confidential dialogue and had meetings with its CEO and working-level staff to explain the intention of dialogues and share NPS's views on the dividend policy of the company. In addition, NPS requested the company to voluntarily establish its dividend policy considering shareholder value.

Afterwards, Company T has formulated its dividend policy after deliberation at the board and unveiled its plan to periodically monitor the implementation status of a shareholder-friendly policy by strengthening shareholder communication. Also, Company T has presented a minimum dividend payout ratio and a detailed level of shareholder payout ratio consisting of total dividend payout and treasury stock acquisition and cancellation. Furthermore, Company T has disclosed its plan to enhance enterprise value, specifying revenue growth target and plans to expand R&D facilities and increase R&D expenditures. Also, Company T has disclosed its dividend policy through an enterprise value enhancement plan on the DART, which stands for Data Analysis, Retrieval, and Transfer, and is an electronic disclosure system used by the Financial Supervisory Service. At an annual general meeting of shareholders in March 2025, Company T submitted a proposal on dividend payout that adheres to the dividend policy.

NPS has analyzed the process of the establishment of the dividend policy, the contents, and compliance status, and referred to views of advisory firms and in-house and external managers. Also, it was verified that Company T has engaged in deliberation at the board during the policy establishment process, and disclosed and complied with the policy. Notably, given the industry characteristics that require constant research and development, it was determined that the dividend policy of Company T has properly considered shareholder value in light of comprehensive capital deployment. Hence, the Special Committee made a decision that Company T has made improvement, and accordingly, dialogues with Company T were closed.

② Remuneration Cap for Directors

NPS selects companies subject to confidential dialogues on remuneration cap for directors from among companies that proposed remuneration cap for directors that is not aligned with actual remuneration paid and company performance. When the Responsible Investment & Governance Principles, or Stewardship Code, was adopted in July 2018, the FMC selected remuneration cap for directors as focus area, as it is closely related to shareholder and enterprise value. Prior to dialogues with companies, NPS voted against agendas proposing excessive remuneration cap for directors relative to actual remuneration paid that makes shareholder rights and interests a mere formality, as well as remuneration cap for directors that is not aligned with company performance. Since 2019, NPS has selected companies subject to confidential dialogues from among companies with the wide disparity between actual remuneration paid and remuneration cap for directors, explained its views (such wide disparity obscures approvals made at shareholder meetings if actual remuneration paid is determined internally after submitting an agenda with remuneration cap far beyond actual remuneration paid despite the fact that remuneration for directors is subject to approval at shareholder meetings under the Commercial Act), and induced them to disclose grounds for the calculation of remuneration cap or actualize it. Since 2024, reflecting a diverse management environment with various compensation methods including long-term incentive, deferred compensation, and equity-linked compensation, NPS has encouraged companies to establish and disclose their compensation policy in a way that shareholders are able to understand grounds for the calculation of remuneration for directors.

Going forward, we will advocate the alignment between compensation policy and shareholder value. NPS will encourage companies to establish and disclose their compensation policy that aligns with company performance (shareholder value), and refrain from assessing the excessiveness of remuneration cap for directors using a uniform standard. This approach is expected to maximize long-term shareholder value by matching economic incentives of the management with the interests of shareholders.

Companies subject to dialogues on remuneration cap for directors are determined through confidential dialogues annually after an annual general meeting of shareholders, with a focus on top-weighted holdings in the Fund portfolio from among companies which NPS voted against. Through confidential dialogues, whether a compensation policy is established and disclosed and whether Compensation Committee exists are examined to select companies subject to dialogues. Dialogues are conducted with the chair of Compensation Committee or chair of the board who is closely related to remuneration cap for directors from among the management of selected companies, to listen to considerations at the board regarding remuneration for directors and express NPS's views directly. In addition, through sufficient working-level meetings before and after dialogues with the management, NPS provides detailed explanation of the intention of dialogues, selection background, views on remuneration for directors, and future procedures. During dialogues, they are advised not to provide material non-public information, and NPS makes inquiries on who formulated their compensation policy, what is included in the compensation policy, whether it is disclosed, and how to make a decision. Based on dialogues with companies and information provided, the Special Committee determines the improvement status by checking whether a compensation policy is formulated, disclosed, and complied with. Notably, the minimum scope of disclosure includes KPIs, associated targets, and the amount of remuneration. In case it is difficult to disclose in detail for justifiable reasons, it may be considered improved if supplementary action is taken, such as determining remuneration for directors at an independent Compensation Committee comprising outside directors only.

NPS selected Company U for confidential dialogues on remuneration cap for directors. Regarding Company U's agenda on remuneration cap for directors, we requested the company to provide reasonable reasons on the excessive amount of actual remuneration paid relative to the level of remuneration cap for directors, but the company failed to provide reasonable explanation. In this respect, NPS voted AGAINST at a general annual meeting of shareholders, and selected the company for confidential dialogues on remuneration cap for directors considering the wide disparity between actual remuneration paid and remuneration cap for directors. Afterwards, NPS conducted dialogues with the company in phases for several years, but it showed no improvement, leading to being selected as public focus list. NPS sent an open letter to notify Company U that it is selected as a company in public focus list. Through meetings with an outside director(s) (chair of Compensation Committee) and working-level staff, NPS requested the company to formulate, disclose, and adhere to a compensation policy including details in remuneration cap for directors. In particular, NPS emphasized during dialogues that the purpose is not to point out a problem due to the excessive remuneration cap for directors based on a uniform standard, but to make sure the alignment between remuneration for directors and company performance (shareholder value).

Afterwards, Company U has created a Compensation Committee comprising outside directors only, and formulated its compensation policy to align remuneration for CEO and inside directors with company performance. In addition, key contents of the compensation policy was partially disclosed on its website, and the Compensation Committee deliberated on agendas to determine the performance evaluation and incentives for CEO and inside directors for the year 2024.

Considering that the Company U has newly created the independent Compensation Committee, established the compensation policy through the committee, disclosed part of the policy, and adhered to the policy, the Special Committee made a decision that Company U has made improvement, and accordingly, dialogues with Company U were closed.

③ Violation of Laws and Regulations

NPS selects companies subject to confidential dialogues on violation of laws and regulations from among companies that may undermine enterprise value or impair shareholder rights and interests due to concerns falling under embezzlement, breach of trust, illegal assistance, or undue benefits of the management based on objective facts including charge by prosecutor and sanction by the Fair Trade Commission. In July 2018 when the Responsible Investment & Governance Principles, or Stewardship Code, was adopted, the FMC selected violation of laws and regulations as focus areas considering that embezzlement, breach of trust, illegal assistance, or undue benefits may cause loss to the company concerned for the benefits of certain companies or a specially related person(s), adversely affecting shareholder value. Prior to dialogues with companies, if government judgements were made including charge by prosecutor and sanction by the Fair Trade Commission on embezzlement, breach of trust, illegal assistance, or undue benefits of the management, NPS voted against agendas on the appointment of a director who had impaired enterprise value or failed to exercise the duty of oversight. Since 2019, NPS has conducted dialogues with companies involved in embezzlement, breach of trust, illegal assistance, or undue benefits, and has requested them to take action and corrective measures. With respect to companies where similar cases arise again despite dialogues, action and corrective measures that ensure greater feasibility may be requested.

This approach is expected to maximize shareholder value over the long run by encouraging companies involved in embezzlement, breach of trust, illegal assistance, or undue benefits to formulate an action plan that ensures feasibility and a streamlined corrective measure designed to avoid recurrence, in a bid to prevent acts impairing enterprise value institutionally. On a quarterly basis, NPS monitors the DART of the Financial Supervisory Service and press releases from the Fair Trade Commission to identify companies subject to government judgements including charge by prosecutor and sanction by the Commission, and selects companies subject to confidential dialogues. However, for companies that faithfully have taken action, NPS may not select them as companies subject to confidential dialogues. With respect to companies selected for confidential dialogues, NPS conducts confidential dialogues with a chair of Audit Committee or Auditor that may independently take action or corrective measures on embezzlement, breach of trust, illegal assistance, or undue benefits. Through confidential dialogues, NPS examines the board's understanding of the issue concerned in detail and listens to concerns of the board. Moreover,

NPS requests the board to directly take action and develop corrective measures. Through meetings with working-level staff before and after dialogues with the management, NPS provides detailed explanation of the intention of dialogues, selection background, and future procedures. During dialogues, companies are advised not to provide material non-public information, and NPS makes inquiries on internal control policy, compliance standard, compliance program, and other related policies. Also, we ask about plans for personnel management and financial measures under internal regulations, and request companies to scrutinize them. Furthermore, we ask for feasible policies deliberated at the board and recurrence prevention measures, including internal control. Based on dialogues, we examine whether the board actively addresses the issue, whether factual relationship is transparently disclosed, whether measures to recover loss to the company are actually carried out, and whether corrective measures with feasibility are formulated after deliberation at the board. Following this, the Special Committee on Responsible Investment & Governance determines whether the company concerned makes improvement.

NPS conducted confidential dialogues on repetitive votes against with representatives of companies, including their board and management, to explain the process and purpose of NPS's shareholder engagement, as well as the reasons for repetitive votes against. After the confidential dialogues, they deeply understood the purpose of having the confidential dialogues. As a result, Company W, which had received repetitive votes against due to both failure to obtain approval for re-employment from the Organization of Government Public Service Ethics Committee and concerns over damage to independence resulting from conflicts of interest, has made improvements by revising its director candidate review process in a way to exclude candidates whose approval for re-employment is not verified before the notification of a general meeting of shareholders is issued, and by strengthening the review criteria for conflicts of interest.

⑤ Climate Change and Industrial Safety

In March 2023, NPS amended the Guideline for Stewardship Activities for National Pension Fund to add climate change and industrial safety to focus areas. As such, NPS strives to expand its shareholder engagement, which had been centered on governance, by reflecting environmental and social issues to focus areas. NPS formulated a relevant guideline in 2024 and accordingly conducts dialogues considering persistent concerns, relevant strategies, organization composition, action plans, and disclosure status. Furthermore, NPS will examine ways to utilize sustainability-related information provided by the International Sustainability Standards Board and Korea Sustainability Disclosure Standard when conducting shareholder engagement.

2) Shareholder Engagement on Unexpected Concerns

With the aim of enhancing shareholder value and delivering long-term returns, NPS fosters shareholder engagement in unexpected concerns in relation to ESG when concerns over damage to enterprise value or shareholder rights and interests arise. NPS monitors companies with ESG controversial issues[6] internally and through a third-party advisory firm, and when necessary, conducts materiality assessments. Regarding issues considered material in the materiality assessment, companies subject to confidential dialogues are determined at the Special Committee on Responsible Investment & Governance. If no improvement is shown despite a series of confidential dialogues, active ownership such as a shareholder proposal is reviewed, and the FMC determines whether to implement active ownership and what to perform.

6) Includes issues and incidents that have impact on enterprise value

Shareholder Engagement Process on Unexpected Concerns

NPS selected Company X for confidential dialogues on matters that may damage enterprise value or impair shareholder rights and interests due to unexpected concerns.

With regard to construction site collapse in Company X, NPS viewed it as material in the material assessment from the perspective of product safety and consumer protection under social issues among ESG, and selected the company as company subject to confidential dialogue through the determination of the Special Committee.

NPS sent a confidential letter to notify Company X that it is selected as a company subject to confidential dialogues, and through meetings with CEO, executives in a related business unit, and working-level staff, NPS explained the intention of dialogues. Also, NPS made inquiries on detailed factual relationship on the accident, the company's plan regarding compensation for damages, and establishment of improvement measures.

Company X explained the damage recovery status and its plan, as well as the process of negotiation with victims in relation to compensation. Also, the company analyzed the cause of the accident in relation to improvement measures, established ways to enhance quality management to prevent accidents, and reported them to the board.

In consideration of comprehensive aspects, including dialogues with CEO, measures discussed at the board, transparent disclosure of the accident on its website and sustainability report, and the establishment of damage recovery measures and improvement measures, the Special Committee made a decision that Company X has made improvement, and accordingly, dialogues with Company X were closed.

3) Active Ownership

NPS formulated the Guideline for Active Ownership for National Pension Fund in December 2019 to enhance enterprise value and undertake shareholder engagement in a transparent and fair manner. The focus of the Guideline is not on involvement in management affairs, but on enhancing shareholder and enterprise value by helping companies develop improvement measures through sufficient dialogues in relation to focus areas and unexpected concerns. When an issue requiring shareholder engagement occurs, NPS seeks to check the facts and conducts sufficient dialogues to address issues according to the Guideline for Stewardship Activities for Domestic Equity. Only when it is difficult to expect improvement from a company is active ownership engagement conducted.

Active Ownership Activities

Category	Description
Target Company	• Companies that show no improvement, from among companies in public focus list and companies subject to confidential dialogues on unexpected concerns
Engagement Standards	• Case-by-case with the aim of enhancing long-term profitability and shareholder value in consideration of a range of factors including industrial characteristics, business conditions, feasibility of shareholder proposal, cost-effectiveness, and implication for the market
Selection Process	• The Special Committee on Responsible Investment & Governance decides on companies that show no improvement, reviews the need for and the contents of a shareholder proposal, and reports it to the National Pension Fund Management Committee (FMC). – The FMC decides the need for and the contents of the shareholder proposal based on the review of the Special Committee.
Shareholder Proposal	• The FMC makes a final decision on the contents of a shareholder proposal within a permitted range under the Commercial Act and the Financial Investment Service and Capital Market Act.

4) Litigation

NPS may file a shareholder derivative suit or damage claim in accordance with the standards and procedures of the Guideline for Stewardship Activities for Domestic Equity, with a view to contributing to maximizing shareholder value over the long term. NPS does not exercise any influence on investee companies or directors, nor file a claim to address the request of other shareholders. NPS takes legal action only when it is observed that such action would contribute to maximizing shareholder value over the long term in consideration of the possibility of winning and cost effectiveness.

III. Partnerships and Collaborations

NPS became a signatory to the Principles for Responsible Investment (PRI)[7] in June 2009, a global network of investors that have publicly demonstrated their commitments to responsible investment, and since 2016, it has submitted PRI Transparency Reports.

In order to implement the Responsible Investment & Governance Principles, or Stewardship Code, and enhance associated capabilities, NPS joined two investor-led organizations dedicated to corporate governance and investor shareholder engagement in September 2019: the International Corporate Governance Network (ICGN)[8] and Asian Corporate Governance Association (ACGA)[9]. Moreover, NPS became a member of the Asia Investor Group on Climate Change (AIGCC)[10] in November 2020, an initiative to enhance awareness of climate change, expand a network, and encourage action among institutional investors in Asia about the risk and opportunities associated with climate change and low carbon investing.

Furthermore, NPS joined the IFRS Sustainability Alliance (previously SASB (Sustainability Accounting Standards Board) Alliance) [11], a global membership program for sustainability standards, in 2022, in line with the increasing calls for developing standards for a global baseline of sustainability disclosures and identifying the materiality of ESG factors for each industry. Since November 2024, NPS has participated in ISSB Investor Advisory Group (IIAG), an advisory body to the ISSB[12] regarding ISSB sustainability disclosure.

Going forward, NPS will remain committed to bolstering its capacity and expertise in ESG based on research, best practices, and guidelines provided by the ICGN, ACGA, AIGCC, IFRS Sustainability Alliance, and IIAG, and harnessing them when making decisions on ESG investing and conducting dialogues with companies.

7) The Principles for Responsible Investment (PRI) is a global initiative launched by UNEP financial Initiatives and the UN Global Compact in collaboration with financial institutions as an international network of investors working together to put its six Principles for Responsible Investment into practice. (5,345 signatories as of March 2024)

8) The International Corporate Governance Network (ICGN) is the world's largest investor-led organization to promote effective standards of corporate governance and provide a range of research and networks. (more than 300 organizations from 40 countries as of July 2024)

9) The Asian Corporate Governance Association (ACGA) is an independent membership organization dedicated to enhancing financial environment ecosystem including corporate governance practice throughout Asia, and conducts analysis in rules and regulations on corporate governance. (100 members from 18 countries as of 2024)

10) The Asia Investor Group on Climate Change (AIGCC) is launched to encourage action among Asia's asset owners and financial institutions about the risk and opportunities associated with climate change and low carbon investing and provide capacity for investors to share best practices and to collaborate on investment activities, credit analysis, and policy engagement. (78 members, including pension funds, asset managers, and relevant organizations as of 2024)

11) The IFRS Sustainability Alliance (previously SASB Alliance) was founded in 2011 as a not-for-profit, independent standards-setting organization to establish and maintain industry-specific standards that assist companies in disclosing financially material, decision-useful sustainability information to investors.

12) The International Sustainability Standards Board (ISSB), aimed at providing a comprehensive global baseline for sustainability disclosure, is an independent standard-setting body within the IFRS Foundation.

Global Network for Responsible Investment

PRI Principles for Responsible Investment

ACGA

ICGN International Corporate Governance Network

AIGCC ASIA INVESTOR GROUP ON CLIMATE CHANGE

IFRS Sustainability Alliance

ISSB Investor Advisory Group

Ⅳ. Looking Ahead

As part of efforts to enhance long-term returns by gaining market trust as public pension fund and mitigating investment risks, NPS formulated the Plan to Facilitate Responsible Investment in November 2019. In line with the plan, NPS has developed a roadmap for expanding responsible investment (RI) coverage in its portfolio, preparing associated strategies, encouraging external managers to internally foster RI activities, and laying the foundation for facilitating RI approaches. Based on this roadmap, NPS will develop specific action plans and accordingly take action. In addition, relevant guidelines such as the Guideline for Stewardship Activities for Domestic Equity will be continuously updated in keeping with changes in the management environment.

1. Dialogues

The National Pension Fund Management Committee (FMC) has announced a plan to expand the application of dialogues with companies to include overseas portfolio companies. In this regard, NPS has reviewed practical measures to conduct dialogues with companies in the global equity portfolio in comprehensive consideration of local regulatory requirements and the characteristics of companies on the basis of the results of commissioned research. In January 2023, NPS reported measures to conduct RI for global securities to the Special Committee on Responsible Investment & Governance. In September 2024, the FMC approved a proposal to conduct dialogues with companies in the global equity portfolio[13]. In line with this, NPS will conduct dialogues with overseas portfolio companies.

2. Energy Transition

Since the FMC announced coal phase-out in May 2021 to manage risks related to climate change, NPS has refrained from investing in new coal-fired power plant construction projects at home and abroad, commissioned research on coal phase-out, and undertaken a range of stakeholder consultations. Based on this, an Investment Strategy for Energy Transition in Coal-related Companies was formulated and approved by the FMC in December 2024, and NPS will apply it to global equities and global fixed income going forward[14].

3. Litigation

In July 2018 when the Responsible Investment & Governance Principles, or Stewardship Code, was adopted, NPS established criteria and grounds to file a derivative suit and damage claim, in a bid to contribute to increasing long-term shareholder value. Currently, NPS plans to amend the criteria for filing derivative suit to include detailed implementation measures. Moving forward, NPS will review cases subject to a derivative suit in consideration of the impact on fund performance, the possibility of winning, and the enhancement of enterprise value in the long term, in accordance with applicable criteria and grounds, when necessary.

13) A shareholder engagement service provider entrusted to conduct dialogues with companies in the global equity portfolio has been selected, and RI personnel has been seconded to overseas offices, constantly expanding the organization and workforce of the Responsible Investment Division.

14) Adoption of an investment strategy for energy transition in global assets (from 2025 onward), Examination of the effect of the adoption of the investment strategy for energy transition in global assets, and amendments to the strategy (in 2029), Adoption of an investment strategy for energy transition in domestic assets (from 2030 onward)

4. Capacity Building

Since the FMC deliberated on and resolved a Plan to Adopt Responsible Investment & Governance Principles in July 2018, NPS has conducted dialogues with companies for focus areas and unexpected concerns in accordance with the Guideline for Stewardship Activities for National pension Fund and relevant guidelines, and also exercised its voting rights by improving its internal system and utilizing an e-voting system. Looking ahead, NPS will faithfully exercise its voting rights and conduct dialogues with companies in accordance with relevant guidelines, and constantly review the necessity of amendments to and improvement in such guidelines considering internal and external changes, as well as the necessity of improvement in the specific criteria for the voting guidelines for domestic and global assets.

Ⅴ. Statistics

1. Domestic Equity

In 2024, NPS voted on a total of 3,165 agendas in 756 shareholder meetings for domestic equity holdings, including 2,495 FOR (78.83%), 658 AGAINST (20.79%) and 12 ABSTENTION/NON-VOTE (0.38%). The reasons behind 658 votes AGAINST included 205 votes for the appointment of directors and auditors (31.2%), 59 votes for amendments to articles of incorporation (9.0%), 309 votes for remuneration cap for directors (47.0%), and 85 votes for others (12.8%).

① Votes Cast

Year	No. of Companies NPS invests in	No. of Shareholder Meetings	No. of Votes Cast	Voting Result		
				For (Weight)	Against (Weight)	Abstention /non-vote (Weight)
2024	1,173	756	3,165	2,495	658	12
				78.83%	20.79%	0.38%
2023	1,243	799	3,180	2,481	692	7
				78.02%	21.76%	0.22%
2022	1,143	825	3,439	2,625	803	11
				76.33%	23.35%	0.32%

② Reasons for Vote Against

Reason	2022		2023		2024	
	No.	Weight (%)	No.	Weight (%)	No.	Weight (%)
Appointment of Directors and Auditors	251	31.3	221	31.9	205	31.2
Amendments to Articles of Incorporation	114	14.2	81	11.7	59	9.0
Remuneration Cap for Directors	342	42.6	309	44.7	309	47.0
Others	96	12.0	81	11.7	85	12.8
Total	803	100.0	692	100.0	658	100.0

③ Reasons for Vote Against Appointment of Directors and Auditors

Reason	2022		2023		2024	
	No.	Weight (%)	No.	Weight (%)	No.	Weight (%)
Long Service (10+ years)	10	4.0	16	7.2	14	6.8
Full-time Employee in the company, an affiliate, or a company with a major stake within the recent five years	71	28.3	43	19.5	30	14.6
Poor Attendance on the Board (75% or below)	13	5.2	41	18.6	34	16.6
Excessive Dual Office Holding	33	13.1	26	11.8	42	20.5
Negligence on Duty of Oversight	25	10.0	16	7.2	9	4.4
Others	99	39.4	79	35.7	76	37.1
Total	251	100.0	221	100.0	205	100.0

2. Global Equity

In 2024, NPS voted on a total of 484 agendas in 59 shareholder meetings for global equity holdings, including 355 FOR (73.35%), 129 AGAINST (26.65%) and 0 ABSTENTION/NON-VOTE (0.00%).

Year	No. of Companies NPS invests in	No. of Shareholder Meetings	Voting Result		
			For (Weight)	Against (Weight)	Abstention /non-vote (Weight)
2024	59	484	355	129	0
			73.35%	26.65%	0.00%
2023	62	577	418	159	0
			72.44%	27.56%	0.00%
2022	46	376	265	111	0
			70.48%	29.52%	0.00%

3. Engagement Activities

NPS conducts shareholder engagement in investee companies on focus areas and unexpected concerns by sending confidential·open letters, conducting dialogues, sending open letters, etc. in accordance with the Guideline for Stewardship Activities for National Pension Fund. In addition, companies having ESG controversial issues or under investigation by authorities are subject to NPS's shareholder engagement, such as sending confidential letters and conducting dialogues. Moreover, upon request of companies, NPS engages in shareholder engagement to explain investment performance and agendas of shareholder meetings. In 2024, NPS undertook 248 shareholder engagement activities, including sending letters to and conducting confidential dialogues with 147 companies.

Dialogues with Companies

	Item	No. of Companies[4]			Letters Sent (Confidential·Open)			Confidential Dialogues			Total (Letters and Confidential Dialogues)		
		'22	'23	'24	'22	'23	'24	'22	'23	'24	'22	'23	'24
Focus Areas	Dividend Policy	38	33	7	47	38	4	25	13	11	72	51	15
	Remuneration Cap for Directors	13	15	33	13	14	6	23	25	54	36	39	60
	Violation of Laws and Regulations	17	9	6	15	9	1	25	13	9	40	22	10
	Repetitive Vote Against	11	13	9	12	14	3	23	17	13	35	31	16
	Climate Change[1]	-	-	29	-	-	3	-	-	29	-	-	32
	Industrial Safety[2]	-	-	10	-	-	4	-	-	14	-	-	18
Unexpected Concerns		39	54	13	50	61	19	11	12	6	61	73	25
Others[3]		21	48	40	0	1	0	28	80	72	28	81	72
Total		139	172	147	137	137	40	135	160	208	272	297	248

1) Newly added on Mar. 7, 2023
2) Newly added on Mar. 7, 2023
3) Including fact checks and explanations of agendas at shareholder meetings
4) Indicating the number of companies which NPS sent letters to and conducted confidential dialogues with

Disclaimer

This Responsible Investment & Governance report is published to support a better understanding of stewardship activities conducted by NPS. Please be aware that some information may differ depending on the search date, and additional verification may be required due to the lack of detailed explanations in this report. This report reflects matters related to stewardship activities approved by the National Pension Fund Management Committee. More details are available on the websites of the Ministry of Health and Welfare at www.mohw.go.kr and/or NPSIM at fund.nps.or.kr. The original report was drafted in Korean. This document is an English translation of the original. In case of any discrepancies between the English and the Korean text, the latter will prevail.

National Pension Service

NPS Responsible Investment & Governance Report 2024

Printed in September 2025 **Published in** September 2025 **Published by** Kim Tae-hyun and NPS Investment Management

This report is printed with soybean inks on certified recycled paper with 30% post-consumer waste.