

# Building up Trust between generations

NPS Sustainability Report 2020



## About This Report

The National Pension Service (NPS) has published the Sustainability Report annually since 2012 to share its social responsibility management activities, outcomes and plans with the stakeholders. This publication is the ninth report, which includes that the stakeholders are interested in, as well as various activities and plans implemented by the NPS to actualize social values.

### Reporting Period and Scope

This report highlights activities and performances of the NPS from January 1 to December 31 of 2019. Important management activities of 2020 are also included, and quantitative performance data are provided for the last 3 years (2017~2019) to allow for annual trend analysis. The scope of this report includes the head office and regional headquarters of the NPS.

### Reporting Principles and Standards

This report was developed in accordance with the Core Options of the GRI Standards, while also reflecting UN GPRF (UN Guiding Principles Reporting Framework), and the Ten Principles of the UN Global Compact (UNGC.)

### Verification of Report

This report has undergone third-party verification of an independent, external agency to ensure the suitability of the reporting process and the reliability of the reported contents.

### Inquiry

For any further information or inquiries, please contact us below. More details are available on the NPS website ([www.nps.or.kr](http://www.nps.or.kr)).

<b>Department.</b>	Social Values Promotion Division, NPS
<b>Address.</b>	180, Giji-ro, Deokjin-gu, Jeonju-si, Jeollabuk-do, Republic of Korea
<b>Tel.</b>	+82+63-713-6889
<b>Fax.</b>	+82-63-900-3382
<b>E-mail.</b>	saint420@nps.or.kr

## Contents

<b>Overview</b>	02	Letter from CEO
	04	NPS Overview
	06	Special Report
		Global Issue 1. COVID-19 Global Issue 2. Digitalization
<b>Sustainability Management System</b>	14	Our Strategy
	16	Goal & Performance
	18	Materiality Assessment
	21	Expanding Public Engagement
<b>Focus Areas</b>	26	National Pension for All Enhancing Inclusiveness of Pension Innovation of Pension Service for All Preparation for Sustainable Pension System Best Practice 01
	32	Trustworthy Fund Management Stable Increase in Profits Stewardship Responsibilities Strengthening Transparency and Infrastructure Best Practice 02
	38	Effective and Reliable Welfare Services Support for Substantial Retirement Preparation Services Strengthening Welfare Services for the Vulnerable Strengthening Eligibility of Basic Pension Best Practice 03
	44	Fulfillment of Sustainable Social Values Creating Decent Jobs Community Development and Shared Growth People-centered Safety Management Best Practice 04
<b>Sustainability Fundamentals</b>	54	Governance
	56	Risk Management
	57	Ethics Management
	58	Human Rights Management
	60	Talent Management
<b>Appendix</b>	63	Stakeholders Engagement
	64	Sustianability Performance
	70	The Third Party's Assurance
	72	GRI Standard Index
	74	Sustainability Initiative
	77	Awards and Membership Status

# Letter from CEO

Dear stakeholders,

Since the inception in 1987, the National Pension Service has established itself as a pivotal institution for post-retirement income security after achieving nationwide coverage in 1999. Notwithstanding our relatively short history of 33 years, the national pension scheme has grown to one of the world's three largest pension funds with 22 million subscribers, 5 million recipients, and KRW 752 trillion fund.

In 2019, we recorded 18.94 million income reporters, the highest number since the launch of pension scheme, and the highest rate of return as well as the highest income ever at KRW 73.4 trillion since the establishment of the National Pension Service Investment Management (NPSIM), which is 1.5 times the net amount of contributions that subscribers paid in the same period. On the foundation of such performance, the NPS will become a public institution that pursues community values along with making meaningful results in each field of pension welfare services by making strenuous efforts as follows.

**First, we will build a sustainable and reliable national pension scheme for everyone.**

The NPS has endeavored to revise the law and draw up a social agreement for a sustainable pension scheme, such as holding a nationwide 'Briefing Session to Understand National Pension Scheme' last year. Looking forward, the earnest discussion on the improvement of national pension scheme need to be made, seeking to various measures so as to increase the sustainability of the system. We will continue our unwavering efforts to ensure that the national pension scheme enables all the people to enjoy their post-retirement lives.

**Second, we will ensure that all citizens can be benefited by the national pension.**

The NPS is strengthening our support to help the vulnerable be engaged in the pension scheme while reinforcing education and counseling to assist systematic retirement preparation for the entire population. In addition, we are working on rendering better welfare services through basic pension and supporting programs for the disabled. Taking advantage of next-generation technologies such as big data, AI, and IoT, we will project the needs of the people to guide them one step ahead and discover blind spots in systems and services to offer a variety of services.

**Third, we will strengthen the expertise and transparency of fund management.**

The NPS achieved record-breaking returns last year by arranging comprehensive measures to enhance the return on fund management, fortifying risk management, and reorganization hedging against of the era of KRW 1,000 trillion in fund. We are diversifying our overseas investment strategies to create sustainable profits, while cultivating managers and revitalizing our efforts for enhancing shareholder value. In addition, we are striving to consolidate transparency by expanding the disclosure of key information for the purpose of enhancing trust in fund management.

**Fourth, we will become a trustworthy institution fulfilling social values.**

Aside from the stable operation of the national pension scheme to promote the welfare of post retirement, the NPS is taking the lead in balanced national development by fostering a financial city, while creating jobs related to our own businesses, such as the retirement preparation service and the academy for so called, 'the new middle-aged'. On top of that, we are cultivating social economic enterprises and invigorating local economies which is undergoing hardships due to the COVID-19.

We will spare no efforts to become a public institution which plays a leading role in the development of local communities by sharing our resources and capabilities with them.

Our society is currently facing grave challenges more than ever, such as economic downturn and polarization at home and abroad, low birthrates and a surge in the elderly population. Also, unprecedented confusion owing to the COVID-19 is expediting structural transformation in society. Against this backdrop, the NPS will pursue endless development, seeking for opportunities so that we can wisely cope with these changes. We look forward to your ongoing support and interest in our future direction.

Thank you very much.



NPS Chairperson & CEO  
Yong Jin Kim


# NPS Overview

## Introduction

National Pension Service (NPS) was founded in 1987 with an aim of national living stability and improved welfare by granting pension in the case of old age, disability, or death. We are providing pension service to 22.02 million subscribers and 4.92 million pensioners as of January 2020 while operating accumulated fund as much as KRW 606.3 trillion and offering various welfare services.

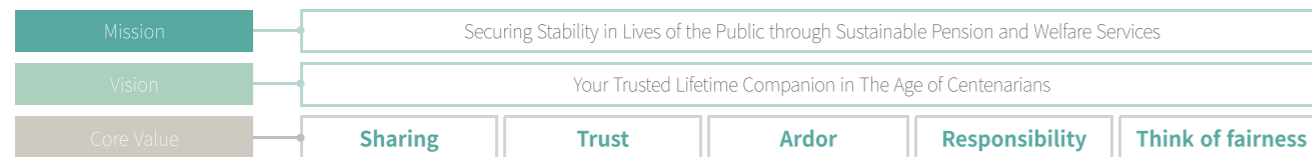
For more information NPS Online PR Center ([https://www.nps.or.kr/jsppage/cyber\\_pr](https://www.nps.or.kr/jsppage/cyber_pr))

### General Status

	<b>Name of Institution</b>	National Pension Service
	<b>Ministry in Charge</b>	Ministry of Health and Welfare
	<b>Date of Foundation</b>	September 18, 1987
	<b>Legal Ground of Foundation</b>	Article 24 of National Pension Act
	<b>Headquarters</b>	Giji-ro 180, Deokjin-gu, Jeonju-si, Jeollabuk-do, Korea
	<b>Number of Employees</b>	7,396

## Our Value System

With a firm determination to contribute to the realization of inclusive wellness based on welfare services and social safety nets by raising the sustainability of pension scheme, the NPS has established a mission and a vision with five core values. In November 2019, we proclaimed our 'Vision Declaration' to focus on internal competencies for realizing the vision and to enhance public endorsement.



**Vision Declaration**

In order to become a reliable lifelong partner that guarantees stable and comfortable life for the people through the operation of the pension scheme and welfare services, we shall practice following items.

- One, we will make a universal social support system that everyone enjoys on the foundation of intergenerational solidarity.
- One, we will strengthen public trust by transparent and responsible fund management.
- One, we will contribute to the improvement of life quality by providing necessary welfare services to the people.
- One, we will continue to create various social values.
- One, we will become a global leader in the national pension scheme operation, which can serve as an exemplary model for the world.

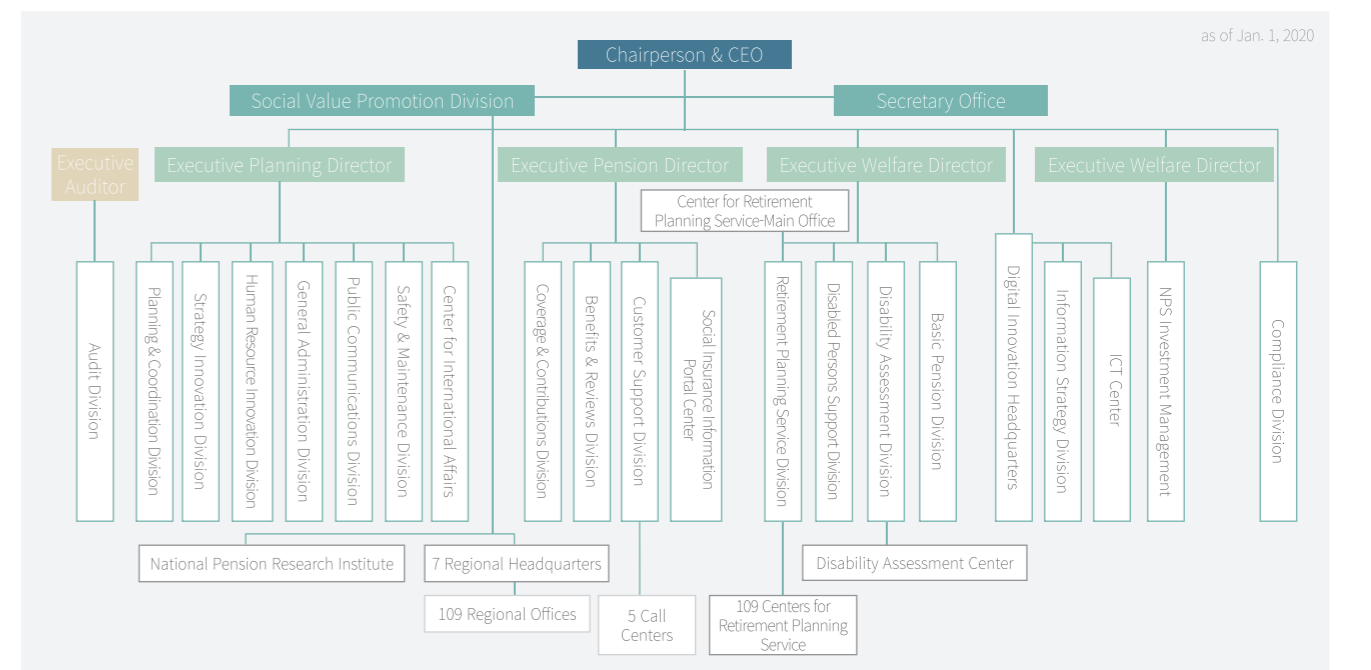
## Major Businesses

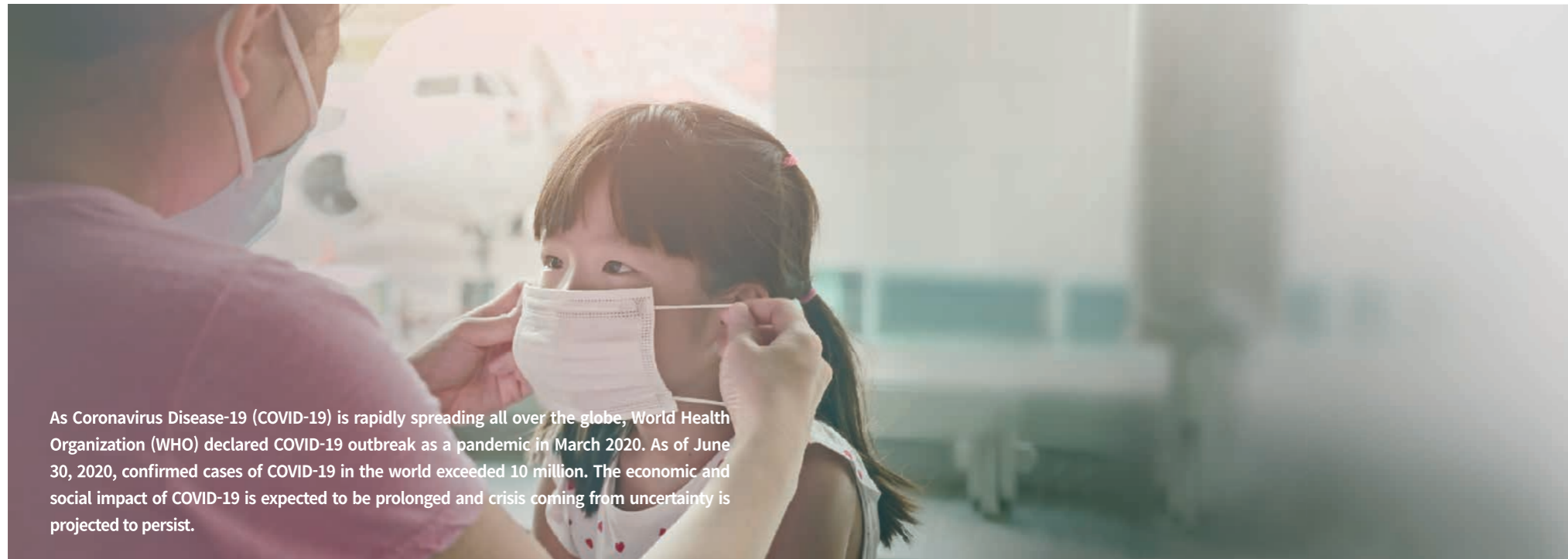
Our payment of pension contributes to the stability of people's lives. We, as a comprehensive welfare institution, also provide welfare services such as basic pension and a retirement preparation service and a support for the disabled.



## Organization

The NPS has been operating 14 divisions, two departments, two centers, Disability Assessment Center, and headquarters comprised of NPS Investment Management, Compliance Division, and Digital Innovation Headquarters. In addition, there are seven Regional Headquarters, 109 Regional Offices, Call Centers, and a National Pension Research Institute under the NPS. In 2019, we newly established Disability Assessment Division to secure the expertise and objectivity in the assessment of disability, and reformed IT Headquarters into Digital Innovation Headquarters to expand the foundation of ICT service.





As Coronavirus Disease-19 (COVID-19) is rapidly spreading all over the globe, World Health Organization (WHO) declared COVID-19 outbreak as a pandemic in March 2020. As of June 30, 2020, confirmed cases of COVID-19 in the world exceeded 10 million. The economic and social impact of COVID-19 is expected to be prolonged and crisis coming from uncertainty is projected to persist.

Global Issue 01 COVID-19

# Leadership in the Post-COVID-19 Era



## BACKGROUND

There are growing concerns over its impact on the world economy due to the global spread of COVID-19. The shocks of supply and demand originated from the refrained outside activities and restrictive measures to deter the proliferation of the disease conducted by each country have brought about a significantly adverse impact on the real economy as a whole. Due to the sluggish real economy, the global stock market has repeatedly surged and plunged, causing a considerable impact on financial market. The global financial market, which was plagued by extreme volatility at the

initial stage of COVID-19 crisis, is currently getting back its stability, yet the forecast of financial market and outlook of long-term macroeconomic are still not looking positive.

Meanwhile, the interest in economic inclusion is getting higher internationally. The changes in the global supply chain and the digitalization of the economy that COVID-19 has caused will inevitably lead to the employment shock and deepening polarization. These unprecedented external impacts have become a grave

challenge to the ordinary people and small business owners, and the difficulties of the vulnerable, who are much more prone to be hit by economic fluctuations, are raising the awareness of the social safety net in the community. In fact, in the case of the U.S. And Europe where there is huge loss of lives, a lot of the victims from the COVID-19 crisis were a socially disadvantaged class such as low-income bracket, the elderly, or low-price nursing home residents. Knowing the fact that the aftermath of the shock unevenly affects society and economy, a sturdy social safety net is highly required.

## OUR APPROACH

Amid the economic and social turmoil and changes resulted from COVID-19, the NPS, as the world's top 3 pension fund management service and a public institution playing a role as a social safety net, is contemplating our responsibility and role while taking action in the face of the post-corona era. Despite the difficult situation to manage fund, we are making our utmost effort to seamlessly realize a sustainable pension system by predicting and managing new risks arising from financial paradigm changes. Furthermore, we strive to fulfill our role to provide welfare service with inclusive policies protecting the financially vulnerable, ensuring a stable life for the people.

## OUR ACTION 01 Efforts to Minimize Adverse Impact on Business

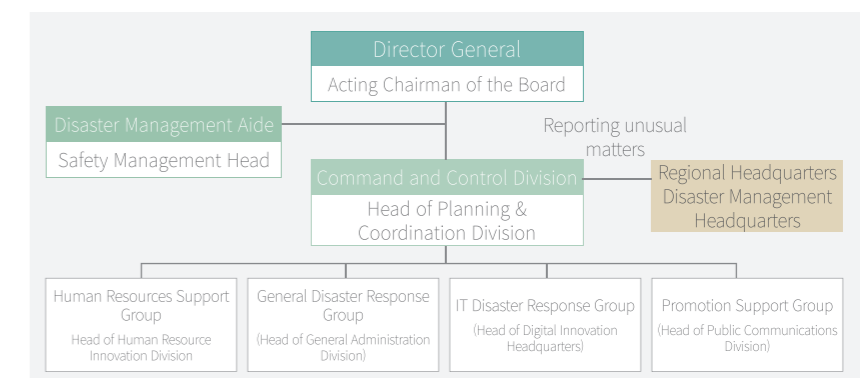
### Switching to Crisis Response System

The NPS formed a 'Emergency Management Committee' in the initial stage of the COVID-19 crisis to closely monitor the situation. Then, as concerns over domestic infection grew and the crisis level was elevated to 'severe', we switched to an emergency safety management system while putting all our efforts into preemptive crisis response. In accordance with the 'Corporate-wide Risk Management Manual', we formulated a 'Emergency Safety Management Committee against COVID-19' directly under CEO, and operated 24-hour Emergency Response System so that Business Continuity Plan (BCP) can be implemented when major facilities are closed. In particular, we have preemptively distributed core personnel in NPS Investment Management Headquarters, which must be operated 24 hours, to four different regions nationwide and completely restricted and controlled the access of outsiders to the building, making every endeavor to restrain and prevent the spread of potential cluster infections.

### Protecting Fund Assets

Despite of the difficult conditions for fund management, the NPS responses to increase the sustainability of the national pension fund by minimizing fund loss and stably defending the rate of return. Since February, we have operated a Crisis Response TF to monitor financial market trends. Aiming at promptly response to the increase of volatility and the sharp decline in asset prices, we altered our fund management plans to serve this moment as an opportunity. At the same time, we are implementing ways to invest in sectors with high potential in the aftermath of COVID-19. On top of that, we are coping with the situation by expanding market average exchange rate (MAR) transactions and diversifying trading dates in order to limit the impact of dollar funding through overseas investment on the domestic foreign-exchange market. As a long-term investor, the NPS has been set up a crisis response plan to stably raise the profitability in the long term. Taking into account the uncertainty in the economy in the second half of 2020, we will expand the ratio of overseas assets and alternative investment while cutting the ratio of domestic assets.

### Composition of Emergency Safety Committee against COVID-19



## OUR ACTION 02 Efforts for Restoring Community

### Pension Subscribers

**[Implementation of Support System for Pension Subscribers Having Economic Difficulties Due to COVID-19]** The NPS decided to expand the scope of exemption from pension premium payment for up to three months from March to June 2020 toward subscribers whose income has dropped owing to COVID-19 economic crisis. The exception of pension premium payment is the systematic measures that allows pensioners to pay premiums of the exemption period when they earn money afterwards, reducing the risk that pensioners suffering from economic crisis may receive lower amount of pension when retired due to the failure of payment. In addition, we conducted the measures to alleviate the burden of payment by not collecting a lump sum of arrears for three months if pension premiums are unavoidably overdue.

### General Public

**[Preparation of Safety Measures for Public Service]** Because of the nature of our work, around 5 million people a year visit our branch offices. Thus, it is highly required to respond to the risk of spreading infectious diseases more swiftly and thoroughly than any other organization. Against this backdrop, we quickly switched our system into emergency management system, and complied with a guideline for the safety of our customers, the people in Korea. Wearing masks is mandatory for all our employees as well as visitors, and we have installed a safety screen (transparent partition) in public service centers. We actively blocked the infection route by each face-to-face situation such as offering masks to customers visiting without masks. Moreover, the NPS implemented diverse measures to stop the spread of the communicable disease. We suspended or discontinued the work

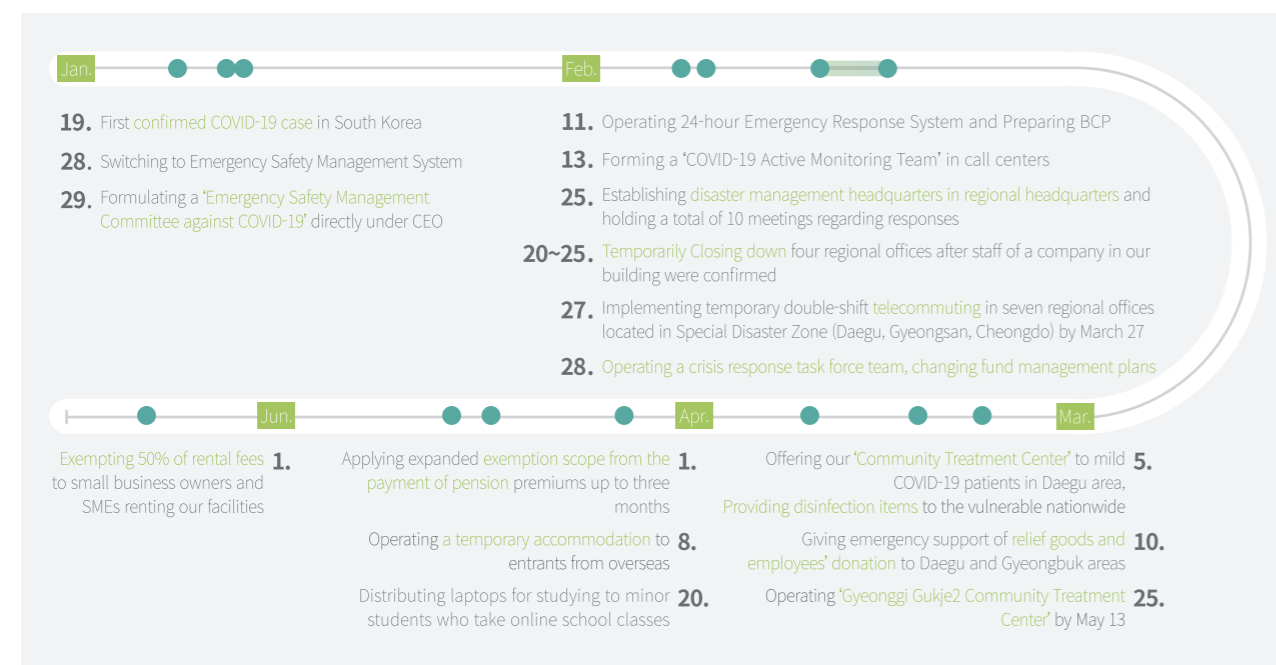
requiring business trips while making a time gap in commuting hour and lunch time to strengthen social distancing. At the same time, heat-sensing equipment was installed at the headquarters and seven regional headquarters, conducting special disinfection to offices. When the staff of a company in our building was confirmed COVID-19 diagnosis, our management promptly conducted an emergency on-site inspection of the office building and implemented special preventive measures and temporary closure measures. Particularly seven offices located in Special Disaster Zone were ordered to work at home and we allowed pregnant women and employees with high-risk diseases to telecommute. As a result of these strenuous efforts, we have remarkable achievement with no confirmed cases not only in our employees but also in the course of our service as of late July 2020.



### Local Community and the Vulnerable

**[Measures for Preventing Local Community Infection and Alleviating Burdens for Small Business Owners]** The NPS had made more direct endeavors not only to provide institutional and business support but to help the vulnerable and stagnant local economy recover. We urgently distributed relief supplies and donations worth KRW 100 million raised by voluntary donations from employees in Daegu and Gyeongbuk areas where declared as a special disaster zone was declared. For helping vulnerable class who have relatively higher risk for infection including the elderly, people living alone, and the disabled we prepared and delivered KRW 200 million worth of necessary supplies for disinfection. Under the circumstances that elementary, middle, and high schools nationwide began semester with online classes owing to COVID-19, we distributed laptops to those students who have no computer to take video lectures. Furthermore, in order to share the difficulties of small and medium sized business owners experiencing huge drop in sales in the face of COVID-19, we joined 'Good Landlord Movement' and reduced rental fees to SMEs and small business owners by about 35% from this April, followed by additional reduction to 50% by the end of this year from June as part of our support to overcome economic crisis. In consequence, 28 tenant companies are expected to receive benefits worth a total of KRW 1 billion.

### Timeline of Our Responses against COVID-19



### Government

**[Actively Support of Preventive Activities against the Spread of Infectious Disease]** By formulating a 'COVID-19 Active Monitoring Team' in call centers, we monitor entrants from other countries. We monitored about 22,000 entrants who did not use 'Self-diagnosis App' for checking symptoms on their mobile phones when entering South Korea from overseas by calling them and directly checking the symptoms. Through these efforts, we could confirm 77 additional cases among those entrants. In addition, by capitalizing on our facilities and manpower, we have actively engaged in the work of public health authorities and government departments suffering from a shortage of personnel. We also temporarily offered 'Cheongpung Resort' owned and operated by the NPS as a

'COVID-19 Community Treatment Center' and dispatched support personnel to help 173 mild COVID-19 patients in Daegu and Gyeongbuk area where there is lack of treatment facilities due to the rapid increase in confirmed cases. On top of that, around 30 of our employees have been dispatched to 'Gyeonggi Gukje2 Community Treatment Center' where confirmed entrants from other countries having mild symptoms of COVID-19 are treated in order to assist facility operations and support the work of the central disaster management headquarters and the Incheon Airport National Quarantine Station. To the business owners who provided paid leave for hospitalized or quarantined persons due to COVID-19, we are entrusted with receiving applications and paying the regarding expenses supported by the government.



The industry, which underwent substantial changes stemmed from the rapid popularization of the Internet, is now facing a wave of digital innovation along with the Fourth Industrial Revolution. Moreover, in the post-corona era, when face-to-face encounters are regarded as a 'risk' and 'untact (non-contact)' becomes a new normal, non-contact digital innovation is expected to further accelerate. The same is true of the financial industry. Business innovation harnessing the latest IT technologies is being vigorously carried out, such as data-based analysis of customer needs, automation, customized services, and arranging more non-face-to-face channels.

Global Issue 02 Digitalization

# Digitalization and Business Innovation



## BACKGROUND

The advancement of IT technology has brought the digitalization across all corners of our daily lives. Consequently, companies are actively making efforts to reshape the entire business on a digital basis, regardless of industry. The financial industry considered digital technology as a critical competitive factor which enables convenient services based on in-depth analysis of customer need. Recently, global banks and other domestic financial companies are drawing a blueprint for future growth that is driven

by digital innovation, citing digital as one of the keywords in management. Meanwhile, potential customers of the future are the 'digital native' generation who have been exposed to the digital environment such as Internet and have grown in the information technology (IT) boom. They are more familiar with the 'untact' culture than actual visiting on site, and feel comfortable in the digital world where you can do things on the mobile in your hand without paperwork. This is why companies are paying attention to

digitalization<sup>1)</sup> incorporating innovative technologies such as artificial intelligence (AI) and big data. Going forwards, digitalization needs to be promoted across the entire organization including the way to respond to customer, innovative service, the way we work and corporate culture, thereby proactively meeting the diverse needs of customers.

1) Transforming the operating system of business into digital-based one using digital technologies and information

## OUR ACTION 01 Laying the Foundation for Digitalization

### Establishment of the NPS ICT R&D Center

In June 2019, the NPS established the 'NPS ICT R&D Center' to ensure a swift response to the digital transformation. By doing so, we have laid the foundation to render various innovative services by deriving research tasks necessary for the successful digital innovation and applying research results to the entire business. In particular, this center, a R&D platform converged with private, public, and academic sectors, will continue to serve as an infrastructure for the joint research involving 8 companies (including Kakao Bank) located in metropolitan cities, 5 local companies, local universities (Chonbuk National University, Wonkwang University) and local governments (Jeollabuk-do, Jeonju city). The creation of an ICT R&D environment in which data (NPS), technology (companies), talent (university), and financial resources (local governments) are integrated is expected

to produce synergy effects as all the institutions can overcome the limitations. Furthermore, we will seek for building a new business model by establishing an ecosystem where the ICT R&D center plays a pivotal role in driving sustainable innovative growth based on the network.

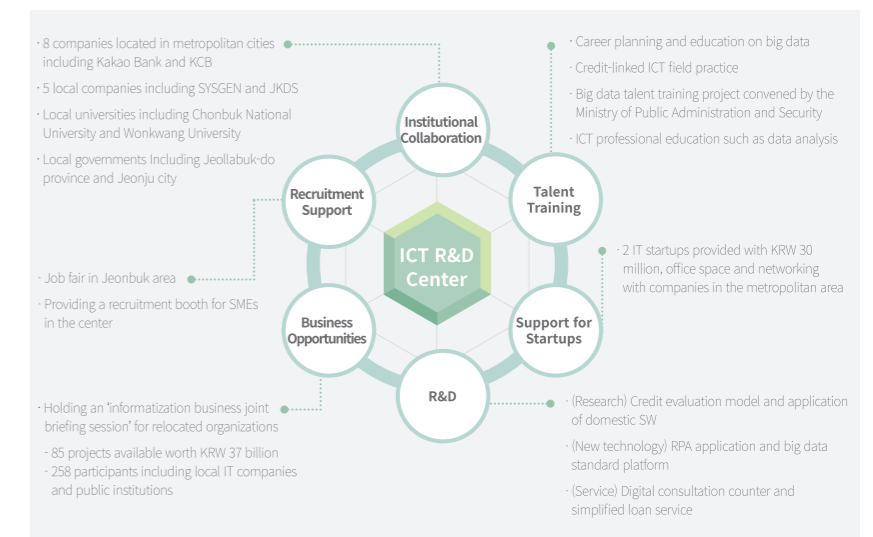
### Updating Infrastructure for Better Information Security

As the growing number of customers use digital channels for financial services, information protection is being renewed its significance to prevent and prepare for personal information leakage and financial crimes. The NPS, which manages tens of millions of the personal information, is solidifying the foundation for information protection with a view to providing safe and convenient digital services as an institution trusted by the public. For the purpose of preventing advanced cyber intrusion, we introduced an intelligent analysis control system and have reinforced our ability to

## OUR APPROACH

The NPS is ceaselessly taking a preemptive response to transformation into the digital-centered environment where customers' overall lifestyle straddles between online and offline and the new generation of digital culture has emerged as our subscribers. With the purpose to provide sustainable pension & welfare services to all subscribers and beneficiaries that the people need, we are driving digital innovation through the analysis of business characteristics and process. Digital innovation is being promoted throughout the business such as improving customer service through AI and mobile linkage, business automation through robot automation process, building a fund investment system based on big data analysis and simplifying the self-authentication system while strengthening the security system.

### Ecosystem of R&D-centered Sustainable Innovative Growth for ICT



## OUR ACTION 02 NPS Digital Innovation

respond to the latest information environment by updating the overall core infrastructure such as information security servers and software while expanding the foundation to block the leakage of personal information and confidential fund information.

### Plans for Big Data Portal System

Together with the Ministry of Health and Welfare, the NPS plans to open the 'Big Data Analysis Center of National Pension' in August 2020 and establish a 'Big Data Portal System for National Pension' by 2021, unleashing approximately 480 billion of data on the subscription, payment, and claims of the national pension over the entire life of the entire population to effectively support public and private sector. The big data portal system which can be accessed by anyone, including the government and local governments, is expected to meet various data needs. Since the system enables data-based administrative services, citizens can enjoy the heightened convenient services provided by the government and local governments, while startups make good use of those services in the private sector.

Awarded by

### Minister of Land, Infrastructure and Transport

Best Practices of Innovative City Promotion in Specialized Development Sector (NPS ICT R&D Center)

For 5 consecutive years

### Highest grade

In personal information protection management level held by the Ministry of Public Administration and Security

### Business Innovation

#### [Subscriber Management : Big Data-based Prediction Model for Subscription]

The NPS is discovering possible subscribers to help those in the blind spot of pension system to strengthen their income after retirement. In the case of daily workers at small workplaces, human-made errors often caused the omission from the subscription. To resolve these cases, six key variables were extracted after 500 tests on a total of 9.37 million of NPS's data to make indices regarding the probability of subscription. As a result of promoting the subscription to selected group with high possibility, the number of daily worker subscribers in 2019 recorded 1.34 million, an increase of 80,000 compared to 2018, achieving the highest performance ever.

#### [Job Support Projects: Resolving Mismatches Based on Big Data]

We have provided concrete job information through the analysis of huge data on workplaces and subscribers accumulated since 1988 to support job search for vulnerable groups such as youth, the elderly and women with career break. In particular, we are contributing to the successful projects for the new middle-aged<sup>1)</sup>, where preparation for retirement is more urgent than any other generation. We are establishing and utilizing a job database by linking and analyzing the data from about 60,000 job openings updated every day on Worknet website and reports from 1.7 million workplaces nationwide registered in our database. As a result, a total of 1,568 job recommendations were made in 2019, and 68 people were employed through the job support projects for the new middle-aged.

1) Group of people aged 50 to 64 before entering senescence

#### Development and Application of Big Data-based Prediction Model for Subscription

<b>Design</b>	- Indexing probability of subscription for each business site and individual, utilizing the subscription history database (0-100) - Classifying into 4 types by the cross-analysis of prediction and actual subscription				
<b>Application</b>	- Linking predictive model to NPIS and sharing analysis information to be used on site - Selecting and prioritizing the group with high possibility of subscription (I>II>III>IV) to promote subscription				
<b>Process and Expected Effect</b>	Cross-analysis of subscriber DB	Indexing of possible subscribers, and classifying by type	Linking and sharing NPIS data	Selecting and prioritizing targets to check <b>User/Worker</b>	Providing customized guidance to those who have high possibility to join

#### The Use Cases of Big Data Analysis Information

**Case** Mistaken Declaration for a daily worker John Doe who worked on the 10 days per month and earned KRW 1.6 million at the workplace to be reported to work only 7 days per month

Previous	After introduction of prediction model
Fail to meet the subscription criteria for daily workers ➡ Omitted from the Subscription	The prediction model analyzes the duration of subscription, wages, etc., to select as a priority target since the analysis results corresponds to Type I ➡ Subscription



### Innovative Customer Service

#### [Pension Service : Customized Service through Mobile Technology]

The NPS offers mobile services in line with the trend of most citizens accessing information on mobile. In 2019, for the first in ICT sector, we launched the 'Comprehensive Mobile Service Plan' under the regulatory sandbox<sup>2)</sup> to send 57 types of notifications, which used to be sent through mail in paper form, in the form of mobile electronic document and messages. In addition, we have made 71 electronic civil services available on a mobile application, upgrading convenience for the people. Also, a mobile office was established where a tablet PC is used to render more flexible and faster services.

2) A system that exempts or suspends existing regulations for a certain period of time when launching new technologies and services in new industry

#### [Counseling Service : User-friendly Service Using Digital Capabilities]

The NPS started AI-based chatbot and text counseling services in 2019 which are available at any time, helping customers who have difficulties in using wired and in-person consultations and providing necessary services regardless of the business hours and locations. Along with that, we are in the process of building a digital consultation desk equipped with touch screens which is expected to simplify the processing procedure and reduce the burden of writing compared to conventional paper forms, thereby shorten the waiting time. Our plan is to expand digital consultation counters to all branches by 2021.

### Innovation in the Way We Work

#### [Business Automation : Introduction of RPA<sup>3)</sup>]

RPA technology has been applied to simple and repetitive tasks to increase work efficiency. In 2019, a pilot project to establish a RPA-applied verification system was conducted targeting eight priority tasks related to verifying the accuracy of premiums and pensions. Business automation has reduced potential human-made errors to zero while improving accuracy through 100% verification, thereby cutting down processing time per case to one ninth.

3) Robotics Process Automation

#### [Business Convenience : Automatic Text Recognition Technologies]

For the first time among public institutions, the NPS established an Automatic Web-Fax Reporting System that applied both QR and OCR. The system maximizes the accuracy of QR and the convenience of OCR. Thanks to this system, the burden of reporting work was alleviated about 19,000 hours a year, improving the work efficiency of staff, which will lead to the improvement of the counseling service.

Awarded by

### Minister of Science and Technology Information and Communication

at the Mobile Notification Performance Presentation

### 93.7 points

Satisfaction for non-face-to-face counseling services

Awarded by

### Minister of Public Administration and Security

for Innovation in a way to work



# Our Strategy

Under the mission of social value realization, 'contributing to the sustainable society and improving people's quality of life by providing inclusive pension welfare services,' the NPS has set 'safety', 'fairness', and 'respect' as the three core values, striving to create social value and managing performance in a systematic manner.

## NPS Strategy for Social Value

### New Strategy for Social Value

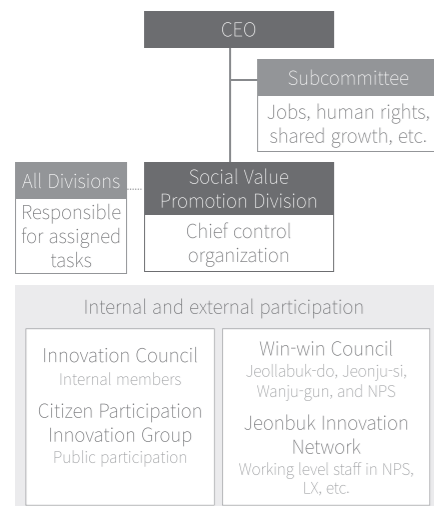
In 2018, the NPS defined social values linked to our own business, announcing the 'Master Plan for Social Values Realization' to methodically push forward detailed plans for each sector. Amid increasing demands and expectations for public institutions' social role, our strategies have reached a moment to change in the direction where the public and in/external stakeholders can fully experience and understand various social values created by us. Accordingly, in 2019, we have devised three key directions and implementation plans for the new strategy for social value and turned the existing business-oriented strategic system into the value-oriented one with consideration on the in/external conditions, and stakeholders' opinions.

### Three Key Directions and Implementation Plan for Realizing Social Values

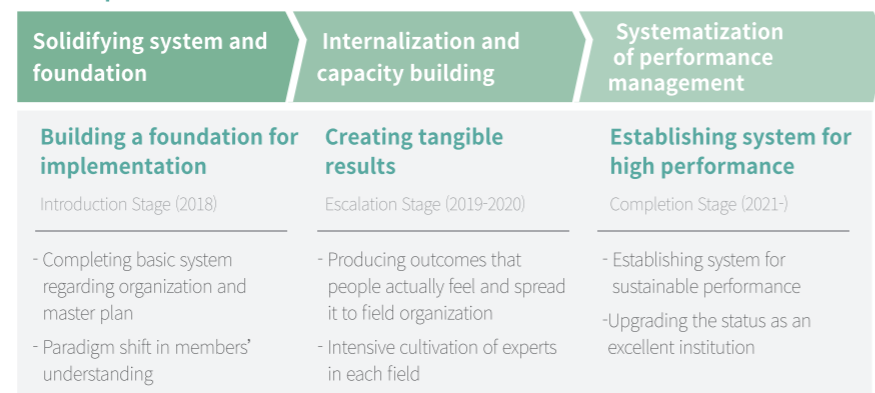
Three Key Directions	Implementation Plan
Continuing efforts to strengthen public nature based on our own business	Enhancing the implementation system and foundation
Unlocking social values and reinforcing the role of a leading institution	Internalizing and conducting continuous capacity building
Establishing of social value-oriented management system	Pursuing systematic performance management

### Organization for Social Value Realization

In 2018, the NPS established the 'Social Value Promotion Group', an organization dedicated to social value fulfillment under the direct control of the chairman. As a chief control organization, the group oversees and inspects the entire plan and support practical tasks for each sector, such as jobs, social contribution, and shared growth. With an attempt to reinforce executing capability, the group underwent a massive overhaul in 2019 to newly establish a 'Job Creation Team' and a 'Safety & Maintenance Division' belong directly to a program director. Moreover, 'Social Value Creation Department' was expanded and reorganized to 'Win-win Cooperation Department', securing professional and systematic capabilities and sound partnerships with local governments.



### Roadmap for Social Values Realization



## Social Value Strategy System



1) Criteria : 13 social value elements stipulated in the 'Act on the Social Value Realization of Public Institutions'

# Goal & Performance

Under the three directions, 'Stable Life', 'Sustainable Growth', and 'Enhanced Confidence in Management', the NPS has set 4 goals and 12 strategies. With key indicators for sustainable management, we manage our performance. In addition, major achievements are open to the public on the sustainability report and the information disclosure system called ALIO in a transparent manner.

For the purpose of playing a leading role in the social value fulfillment, the indicators are methodically managed by objective. Under the new direction, goal, and strategies derived

from the shift to the value-oriented strategy system from business-oriented one, the NPS set the key indicators for performance management. The achievement level is annually checked to examine and evaluate the actual performance of social value creation, and any insufficient parts will be reflected in the next year business plan for further improvement.

## Performance Management for Social Value Realization

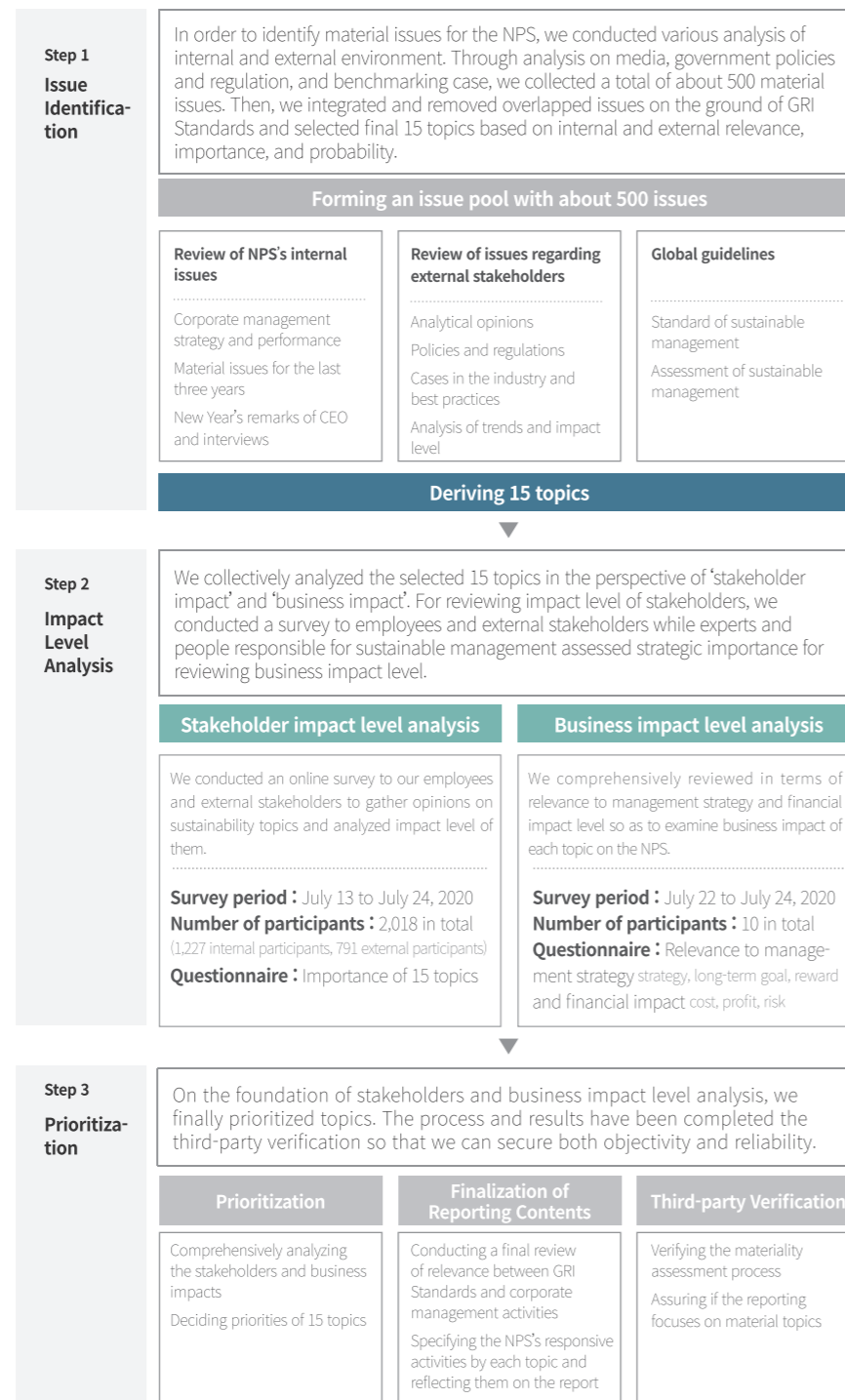
Goal			Performance					Social Value Elements	Linked to UN SDGs			
Goal	Strategy	contents	Key Indicators	Unit	2017	2018	2019			Long-term goal		
Reassuring Retirement Welfare	1	<b>Strengthening pension security</b>	Reinforcing pension security to eliminate blind spots for retirement income for all citizens, and reducing the risk of poverty in the later life by strengthening retirement income security	Expansion of income reporters for national pension	%	82.5	83.4	85.3	87.6	③ Ensuring health and welfare ⑤ Support for the socially vulnerable ⑬ Generating public interest	1 10	
				Payment rate of national pension	%	40.8	42.5	44.1	Above 50%			
	2	<b>Providing customized welfare service</b>	Taking efforts to ensure the basic life of the people in response to the risks by life cycle and key areas of life	Payment rate of basic pension	%	66.3	67.1	66.7	70% 100% of actual payment rate		② Keeping workplace and living environment safe ⑬ Environmental preservation	2 10
				Awareness of retirement planning	Point	92	92.8	93.1	Above 94 points			
				Satisfaction on finance in life	Point	92.8	93.2	93.6	Above 95 points			
	3	<b>Managing fund in a responsible manner</b>	Expanding the foundation for long-term profits while strengthening transparency and responsibilities based on the principle of good faith to improve the sustainability of pensions	Speed of comprehensive survey of support for the disabled	Point	81	80.7	84.1	Above 85 points		⑨ ⑬ ⑬	
Achieving the target rate of fund management				%	100	100	100	100				
Tightening the responsible investment				Quantitative	-	Introduction of stewardship code	Settlement of stewardship code	Expansion of responsible investment asset				
Safe Living Environment	4	<b>Establishing disaster and safety management system</b>	Establishing a management system that creates an optimal environment where all citizens can use the service and employees can work in a safe condition	Occupational health and safety management system (KOSHA-MS)	Coverage	-	-	Headquarters <sup>1)</sup>	All business sites	② Keeping workplace and living environment safe ⑬ Environmental preservation	11	
				The number of infringements on pension and fund information	Case	ZERO	ZERO	ZERO	ZERO			
	5	<b>Reinforcing support for people' safety</b>	Maintaining the highest level of protection system on pension information and spreading the culture of safety in society	Satisfaction on facility safety	Point	-	90 <sup>2)</sup>	92	Above 95 points		③ ⑪	
				The number of personnel to support vulnerable groups in safety	Person	5,246	5,876	7,582	Above 10,000			
	6	<b>Creating a sustainable environment</b>	Actively implementing eco-friendly policies to contribute to maintaining the sustainability of the global environment for future generations	Achievement of GHG reduction target	%	100	100	100	100		13	
				Achievement of green product purchase goal	%	100	100	100	100			
Win-win Fair Society	7	<b>Creating decent jobs and fair opportunities</b>	<b>Win-win with the people</b> Creating decent jobs and providing fair opportunities without discrimination	The number of internal and external job creation	Number	6,469	6,777	7,679	15,000	⑥ Win-win cooperation with companies ⑦ Job creation ⑧ Community ⑨ Local economy	8 9	
				Satisfaction level of personnel management of the NPS	Point	81.6	82.3	83.3	Above 90 points			
	8	<b>Invigorating regional development and local economy</b>	<b>Win-win with society</b> Contributing to balanced regional development and realizing a society where everyone enjoys pleasant life	Purchasing and contracting products from local company	KRW 1 bil.	2.6	2.3	16.9	Above KRW 20 bil.		④ ⑫	
				Social contribution mileage	Point	167,030	182,867	182,122	190,000			
	9	<b>Enhancing cooperation with companies for fair economy</b>	<b>Win-win growth with companies</b> Leading the order of fair economy and realizing shared growth by supporting the competitiveness of SMEs	Contract satisfaction	Point	93.9	94.4	94.8	96.2		⑨ ⑬	
				Purchase rate from SMEs	%	81.5	82.3	94.2	Above 95%			
Transparent Management	10	<b>Securing the ground for ethics management</b>	Strengthening employees' awareness of ethical management and establishing an integrity management system to enhance the confidence of public institutions	Evaluation on shared growth	Grade	Average	To be Improved	Good	Excellent	① Human rights protection ④ Assuring labor rights ⑫ Democratic decision making	5	
				Ethics awareness index for employees	Point	84.9	90	93.2	94.6			
	11	<b>Spreading a culture of respect for human rights and labor</b>	Laying a management foundation on which the basic management principles can be transformed to human rights-oriented one	Comprehensive Integrity	Grade	2nd Grade	2nd Grade	2nd Grade	1st Grade		3	
				Index of organizational culture	Point	87.5	88.4	88.8	90.2			
12	<b>Expanding communication and participation</b>	Laying an institutional foundation to realize participatory democracy based on provision of information for appropriate communication with the people and stakeholders	Satisfaction with work-life balance	Point	83.4	84.8	86.9	Above 88 points	17			
			Customer satisfaction	Point	87.4	87.5	88.8	94.6				

1) Newly added indicator in 2019 2) Newly added indicator in 2018

# Materiality Assessment

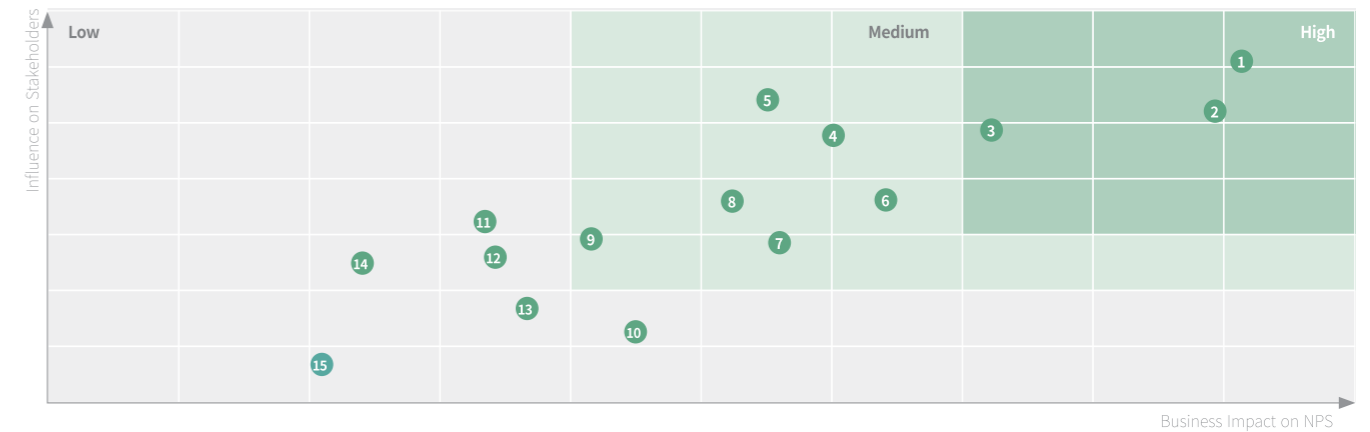
The NPS conducted a materiality assessment to identify the internal and external environment and our stakeholders' interests and reflect them on the report while finding out the sustainable management issues that we should focus on. To this end, we comprehensively reviewed the NPS's internal issues such as management strategy and performance, government policies and regulations, common issues in the industry and best practices, and the global guidelines including GRI Standards, and 10 principles of UNGC. As a result, we formed an issue pool in regard to sustainability management and decided our material topics considering impact level of stakeholders and business.

## Materiality Assessment Process



## Materiality Assessment Results

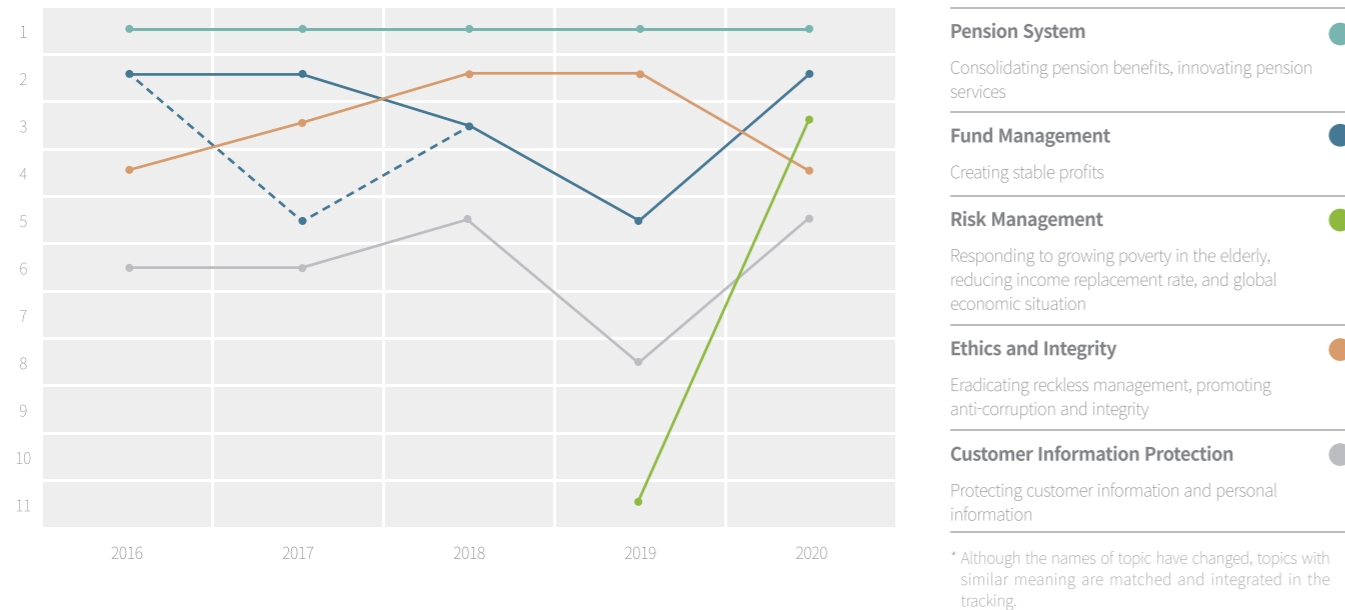
As a result of the materiality assessment, pension system, fund management, risk management, ethics and integrity, and customer information protection became the top five material topics of the NPS. We mainly focused on our management approach and major activities by each topic, and other issues are also contained in the report.



Rank	Topic	Topic Boundary					Salient Report Contents	Page
		Employees	Customers (Subscribers/Recipients)	Partner Companies	General Public	Government/Related institutions/Media/Academia		
1	Pension System	●	●		●	●	Reinforcing pension benefits, innovating pension services	26-31
2	Fund Management	●	●		●	●	Creating stable profits, Stewardship activities	32-37
3	Risk Management	●	●	●	●	●	Responding to poverty in the elderly and global economic situation	56
4	Ethics and Integrity	●		●		●	Anti-corruption and integrity, eradication of reckless management	57
5	Customer Information Protection	●	●				Enhancing the protection of personal/sensitive information	50-51
6	Economic Performance	●	●	●		●	Distributing economic value and profits from fund management	64
7	Human Rights	●	●	●	●		Respecting human rights, enhancing remediation	58-59
8	Welfare Service		●		●	●	Expanding support for the vulnerable and playing a role of a social safety net	38-43
9	Talent Management	●					Having a fair hiring process and nurturing talents	60-61
10	Governance	●				●	Strengthening a role of BOD and reforming an organizational operation	54-55
11	Occupational Safety and Health	●		●			Enhancing employees' safety and disaster response	51-52
12	Stakeholders Engagement		●	●	●	●	Expanding communication with stakeholders and disclosure of information	21, 63
13	Local Community				●		Promoting social contribution activities and supporting to create a local financial ecosystem	47-49
14	Supply Chain			●			Pushing forward shared growth with partners and fair-trade culture	49
15	Climate Change Response and Environmental	●				●	Aiming at low-carbon economy and expanding purchase of green products	65

### Changes in the NPS's Material Topics

Yearly Trend of Top 5 Topics



This year's report looked at the changes in major sustainable management topics of the NPS. By looking at the changes in rankings of the top five topics in 2020 for the last five years, we can check the trend that the NPS needs to focus on and check the direction that our sustainable management is heading by sharing with our stakeholders. The analysis result shows that our material topics have been 'pension system', 'fund management', 'ethics and integrity', and 'customer information protection'. Recently, 'risk management' has emerged as a material item.

By topic, 'pension system' has been the most significant topic for the sustainability of NPS for the last five years. The operation and management of pension system is the most essential business to the NPS, and the its impacts on stakeholders and business were also the highest, making this topic maintain the biggest priority position for the NPS in the future. In case of 'fund management', which was analyzed with the perspective of public nature and profitability respectively, we currently do not separate but combine those two different natures in line with global trend. The fund management topic has shown decline in the ranks by 2019, but it appeared at higher rank (▲3) this year amid the global circumstances with higher complexity and increased volatility in investment environment. This is notable along with the rise in the ranking of 'risk management' topic, and it seems that the result reflected much greater significance of stable fund management in the unstable economic environment caused by COVID-19. The ranking of 'risk management' increased the most (▲8) compared to last year. Under the unique circumstances of COVID-19 pandemic and subsequent economic contraction and intensified polarization, we could see the need of risk management against economic and social changes.

'Customer information protection' also newly entered top 5 this year (▲3) along with 'risk management'. This is the result of high interest of stakeholders in the information safety management as the NPS owns immense amount of personal information. As there are growing number of customers using financial services through digital channels and measures against personal information leakages and financial crimes are gaining its significance, the topic had high business impact level as well. Meanwhile, 'ethics and integrity' topic has consistently stood at high rankings as social values of ethics, integrity, and fairness are all the more integral recently in our society. However, the ranking has slightly declined because the significance of other new topics became higher.

## Expanding Public Engagement

The NPS is making our strenuous efforts in active communication with the people who are the owners of pensions. We have actively engaged in various communication activities to carefully listen to the opinions of the public, collect various opinions, and reflect them into company-wide management and social value creation activities.

### Facilitating Public Participation and Communication

With an aim for securing various communication channels for the public, the NPS reformed an online channels such as Youtube and Instagram in light of preferences and trends of different generations of our customers. Diverse incoming opinions through those channels are reviewed by responsible departments in terms of feasibility and implemented in a public view after going through the Citizen Engagement Committee. The Citizen Engagement Committee is the highest consultation group of the NPS participated by the public, comprising of various groups such as professors, university students, subscribers, and recipients. In 2019, we considerably increased the number of citizen members of the committee from 6 to 90 people and expanded the negotiation subjects to the overall operation of the NPS and businesses so that its function of gathering opinions can be much reinforced. As a result, by reflecting citizens' views, we induced achievements that can be actually felt by the people.

#### Current Status of Public Engagement and Communication Channels

Common Channel		Fund	System
Innovative City Win-win Council	Safety Voice of Customer	Fund Management Committee	Payment System Improvement Group
Public Suggestion	Safety Management Committee	Fund Management Special Committee	Basic Pension Citizen Engagement Meeting
National Pension Advisory Panel	Youtube/Instagram	Trade Restriction Review Committee	
Citizen Engagement Committee			

#### Raising Convenience and Benefits through Communication with the Public

Channel	Public Needs & Opinions	Reflection of Public Opinions
System (Subscription Pension)	When reporting or applying for business sites, fax is inconvenient to use.	▶ Establishing a web-fax automotive report system that QR and OCR are simultaneously applied Raising convenience of reporting
	I hope for better online accessibility	▶ Providing non-visit and non-contact service through a mobile application App downloads ▲182%/expense ▼KRW 5.4 billion
Fund	I want the NPS to prevent funds from running out by raising a profitability of fund.	▶ Establishing a comprehensive plan to improve the profitability of fund management Promoting the expansion of overseas investment, etc.
	I would like the NPS to manage the people's retired fund in a more transparent way.	▶ Disclosing more information to the public on our fund management Report on management committee activities/ the public announcement regarding fund management
NPS Operation	Please build a safe facility in case of disasters.	▶ Conducting safety inspection on all facilities owned by the NPS such as our offices and Cheongpung Resort 822 items to be improved in 43 sites/ OHS management system certification
	I am worried if a communicable virus would be transmitted to me through a face-to-face service.	▶ Preventing infection of virus between the public and our employees through having our staff vaccinated Supporting four vaccinations including influenza for 672 employees on site

- NPS On-Air**  
<https://www.npsonair.kr/index.html>
- Youtube**  
<https://www.youtube.com/user/NaionalPensionService/featured>
- Instagram**  
<https://www.instagram.com/nptagram/>
- Facebook**  
<https://www.facebook.com/proNPS>

### Expansion of Information Disclosure to the Public

We are making our various information public so as to ensure the people's right to know. In accordance with the requirements discovered by user survey and interviews conducted in 2019, we have newly released 11 types of data. As a result, the request for data use increased by 224% compared to the previous year, and we newly disclosed a total of 53 types of data for three years. Recognized of our efforts to expand information disclosure and reinforce public announcement of fund, we were selected as an excellent institution for public announcement by the Ministry of Economy and Finance for three consecutive years. On top of that, we distributed more press releases with the purpose of preemptively and correctly guiding information that people are curious about while actively utilizing new media such as social media. Consequently, our endeavors brought to fruition. Besides the awareness, necessity, and interest in regard to pension system grew, about 3.2% of voluntary subscribers were increased.



### Insights into Stakeholder

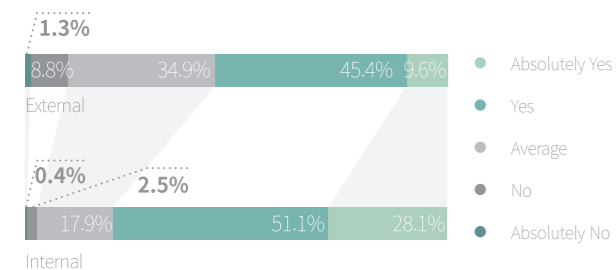
#### Overview of Stakeholder Survey in 2020

The NPS conducted a survey toward stakeholders to find out the awareness level of stakeholders on the institution's social value creation activities and to review the direction of social value realization. The survey questionnaires mainly focused on the opinions of the NPS's social value projects and the understanding of social values. A total of 2,018 (1,227 internal stakeholders and 791 stakeholder) participated in the survey, making it reach the meaningful level. We plan to actively utilize it in the analysis of social values and tailored improvement activities for better awareness.

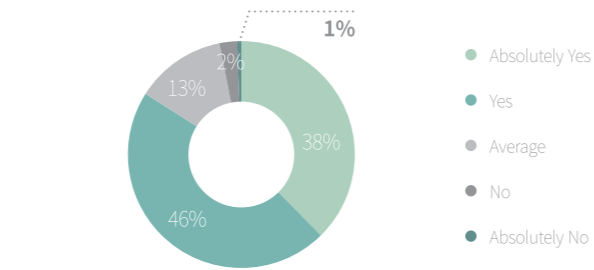
#### Awareness of the NPS's Social Value Activities

Our stakeholders generally gave positive evaluations on the social value activities we are carrying out, but there were differences between internal and external stakeholders. About 79% of internal stakeholders and 55% of external stakeholders responded positively (Yes, Absolutely Yes) to the question of whether the NPS is making efforts to realize social values. External stakeholders expect the NPS to make more efforts to match its social status as a pivotal institution for Korea's welfare system. In addition, approximately 84% of stakeholders answered that the institution should strive more to realize social values. In this sense, we will never spare our social value fulfillment efforts so that stakeholders can personally feel.

#### Q. Do you think the NPS is striving to realize social values?



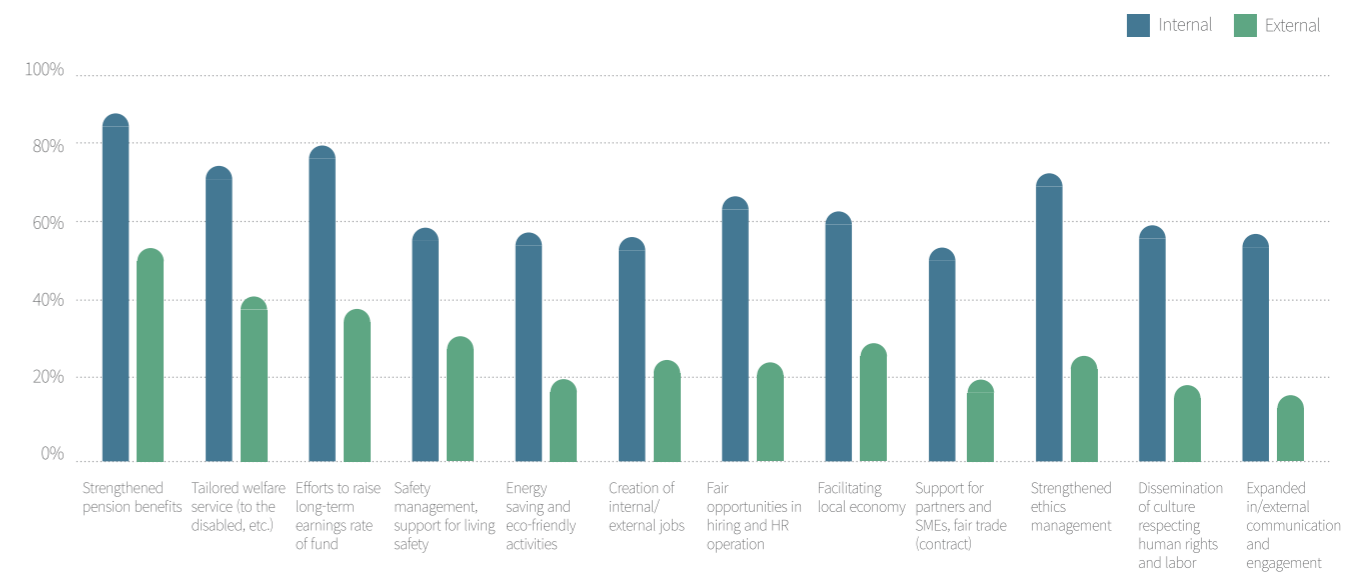
#### Q. Do you think the NPS should make active efforts to realize social values?



We could more clearly find the awareness level difference between internal and external stakeholders in the answers to the NPS's social value projects. Specifically, the project with the greatest difference in awareness was 'strengthened foundation for Anti-corruption and ethical management',

followed by 'fair opportunities in hiring and HR operation'. This reflects the recent demand for active social value fulfillment of the areas like ethics and integrity, human rights, and fairness. Keeping this in mind, we will further strengthen the project in those areas. Meanwhile, stakeholders in and outside all were well aware of 'strengthened pension benefits like contribution support for the vulnerable and entitlement protection' and 'strengthened pension benefits like contribution support for the vulnerable and entitlement protection', which are related to our unique work as the most vibrant projects. Through this, we could confirm that we are leading particularly in 'health and welfare' and 'social integration' areas of social values. The projects with the lowest awareness among internal stakeholders was 'support for partners and SMEs, fair trade (contract)', and this received low awareness level also by external stakeholders. Thus, it is required for use to make intensive efforts for 'win-win cooperation'.

#### Q. Please select an item if you are aware of or experienced a project that NPS promotes for social values (multiple choices are allowed)



#### Opinions on NPS Projects by Social Value Area

We identified the social values that stakeholders expect from the NPS and should be continuously created. In five major areas (job creation, safety management, shared growth, win-win development with local community, ethics & human rights management), we induced the items to be prioritized. Based on this survey and other various communication activities, we will actively listen to diverse opinions and reflect them on our social value creation endeavors.

#### Q. In your opinion, what are the items to be implemented with priority in each area?

	1st Priority	2nd Priority	3rd Priority
<b>Area 1 : Job Creation</b>	Creating local jobs	Expanding recruitment	Supporting job-seeking for the elderly and the vulnerable
<b>Area 2 : Safety Management</b>	Expanding support project for the class vulnerable to safety	Ensuring safety of facilities	Enhancing personal information protection and safety
<b>Area 3 : Shared Growth</b>	Correcting unfair trade activities	Distributing results of cooperation more with SMEs	Enhancing capabilities of our partners
<b>Area 4 : Win-win Development with Local Community</b>	Identifying collaboration projects with local members	Facilitating consumption of local gift certificates and Onnuri gift certificates in local areas	Increasing the number of places where NPS Welfare Points can be used
<b>Area 5 : Ethics &amp; Human Rights Management</b>	Transparently disclosing information and vitalizing public engagement	Having greater transparency in fund management and pension system operation	Raising fairness of the NPS operation

1) Five Areas were selected considering NPS management assessment and the government's innovative task guideline 2020

# Focus Areas

01

National Pension for All

Enhancing Inclusiveness of Pension

Innovation of Pension Service for All

Preparation for Sustainable Pension System

Best Practice 01

02

Trustworthy Fund Management

Stable Increase in Profits

Stewardship Responsibilities

Strengthening Transparency and Infrastructure

Best Practice 02

03

Effective and Reliable Welfare Services

Support for Substantial Retirement Preparation Services

Strengthening Welfare Services for the Vulnerable

Strengthening Eligibility of Basic Pension

Best Practice 03

04

Fulfillment of Sustainable Social Values

Creating Decent Jobs

Community Development and Shared Growth

People-centered Safety Management

Best Practice 04

# National Pension for All

Focus Area 01

**The national pension scheme is Korea's most representative public pension plan for all citizens. The NPS is making unwavering efforts to expand the scope of subscription while providing innovative pension service so that everyone can enjoy a stable post-retirement life through the pension system.**

## 1 Why is this topic important?

Korean society is facing a daunting challenge of the destitute elderly caused by insufficient preparation for post-retirement in the middle of rapid aging population. Since an individual's ability and efforts have a limit to address poverty in their later life, the public pension is gaining its significance in securing the stable post-retirement life of all population. In order for the public pension to serve as a social safety net, the burden of enrolment and subscription of the pension should be lowered while incorporating more people into the pension system by eliminating blind spots for the vulnerable groups. Moreover, in the cause of ensuring effective pension scheme, the payment rate and amount of pension need to be gradually raised in the long term. Also, we must earn the trust of the people and stakeholders through rational and fair services to maintain a sustainable pension scheme.

## 2 What is the approach?

The NPS is fulfilling its role as a public pension for everyone by reinforcing the inclusion and sustainability of the pension scheme. We aim to realize 'one citizen holding one pension' by discovering persons who have yet to join the pension and carrying out vigorous support for the vulnerable to maintain the subscription, thereby ensuring the right to receive benefits. For more accurate and fair pension services, our services are ceaselessly being improved which can be found in the dynamic ICT-based services that has enabled higher accessibility and convenience and has helped to earn the public trust, the foundation of a sustainable pension scheme. In addition, research is being continued to achieve the balance between retirement income security and financial soundness.

1) Statistics Korea (2019), '2019 Statistics on the Aged'  
2) OECD (2019), 'Society at a Glance 2019'

2019  
**3,576,000**

No. of new subscribers among the vulnerable (accumulated)

Expanding targets of Durunuri system to support social insurance for low-income subscribers at small businesses

KRW **1.16** trillion

Increased income reporters

2019 2024  
**84.1%** ▶ **87.6%**

Income reporter/  
National pension subscriber

Competency level for informatization

2019 2024  
**90.0** Points ▶ **92.3** Points

Management level of Intelligence support measured by the Ministry of Public Administration and Security



## Enhancing Inclusiveness of Pension

### Discovering Possible Subscribers

**More Daily Workers Joining the Pension System** The NPS is actively looking for people who are omitted from the pension subscription to incorporate them into our system so that more people can enjoy more pension. We developed a 'prediction model for subscription' based on big data and have checked the subscribing status in order to encourage particularly daily workers to become workplace subscribers as their pension subscription rate is relatively low due to unstable work. After analyzing subscribers' possibility to be hired again on the basis of subscription history data, we target ones who are not reported to be subscribed to inform of our pension system. As a result, a total of 1.34 million daily workers joined to the pension system as workplace subscribers, which is an 80,000-increase year on year.

**Turning Exemptions into Subscribers** Administrative officers in diplomatic missions had been excluded from the Government Employees Pension Service as well as any social insurance programs in the countries they serve. It made difficult to check their income although they are subject to national pension, therefore they were considered local subscribers exempted from the national pension. Against this backdrop, the NPS improved the system to make it possible to grasp the income status of them in consultation with the Ministry of Foreign Affairs and the National Tax Service, incorporating entire 1,532 administrative staff working in overseas diplomatic missions as workplace subscribers. On top of that, we have intensified our efforts to offer guidance targeting religious organizations with an aim of establishing the subscription culture to those who have income from religious activities. Our endeavors to induce subscription brought about a 21.7% increase to 23,078 subscribers compared to the previous year.

Besides, we are prioritizing special type of workers such as delivery man or quick delivery service workers, who were exempted from pension system due to their unstable income despite the job's nature of having high risk of accidents to render our intensive subscription guidance. These efforts have led to decreased number of the exempted by 420 thousand in the year of 2019, and increased number of subscribers with pension benefit right by 820,000.

**Reinforcing Voluntary Subscription** With the aim to realize '1 pension for 1 person plan' and resolve the blind spot, the NPS is actively encouraging women with career breaks and those with past enrollment history to return to the subscription. For female re-employed

The workplace-based insured among daily workers

**1.34** million people  
YOY ▲80,000

Income reporters used to be exempted from the subscription

**420,000** people

workers who are unable to secure pension entitlement due to hardship to reemployment, we provided customized information considering age, subscription period, and previous enrollment history, while offering guidance to those who wish to re-join the pension system by preparing leaflets that include practical information on post-retirement.

**Customized Guidance for Subscription by Type**

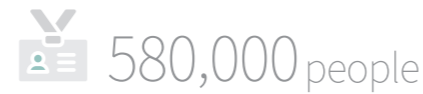
Type	Customized Guidance	Results
<b>Women with Career Break</b>	Providing target guidance considering age and payment history *Age over/under 50, eligible for return or postponed payment, etc.	89,000 people started to report their income 6,000 people meeting the eligibility through postponed payment and refund
<b>Persons with Subscription History</b>	Sending out notices about retirement preparation by type to those with high probability of re-registration	32,000 people turned to income reporters
<b>Potential Subscribers</b>	Enhancing promotional activities on the Internet and social media for those in their 40s or younger having low interest in retirement preparation	100,000 people increased in in the number of income reporters among whose age is under 40s

**Securing the Eligibility for the Pension Benefit**

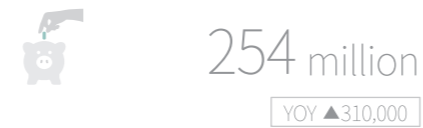
**Expanding Contribution Support** For ensuring inclusive pension scheme, the NPS has eased the criteria for contribution support so that financial difficulties would not hinder low-income subscribers from the payment and deter from the pension system. In case of ‘Durunury Project’ through which workplace-based insured persons are supported for their contribution, we lowered the standard for monthly wages from KRW 1.9 million to KRW 2.1 million, while pushing forward the legalization of the contribution support model for self-employed owners with low-income in close collaboration with local governments such as Gangwon and Chungcheong provinces, which finally enabled support for low-income subscribers among individually insured persons since 2021. On the other hand, the targeted guidance is being provided to the more vulnerable groups, such as beneficiaries of the national basic livelihood security program, those who cannot receive the support because they are not aware of such program.

**Identifying a Person Entitled to the Unclaimed Pension** The NPS is striving to eliminate a blind spot by carrying out proactive guidance for claims with close cooperation between institutions. In the cause of securing the eligibility of divorced spouses to receive benefits of divided pension as the eligibility expires within 5 years from the time when the reason for pension payment occurs, we received data regarding the marriage relationship to lay a foundation in protecting the eligibilities for divided pension of 220,000 divorced spouses. In addition, we are working with the growing number of countries to sign social security agreements which enable KRW 15.4 billion of annual foreign pension payment to 4,255 overseas residents, accompanying with close counselling service. Moreover, with leading effort to identifying vulnerable groups to deliver information regarding pension scheme, we are helping them not to miss the opportunity to receive the pension. Also, with expanding the scope for the guidance of the Survivor Pension to the person who were in support relation in the past, which was confined to the relation at the time of death, additional KRW 6.6 billion per year was paid to 2,568 of the bereaved.

No. of Subscribers Newly Acquired or Regained Eligibility for Pension through Customized Subscription Guide



No. of beneficiaries of contribution support program working in small businesses



Effect of the law amendment in contribution support for individually insured persons



Identifying a Person Eligible for Pension Benefit among the Vulnerable Such as Divorced Spouses



**Innovation of Pension Service for All**

**Accurate Pension Service**

**Enhancing the Accuracy in Pension Business** As the NPS handles 14 million information changes in subscription per year, cross-checking between external and internal data has been strengthened for accurate management of subscription history. On top of that, we are upgrading the subscription history management system using taxation data received from other organizations so as to prevent misreporting of small business often caused by insufficient administrative capability. In addition, the verification system has been reinforced for each pension payment stage, while the monitoring system of every payment decision has been established with a view to prevent incorrect payments. Also, the newly introduced automatic guidance system helps us avoid delays or omissions in pension payments to 1,134 beneficiaries per year.

**Reasonable and Fair Pension System** The NPS lowered the barrier for non-face-to-face claims in requesting a lump sum payment, from KRW 1.5 million to KRW 2 million, establishing a linkage system through which we can directly obtain required documents for pension claims from external institutions such as the National Police Agency, all of which facilitated the convenient claims for pension. Besides, for foreigners who are having difficulty issuing a proof of marriage, the required documents were simplified to help them claim a pension. In addition, the fairness of the system is guaranteed to prevent fraud. As a part of such efforts, we are precisely targeting suspicious claims to thoroughly check with big data. Meanwhile, the related regulations and the verification system were strengthened to prevent wealthy people from receiving contribution support, filtering 128,000 inappropriate applicants in advance.

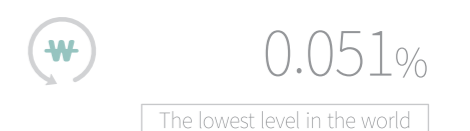
**Expanding Foundation of ICT Service**

**ICT-led Work Efficiency** The NPS seeks for ICT-based innovation in the way of working. Robotic Process Automation (RPA) is being tested in eight priority tasks through a pilot system to be fully introduced into simple and repetitive tasks such as statistical work and direct message (DM) sending. As a result, we witnessed improved work speed while reducing human-made errors that may occur during manual work such as data verification. In addition, automatic character recognition technology, such as QR and OCR, allowed an

Accuracy of Payment Determination System



Occurrence Rate of Clawback





automatic input system for workplace report to simplify process from 6 steps to 2 steps and shortened time from 5 minutes to 1 minute, fulfilling IT-based one-stop customer service.

**More Service Available on Mobile** The NPS is taking the lead in providing 'untact' or non-contact public services by expanding the service channels to mobile so as to facilitate information delivery to the public. About 40% of all notification, or 22.8 million cases, were sent in the form of electronic document. Mobile civil petition services for report and application were enabled on the application called 'National Pension by My Side', resulting in increased number of untact claims by 575% compared to the previous year.

**Smart Counselling Service** AI-based chatbots and text counseling services empowered the NPS to provide counseling services whenever people need it regardless of business hours. The chatbot counseling service introduced in August 2019 efficiently responded to 1.29 million cases of simple and repeated inquiries, and from September last year, a text counseling service was provided for younger generation who are familiar with smart devices to reduce the hassle of wired/visit counseling, improving the satisfaction of counseling.



**Preparation for Sustainable Pension System**

**Pension Scheme Enabling Post-retirement Income**

**Reinforcing Security after Retirement through Institutional Overhaul** The pension system seeks to the improvement in the direction where subscribers reduce the burden while protecting their rights. Based on the amendment of the National Pension Act, the NPS reflected the social situation where self-employed small business owners are in need of the support for contribution which was provided only to workers at small workplaces. Thus, even 220,000 individually insured subscribers with low-income are currently eligible for the certain portion of the contribution support. Moreover, the system was developed to reduce KRW 77.9 billion of the annual burden, lowering the upper limit for contribution arrears from the previous 9% to 5% and raising the contribution subsidy rate for workers in need from 40-90% to 90%.

In case of death of a beneficiary, we have addressed the problem, that the early death of a person drawing pension benefits receives less money compared the case of a subscriber dying

**Automatic Character Recognition Report System**



**Satisfaction Level on Untact Counselling Service**



**Reduced Burden on People by System Improvement (Annual)**



before the pension payment get started, by establishing a minimum standard of payment. In addition, birth credits can be applied from the first child in line with sociodemographic changes in which the proportion of households with one child is constantly increasing.

**Research on Pension System for Income Security after Retirement** The structure of the national pension scheme in which the future benefits are larger than the contribution paid, requires the balance between eliminating blind spots and maintaining financial soundness. To this end, we have researched the limitations of the current system and advanced cases in foreign countries with three major perspectives of 'income security', 'eliminating blind spots', and 'sustainable system', to make policy recommendations which serve as a platform for rational policy reviews and social discussions.

**Best Practice 01 Mobile Service**

**Better Convenience with More Mobile Services for the People**

Mobile App Download

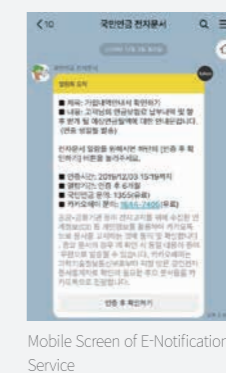


Keeping up with the trend that the most of citizens are using mobile (95% smartphone penetration rate in 2019<sup>1)</sup>), the NPS is shifting its service paradigm to mobile from the existing mail and face-to-face service. In 2019, we have been striving to provide innovative pension services to the public through the expansion of e-notifications and developed mobile application. In the future, we will continue to provide a variety of mobile services, looking for better information delivery to the public through customized services.

**Mobile App 'National Pension by My Side'**

The NPS made various services available on mobile apps for customers who need services such as an issuance of regarding documents and various consultations but have difficulties in visiting, such as elderly people. On mobile app, customers can issue required documents such as a proof of subscription, confirmation of contribution payment for income tax deduction, pension payment statements, etc., while using services like pension claims and various payment applications, and even chat counseling. We introduced AI-based chatbot<sup>2)</sup>, an automatic text counseling service in 2019 that are available 24 /7, aiming at reducing difficulties of customers in visiting or using wired service. Since the start of the service, the monthly usage rate has increased by 83% (accumulative 16,377 cases), receiving great response from customers.

**E-document and Mobile Message (Mobile Messenger Notification and SMS)**



Since March 2019, the NPS has been providing customized e-notification service (guidance and notification) to the public. The e-notification service is provided to anyone who gives consent on the service provision in collaboration with Kakao (Pay) and KT, designated as official e-document provider. Users need to go through the identity verification process to open the notification that includes private information. The advantage of mobile service includes preventing problems in advance such as mail not received or damaged, and personal information leakage to the third party that may occur in mail delivering. With the introduction of e-notification service, a total of 57 types of notification, including guidance for an old-age pension claims that require prior guidance for customers, have been gradually incorporated into the mobile services, showing increased number of mobile guidance from 950,000 in 2018 to 22.8 million in 2019.

1) Source : Pew Research Center, 2019 2) Chat robot program that allows users to communicate in everyday language on the messenger

# Trustworthy Fund Management

Focus Area 02

The NPS endeavors to ensure reliable fund management so that all citizens can rely on national pension. In the cause of improved sustainability of pension funds, we are solidifying the base for long-term profit and strengthening transparency and responsible activities upon the principle of good faith.

## 1 Why is this topic important?

The volatility in global investment market is growing with the uncertainty stemmed from the COVID-19 lingering in the economic and financial environment, following the sluggish international stock market caused by the US-China trade dispute and tightened monetary policy. Against this backdrop, long-term stability is gaining its significance in fund management. To meet the challenge of low interest rate and slow growth all around the world, thorough risk management like investment diversification is required to make sure the stable increase in fund profits. Also, responsible investment, considering the public nature and sustainability of pension funds, is renewing its importance. As such, the public pension fund is called for the fulfillment of fiduciary obligations.

## 2 What is the approach?

The NPS is actively diversifying regions and targets for investment, aiming at sustainable fund management. We plan to maintain its stance as a strategic option to pursue stable returns with a perspective of a long-term investor. Furthermore, we will strengthen the financial market monitoring and advance the risk management system of fund management through systematic risk factor analysis in order to proactively respond to the changes in the economic environment. Based on the 'Principles on the Stewardship Responsibilities of National Pension Fund,' we expanded its role as a shareholder, which had been limited to exercising voting rights, and embarked on more proactive activities. We plan to work on more diverse activities step by step in consideration of the investment conditions and influence on the fund, while carrying out stewardship activities that contribute to increasing shareholder value to enhance the long-term return of the fund.

Fulfillment of Responsible Investment and Shareholder Rights

## Establishment of Stewardship Code

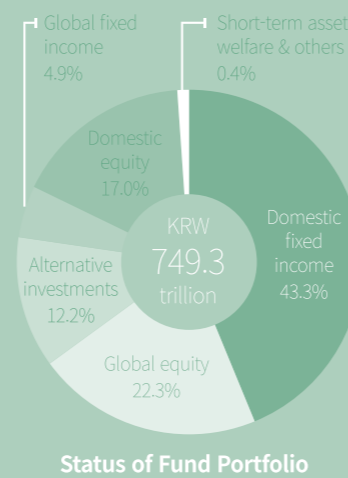
As of May 2020 from 1988

KRW **370.2** trillion  
Accumulated Profit

As of May 2020 from 1988

**5.29%**  
Annual Average Rate of Return

As of the end of May 2020



## Stable Increase in Profits

### Better Portfolio of Fund Management

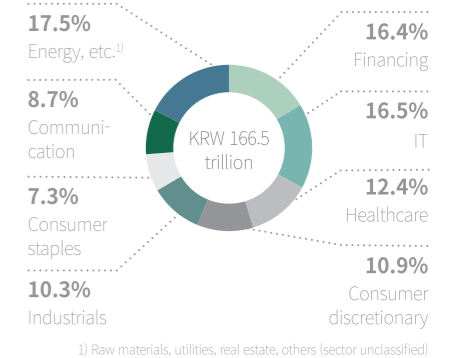
**Current Portfolio Status** As of the market value at the end of December 2019, assets of the National Pension Fund amounted to KRW 736.7 trillion, of which 99.9% of financial assets add up to KRW 736.08 trillion. The bonds used to account for the largest share of over 50% in the fund assets at KRW 351.2 trillion in terms of market price, which has been reduced to 47.7% in the late 2019 through continuous investment diversification. The second-largest share in assets is equity which amounted to KRW 298.8 trillion, 5.9%p up from the previous year to 40.6%. As such, we reduced the share of bonds while increased the share of stocks as part of investment diversification. Besides, a total of 11.4% of the fund, KRW 84.3 trillion, was invested in domestic and overseas real estate, infrastructure, private equity funds, and hedge funds as of late 2019.

**Performance of Fund Management** The return rate of National Pension Fund in 2019 was 11.31%, recording 5.86% of annual average rate of return since the establishment in 1988. Unlike 2018, when the global stock market was in recession owing to the trade disputes in major countries, tightened monetary policy and rising credit risk in emerging countries, in 2019, although the US-China trade agreement resolved global uncertainty to some extent, the issue of Japan's restriction on export to Korea has emerged while the fears of economic downturn continued. Under these circumstances, we pursued bold diversification of our portfolio, expanding global investment. As a result, the National Pension Fund recorded the highest rate of return and profits since the establishment of the NPS Investment Management on November 5, 1999.

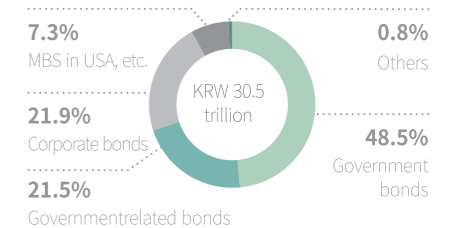
### Diversification of Investment Strategies

**Establishment of Mid-term Policy on Asset Allocation** The National Pension Fund Management Committee (FMC) proposed a target rate of return by 2024 at 5.3%, taking into account the future growth rate of real economy and inflation rate. With regard to the portfolio of the National Pension Fund, we aim to have approximately 15% of domestic stocks, 30% of overseas stocks, 30% of domestic bonds, 10% of overseas bonds, and 15% of alternative investments by the end of 2024. Notably, the share of bonds which accounted for 77% in 2009 was shrunken to 48% at the end of 2019 and is planned to be reduced to 40% by 2024 as part of steady effort in decreasing low-yield assets to strike the balance in our portfolio.

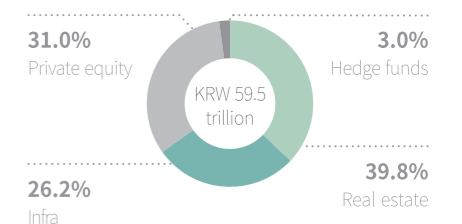
### Global Equity Status



### Global Fixed Income Status

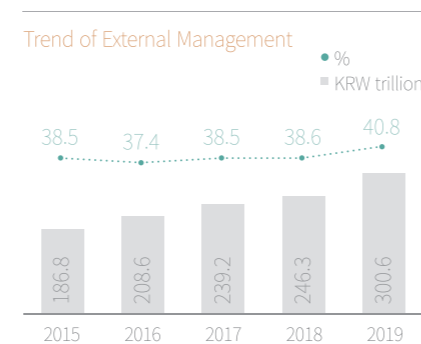


### Global Alternative Investment Status



**Broadening Investment in Global Market** As the size of National Pension Fund is enormous compared to the domestic economy, we are investing abroad to minimize the impact on the domestic market and enhance the rate of return. When it comes to investment in various sectors of overseas stock market, the sum of four sectors, IT, finance, healthcare, and consumer discretionary, accounts for the most of stock investment. By region, the investment goes to North America, Europe, and Asia taking up 58.3%, 21.1% and 17.2% respectively. Along with that, we are sparing no effort to improve the return on investment in foreign bonds. Not only promising emerging countries such as China, we are investing in US MBS (mortgage backed securities) as well, pursuing diversification.

**Expansion of Alternative Investment** For the purpose of revitalizing alternative investments, the National Pension Fund has established a 'Plan for Better Alternative Investment' that includes details for efficient process, investment expansion, and new investment. With the establishment of the 'Subcommittee on Alternative Investment', the time for investment decision-making would be shortened, while securing competitiveness through large-scale investments by reinforcing strategic partnerships with superior asset managers and expanding the operation of exclusive funds. Also, we have adopted Single Funds method in overseas hedge fund investment, which used to be operated only through Fund of Funds method, in order to internalize our management know-how and alleviate the burdens of commission.



### Stewardship Responsibilities

### Invigorating Responsible Investment

**ESG-Based Investment Activities** Aiming at a systematic analysis on non-financial factors such as environment (E), society (S), and governance (G) of investment targets, the National Pension Fund has established its own ESG evaluation system that reflects the nature of the fund and carried out ESG evaluation twice a year on domestic listed stocks (KOSPI+KOSDAQ100). ESG information, including ESG evaluation results, is provided to domestic stock managers through the ESG system and is considered together with financial information in the decision-making process for direct domestic stock management. ESG evaluation system and indicators will be continuously improved, taking account of various factors such as internal and external conditions.

#### ESG Evaluation System of National Pension Fund on Domestic Stocks

<b>Environment</b>
Climate Change · Clean Production · Development of Eco-friendly Product
<b>Society</b>
Human Resource Management and Human Rights · Industrial Safety · Subcontract Transactions · Product Safety · Fair Competition and Social Development
<b>Governance</b>
Rights of Shareholders · Composition and Activities of the Board of Directors · Audit System · Risk of Affiliates · Dividends

ESG-related accidents that may have impact on corporate value are monitored and the materiality assessment is conducted focusing on severity and recurrence potential to assess impact on corporate and shareholder value in accordance with the 'Principles of the Stewardship Responsibilities' and the 'Guidelines for Stewardship Activities.' We manage the ESG evaluation results by comprehensively considering the materiality assessment results, the stakes of ownership and the fund while communicating with companies as a shareholder.

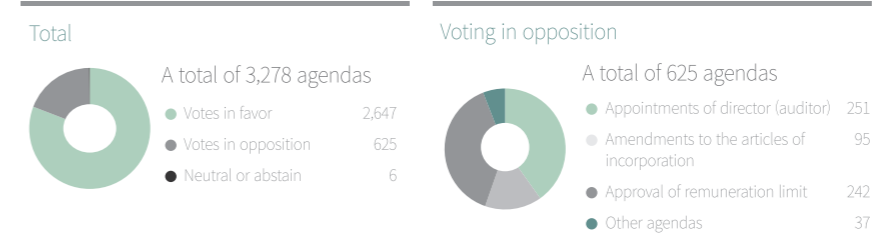
**Measures to Vitalize Responsible Investment** As a public pension fund, the National Pension Fund established a 'Responsible Investment Promotion Plan' in November 2019, to earn market trust and enhance return in the long-term by minimizing risks in investment. To this end, a roadmap was prepared to carry out three major tasks in vitalizing responsible investment; establishing strategy for the expansion of responsible investment to various asset class, ensuring internal stability of responsible investment in entrusted management and laying a groundwork for responsible investment vitalization. Going forwards, the detailed plans and regarding activities will be implemented based on the roadmap.

### Exercising Voting Rights and Shareholder Engagement

**Executing Voting Rights** The National Pension Fund exercises its voting rights upon the review and approval by an internal committee of NPSIM, depending on the stake of ownership and the share of the fund. In the case where the NPS requests to be referred to the Special Committee on Responsible Investment & Governance, or if more than one-third of the committee members are deemed to have a significant impact on the long-term shareholder value, the special committee shall determine the direction for voting. Also, the FMC has prepared the 'Guidelines for Delegating Voting Rights to Entrusted Operators' and decided to delegate voting rights equivalent to a portion of the fund holdings to entrusted managers since the general meeting for shareholders in March 2020. In 2019, voting rights were exercised on a total of 3,278 proposals at 767 general shareholders' meetings for domestic stocks.

**Shareholder Engagement** In December 2019, the 'Guideline on Proactive Shareholder Engagement of the National Pension Fund' was arranged to enhance corporate value and promote transparent and fair shareholder engagement. The guideline was prepared with an aim of devising measures to further enhance the value of the company and its shareholders through intensive dialogue and discussions regarding critical management issues and unexpected concerns, rather than management participation in the company subject to the shareholder engagement. Exceptionally, active shareholder engagement is carried out only in cases where the subject suffers severe hardships in making improvement. On the other hand, the FMC decided to prepare guidelines for the composition and operation of the Board of Directors, delegation of voting rights to entrusted managers, and standards for giving additional points in selecting and evaluating entrusted managers for the introduction of the principle on stewardship activities, followed by detailed plans.

#### Execution of Voting Rights In 2019



#### Measures to Vitalize Responsible Investment

- Establishing strategy for the expansion of responsible investment to various asset class
- Applying responsible investment to all asset classes (prior application to domestic and foreign stocks and bonds including corporate bonds), etc.
- Ensuring internal stability of responsible investment in entrusted management
- Developing and applying of new benchmark indexes centered on ESG factors
- Laying a groundwork for responsible investment vitalization
- Upgrading ESG evaluation system and actively utilizing results, etc.

#### 'What is Stewardship Code?'



For more information <https://youtu.be/ILKixjvDWk>



## Strengthening Transparency and Infrastructure

### Continued Enhancement of Transparency in Fund Management

**Disclosure of Accurate Information on Fund Management** The National Pension Fund is making utmost efforts to disclose our decision-making process and current status of fund investment to public in a transparent manner. To this end, we continued to expand the disclosure level of fund management while diversifying the channels and methods to provide information. We also increased the number of public announcements on profitability of fund management to 12 times a year and have timely sharing of trustworthy information with the people. On top of that, three type of minutes related to fund management were added to public announcement.

Within 14 days after the general shareholders' meeting, we reveal the details on our website including the voting history and specified reason of objections with ground articles in the guideline. However, the voting history and contents of the meetings can be disclosed before holding the general shareholders' meeting in case of all agendas in regard to companies having a stake at 1% or more or being owned by NPS with 10% stake or more as well as agendas that special committee on Responsible Investment & Governance decided. In 2019, a total of 103 general shareholders' meetings became public on earlier date.

Webpage for Public Announcement of Fund



For more information <https://fund.nps.or.kr/>

### Securing Fund Management Infrastructure

**Operating Organizations Reflecting Environmental Changes** The NPS restructured the National Pension Service Investment Management (NPSIM) in order to more flexibly respond to the constantly changing environment in and outside while raising our expertise of fund management. Under CIO, we newly established three Managing Director positions in Investment Strategy and Responsible Investment & Corporate Governance, Risk Management and Legal Affairs, and Investment Operations, IT & External Affairs. Also, the previous Private Equity Division is now reformed to Private Equity & Venture Capital Investment Division while specifying teams, which were previously divided by domestic and overseas alternative investment assets, into continents such as Asia, Americas, and Europe.

With an aim for enhancing our overseas investment capabilities through diversified investment, we push for the development of expertise in overseas offices as well. We are expanding the role of overseas offices step by step so that they can discover investment assets and make decisions on their own, enabling individual investment functions.

Newly Established Positions and Restructuring

Managing Director, Investment Strategy and Responsible Investment & Corporate Governance	Investment Strategy Division, Global Responsible Investment & Governance Division
Managing Director, Risk Management and Legal Affairs	Risk Management Division, Investment Legal Team (since April 1, 2020)
Managing Director, Investment Operations, IT & External Affairs	Investment Operation Division, IT Division, External Affairs Division

### Efforts for Securing Talents

The NPS reformed our HR system so as to secure and retain competent employees. As a part of our efforts, we diversified the outlet of recruiting notice to actively promote NPSIM's advantages as a workplace and increased the number of recruits from twice to three times a year while expanding the scale of hiring. As a result, we have hired the highest number of talents since the relocation to Jeonju. Moreover, an expert nurturing program was adopted to secure outstanding employees in a long term and conducting pilot test on chief management positions and consulting through professional institution in order to higher the adaptability on real field of the nurturing program. Through these efforts, the total number of the NPSIM increased by 78% (166 people) from 212 people in 2014 to 378 people in 2019, while the amount of management per person was reduced from KRW 2.2 trillion to KRW 1.9 trillion.

## Best Practice 02 Fiduciary Duty

### Responsible Investment Strategies : Engagement with Companies

Responsible investment can be implemented through engagement with companies which bring about higher ESG-related risk management capabilities as well as greater company value and constructive dialogue with ESG Incorporation considering ESG elements and subject of investment in the course of making investment decisions. In case of ESG-related incidents possibly having impact on company value, the National Pension Fund engages the company by listening to factual grounds and responsive measures of the company through mails or interviews if necessary and requests an improvement measures in order to raise the fund's long-term profitability and shareholder's value. In 2019, we had conversations with 20 companies through mails and interviews in regard of ESG issues such as national agency's investigation, including prosecutor's office and police authority, violation of environmental regulations and occurrence of human damage at business sites.

#### Company Engagement Case Regarding Occupational Safety

The National Pension Fund had performed company engagement with 'company A' where consistent human damages occurred such as employees at the worksite having disease since 2016 by means of mails and interviews. Through the engagement, we could continuously check facts, backgrounds, and measures taken and prepare safety and health management plan, having a dialogue with the company about information transparency and many more. In 2018, the company officially apologized and established a compensation plan for victimized employees while accepting recommendations for improvement from external independent body comprised of experts from various areas including occupational safety and preventive medicine conducting a comprehensive diagnosis on its production line.

### Exercising Shareholder's Rights : Shareholders' Activities

With an aim of fulfilling good fiduciary duty, the National Pension Fund reinforced independence and transparency of exercising shareholders' rights while raising long-term earning rates and stability of our fund. As a part of it, we expanded the reach of shareholders' activities to executives' remuneration and law violations beyond voting and engagement with companies. We conducted company engagement activities such as exchanging mails and having interviews with 6 enterprises in 2019, inducing them to establish favorable communication channels with us and making plans to increase shareholders' value.

#### Shareholders' Activities on Appropriateness of Compensation Limit for Executives

In terms of appropriateness of compensation limit for executives, we concerned that agendas of general shareholders' meetings related to the matter could be a mere formality if real paid amount of remuneration has huge gap with compensation limit for executives. For this reason, we conducted closed-door conversations with people having representation of a company such as the board members and the management. They fully empathized investors' concerns and the purpose of a closed-door dialogue regarding compensation limit for directors. As a result, both 'company B' and 'company C' adjusted the compensation limit for executives that used to be somewhat excessive compared to the real paid amount. In addition, company B stipulated a subcommittee regarding the issues in their articles of association to make a review of executives' compensation further effective while company C voluntarily improved its system by establishing a (stock) compensation plan according to executives' performance. Going forward, we will continue to make efforts to helping subject companies through sending mails and having interviews aiming at building favorable communication channels with them and raising shareholders' value.

# Effective and Reliable Welfare Services

Focus Area 03

The NPS is making our utmost effort in fulfilling its role as a leading welfare institution in responding to an aging society. Serving a social safety net to hedge against new environmental changes, we dedicated to the creation of stable lives of the people by ensuring welfare services that are actually penetrated into the daily lives of the population.

## 1 Why is this topic important?

Along with the steady trend of low birth rate, the baby boom generation born between 1955-1963, which accounts for 15% of the total population of Korea has become the senior citizens, accelerating the aging population in Korean society. As the issue of aging population has come to the fore, people's worries about retirement are also growing, calling for an appropriate response at a social level. In addition, the income polarization is going bad to worse as household incomes of vulnerable groups are continuously declined in the aftermath of the global economic crisis caused by global trade conflict and COVID-19. Korea of which poverty rate in the elderly aged over 65 recorded the highest among OECD member countries with the very low welfare expenditure for the disabled, needs to render support in various areas such as job, income, education, housing, and culture so as to strengthen the social safety net for the vulnerable including the elderly and the disabled.

## 2 What is the approach?

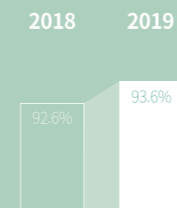
The NPS is striving to reduce the risks in post-retirement stemmed from the poverty by reinforcing pension system to the extent where blind spots are eliminated with an aim to secure income security in their later life for all citizens. we have improved the service areas such as education and counseling with the purpose of providing substantial retirement preparation services, promoting the employment support project for the new middle-aged, so as to change people's daily lives. Furthermore, we are seeking customized services for the disabled to improve the quality of welfare services while discovering the disabled systemically omitted to protect their rights and interests, by helping them to be the registered and be the beneficiary of welfare system.

First public institution to establish  
**Support System for Retirement Preparation**  
 Presidential Citation for Retirement Preparation Service

5,030,000  
 of Retirement Preparation Service

84.1 Points  
 Speed of a Comprehensive Examination for the Provision of Services for the Disabled

66.7%  
 Payment Rate of Basic Pension



Experiencing More Effect of Welfare Services



## Support for Substantial Retirement Preparation Services

### Providing retirement preparation services

**Systematic support for retirement preparation** Retirement preparation service started in 2008 to provide substantial services for the people to secure stability in their post-retirement. We are providing integrated services from reviewing current status to follow-up management by allocating personnel in charge of retirement preparation support at each branch, while establishing a regional platform for retirement preparation by holding joint campaigns with local communities. Moreover, the 'on-site class for retirement preparation', which was previously promoted for local residents and the vulnerable, has also been expanded to companies and small business owners, so that more citizens can access to the retirement preparation education provided by the NPS.

### Improved Support for Retirement Preparation Service

Category	Improvements	Performance in 2019
<b>More Frequent Education</b>	Incorporating pension education into mandatory subjects Conducting education once every other month (previous quarterly)	8.9% increase in the number of trainees (508,000 in 2018 → 553,000 in 2019)
<b>Reinforcement of Follow-up Management after Consultation</b>	Assigning tasks in retirement preparation consultation Checking whether or not to be practiced in the following month and 3 months after counseling	Improving the practice rate for retirement preparation tasks (increasing pension funds, leisure activities, etc.) (71.6% in 2018 → 72.6% in 2019)
<b>Local-tailored Service</b>	Providing integrated services at the regional level by linking the consulting infrastructure of the NPS, local government and local public institutions	Forming 14 regional councils (promoting regional-specific cooperation projects) Increased satisfaction with related services (91.1 points → 95.1 points)

**Diverse Support for 'the New Middle-aged'** Along with the retirement of the baby boomer generation and an increase in life expectancy, the aging population is coming to the fore as the biggest issue in Korean society. Against this back drop, the NPS is helping the middle-aged and senior citizens who are about to retire to design the second life that is suitable for their circumstances and demands. Until last year, we focused on education for re-employment through a pilot project, but from 2019, we are expanding the scope of project to an extent where 'the new middle-aged' achieve self-realization and social contribution. We provided start-up consulting and space for those who have completed the 'Academy for New Middle

No. Trainees for Retirement Preparation

553,468 people  
 YOY ▲ 8.9%

No. Users of Detailed Counseling Service for Retirement Preparation

4,735 people  
 Satisfaction level of Consultation 86.9 points

Improved Practice Rate of Tasks for Retirement Preparation

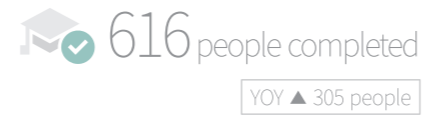
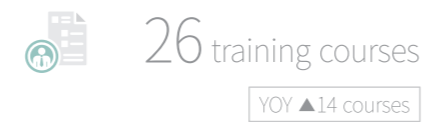
72.6%  
 YOY ▲ 1.0%p

aged' and are interested in the social economy, as well as financial support to realize excellent business ideas in collaboration with local governments and social economy organizations. As a result, the number of graduates in 2019 doubled from the previous year to 616, and a total of 7 subsidiaries including cooperatives were established, creating 89 social economy-based jobs.

**NPS Academy Program for the New Middle-aged**

Category	Programs	Results in 2019
<b>Social Economy-based Start-up</b>	Education on companion service to the hospital for those interested in community care	Establishing Companion to Hospital Cooperative
	Education on shared housing construction with an aim of the stabilization of residential welfare for senior citizen living alone	Community Housing Corporations, etc.
<b>Opportunity to Recharge</b>	Assigning a task to write a book under the 'Becoming Writer Project'	Publishing 149 books including autobiography
<b>Connecting Hobbies and Social Participation</b>	Operating 'Local Travel Designer' to create travel contents in small cities of Korea	Establishing local public relations community such as 'Youngwol News Agency' supported by local governments

Educational Program for the New Middle-aged



**Strengthening Welfare Services for the Vulnerable**

**Welfare Service for the Disabled**

**Designing Customized Services for the Disabled** As the rating system to decide severity of disability was abolished in 31 years in July 2019, the NPS is designing a 'Comprehensive examination on Customized Service for the Disabled'. Beyond standardized services, which was the limitation of the existing disability rating system, we are building a support system to provide the people in need with tailored service as much as they need, considering the type of disability, the individual's demand and environment. Since the first year of the system improvement, benefits of activity support service has increased evenly for all types of disabilities, and those benefits have been expanded to those with mild disabilities who used to be not eligible for the activity support due to their disability level in 4 to 6 class.

Expanding Benefits to People with Mild Disabilities



**Designing Customized System to Examine Disability And Activity Support System**

Category	Previous	After Improvement
<b>Those Who Are Eligible for Activity Support</b>	Only for severely handicapped persons with disability level 1 to 3 People with mild disabilities are excluded from service	▶ For those who need the service All disabled people aged 60 to 64 (1.3 million)
<b>Table for Comprehensive Examination</b>	Evaluation index oriented to physical capability	▶ Comprehensive consideration on unique features of visual, auditory, and developmental disorder
<b>Benefits for Activity Support</b>	Insufficient consideration for disability conditions, etc.	▶ Reflecting disability status and living environment in benefits, expanding basic payment

**Providing Services to Protect the Rights of the Disabled** The NPS is also taking the lead in promoting the welfare of undocumented persons with disabilities who are left in the blind spot of the welfare system. Undocumented disabled people identified during the screening process for national pension (disability pension) were provided with an information to be registered in the system, enabling 397 undocumented persons with disabilities became the beneficiary of welfare services worth KRW 8.7 billion. In addition, by pushing forward the '119 Project for Human Rights of Disabled People', which supports the entire process and expenses necessary for the registration of discovered victims of alienation and abuse among undocumented disabled people, we helped 24 persons with disabilities who were exposed to physical and emotional damage can be encompassed to the institutional support.

Helping Unregistered Disabled Person to be Beneficiary of Welfare Service



**Promoting Welfare of National Pension Recipients**

**Strengthening Financial Support for Elderly Beneficiaries** As a welfare service based on the pension system, the NPS is carrying out the project to secure stability in economic life for the elderly recipients without any income. First at all, by raising the limit of 'Silver Loan', a financial support service for beneficiaries, we assist with the fees for the lease, while simplifying application documents for the loan. Also, we allowed additional loan even in the case of re-contracting due to an increase in deposit during the lease period, providing practical help to the financially underprivileged.

No. of Users of Financial Support Service



**Providing Customized Welfare Services** The NPS is supporting health and emotional care through identifying individual needs of recipients who are socially disadvantaged, such as the elderly, those who lives alone, and the bereaved. We are carrying out a project named 'Gas Timer Cok' to improve the residential environment and prevent fires in the cause of securing life safety for the recipients living alone while making phone calls to the elderly recipients for their emotional support. On top of that, children and youths receiving survivors' pensions and having financial difficulties are supported with scholarship programs.

No. of Recipients and the Vulnerable in Local Community Who Receive Our Support



**Tailored Welfare Service for Recipients**

<p><b>Emotional Care</b> Offering regular greeting calls and service to be a companion with whom they can chat through a one-on-one matching with recipient and our staff for the emotional stability of elderly beneficiaries</p>	<p><b>Health Support</b> Checking safety and health of elderly recipients living alone through a delivery service of health drinks</p>	<p><b>Financial Support</b> Providing financial support through scholarships to underage recipients and college students so that they can concentrate on their studies.</p>	<p><b>Support for Living</b> Improving the residential environment of low-income recipients and delivering food packages</p>	<p><b>Support for Safety</b> Blocking the source of fire accidents by installing a 'gas timer cok' free of charge in the house where recipients living alone and vulnerable to fire</p>
--	--	---	--	---



### Strengthening Eligibility of Basic Pension

#### Making Better Basic Pension System

**Eliminating Blind Spot for Basic Pension System** For the purpose of achieving the policy target of 70% in the actual payment rate of basic pension, the NPS is providing customized guidance to discover eligible senior citizens. By means of a step-by-step guidance through both mail and mobile, we timely increased the application rate, preventing disadvantages owing to delayed application for those who are entitled to the basic pension payment, aged over 65. We discovered additional 220,000 people who have no history of guidance or have high potential for receiving benefit among the elderly aged 70 or older through big data analysis. Furthermore, we identified households that are in urgent need of basic pension income and those who are not registered under any address to provide necessary information, thereby ensuring eligibilities for the pension benefits to 7,591 among vulnerable groups.

**Rational System Improvement** The government decided to increase the basic pension payment from KRW 250,000 per month in 2018 to a maximum of KRW 300,000 won in 2021. However, income support measures were so urgent to alleviate poverty for the elderly that the plan for gradual increase was announced. Since April 2019, 1.55 million of the elderly with the lowest 20% of income group were provided with increased pension payment, resulting in 1.2%p decreased poverty rate of the elderly in 2019 compared to 2018. The NPS plans to expand our support sequentially to seniors with the lowest income of 40% by 2020 and to 70% by 2021, ensuring that the gradual increase of the basic pension payment can be achieved. Besides, the revision of the relevant laws and regulations to advance the time for raising basic pension payment from April to January each year in accordance with the inflation rate allows 2.1 million recipients to be properly guaranteed the proper adjustment by fluctuation in price.

#### Preventing Leakage of Welfare Finance

**Prevention of Fraud** As the number of beneficiaries of the basic pension and the number of elderly beneficiaries aged 80 to 90, who are not easy to report any changes in a timely manner, is growing, the possibility of fraud is increasing accordingly. The NPS separately manages high-risk groups of fraud, conducting intensive examination through on-site checks. We expanded the number of persons subject to the verification by 39.5%, 8,113 persons, compared to the previous year by

#### Basic Pension Recipient



#### Discovered Recipients of Basic Pension



#### Early Introduction of Increase in Basic Pension Amount (Annual)



lowering targeted age for verification from 90 to 85 and cooperating with local governments to accurately confirm changes in the marriage relationship. In addition, we are establishing an efficient fraud preventing system by introducing an ex-officio process in case clear reasons for eligibility suspension such as death occur.



### Best Practice 03 Welfare Service for the Disabled

## Successful Reforming to User-oriented Support System for the Disabled

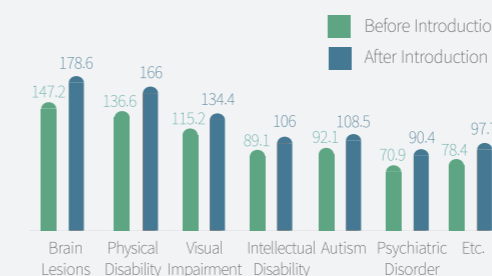
#### Introduction of Comprehensive Examination for the Provision of Services

As the rating system to decide severity of disability was abolished in July 1, 2019, the NPS has been designing new support system for the disabled. To this end, a 'Comprehensive Survey for the Provision of Service to the Disabled' has been newly introduced to take care of difficulties and social environment that a person with disability would suffer in consideration of unique characteristics and circumstances which might differ by types of disabilities.

From July 1, a comprehensive examination for the provision of services was preferentially applied to the four areas; providing activity support benefits, assistive devices for the disabled, residential facilities for the disabled, and emergency safety services. In the areas of mobility support for the disabled (e.g. special transportation), income and job support (e.g. disability pension), and a comprehensive examination for the provision of services will be additionally developed to be applied in stages in 2020 and 2022, respectively.

The introduction of a comprehensive examination for the provision of services is highly regarded for its excellence in protecting the most severely handicapped while promoting balanced support among all disability types by expanding the benefits to the disability type which had benefited relatively fewer support hours. On top of that, as the copayment rate was lowered up to 50% for the support service for the activities of the disabled, users can directly experience the benefits through user-oriented services.

#### Monthly Average Support Hours for the Activities of the Disabled



After 50 days from July 1, 2019, when a comprehensive examination for the provision of services was introduced, we looked at the effectiveness of the reorganization of the support system, focusing on the support service for the activities of the disabled. Benefited hours and subjects are greatly increased in every type of disabilities. Specifically, the monthly average support hours increased from 104.5 hours to 125.2 hours after the introduction.

\* Results of a comprehensive survey targeting 1,221 people among existing beneficiaries whose renewal period (3 years) has arrived

#### Safe Business through Risk Management

The NPS has mobilized company-wide capabilities headed by the CEO and carried out preemptive risk response activities with a view to successfully implementing the user-centered support system for the disabled. We established a plan for personnel transition as a preparation for the case where rapid increase in the demand for the service to support the activities of the disabled causes a delay in providing prompt services due to the limit of personnel for examination while arranging action manual for response to the crisis. In addition, we have further strengthened the system for supporting the disabled by establishing evaluation indicators to accelerate the speed of examination. Meanwhile, the Emergency Countermeasure Committee has been operated to enable rapid responses to on-site problems arising from the full-scale implementation of the project with the real-time monitoring on the status of applications, examination and results, thereby ensuring smooth operation of the new system.

# Fulfillment of Sustainable Social Values

Focus Area 04

The NPS is fulfilling social values as a public institution that should contribute to the promotion of public welfare. We are contributing to the areas in job creation, revitalization of local economies, and shared growth with SMEs based on our business and capabilities among the government's focused areas for social value.

## 1 Why is this topic important?

In recent years, the global business environment is shifting in the direction where companies pursue sustainable development not only through economic value but also through social responsibility activities, and stakeholders are also paying attention to the company's non-financial performance. In particular, public institutions are expected to play a leading role in addressing social issues such as poverty, unemployment, and polarization as well as spreading social values. In a time when decent jobs are declined and employment uncertainty, polarization of income by region and class are being intensified, companies need to make unwavering effort to create jobs and promote shared growth with suppliers and SMEs. Besides, as digital transformation has expanded digital-based businesses and information processing, information security is renewing its significance. Consequently, systematic cyber security and personal information protection are regarded as the ground for trust and new capability for responding to risks.

## 2 What is the approach?

The NPS seeks to play the leading in the creation of social values for the sustainable growth of our society. We are contributing to creating new jobs and stabilizing employment capitalizing on the influence of public data, ICT and big data technologies beyond the related businesses such as welfare services and contribution support. Internally, we are working on better working conditions and the harmonious relationship between those who converted to the regular worker and existing employees. We are spreading a culture of fair trade by establishing an exemplary model considering the business environment and taking the lead in shared growth through committed social contribution activities. Also, we operate the institution and establish a disaster management system putting the safety of the people and employees first, while reinforcing infrastructure and capabilities for strengthened information safety.

### Creation of Internal and External Jobs



### 2019 Spreading Shared Growth

Selected as **the Best Public Institution**

Awarded by **The Chair of Shared Growth Committee**

Creating Local Jobs for Solving Social Issues

**'Senior Traffic Safety Keeper Project'**

Evaluation on Information Security Management Status



## Creating Decent Jobs

### Creating Jobs Related to the People's Lives

**Establishing Job Platform Linked to Retirement Preparation Services** The NPS operates the academy programs for the new middle-aged, a retirement preparation program that reflects the needs of the new middle-aged, and supports the establishment of a social economy corporation for those who have completed the academy. In close cooperation with local governments, we supported a total of seven socio-economic corporations including cooperatives in connection with the projects to address social problems such as housing shortage and health of the elderly, creating 89 new jobs for the new middle-aged. Moreover, we render a job recommendation service to visitors of the NPS's retirement preparation counseling program through which job openings with high potential for reemployment and decent companies are recommended considering the characteristics of job seekers in their 50s to 60s after the thorough data analysis of workplace-based insured subscribers.

**Creating Jobs through Building Financial Ecosystem and Investment** The NPS is striving to lay the foundation for job creation by creating a financial ecosystem in the region where the FMC is located. For the purpose of building favorable environment for fund management, we plan to foster the Jeonbuk region, which has less financial infrastructure than Seoul, as a specialized financial region for asset management, attracting regional offices of domestic and foreign financial institutions. In line with that, department of pension management was newly opened at a local university to appropriately respond to the demands of human resources from the relocation of financial institutions and branches. By doing so, we are creating a virtuous cycle system in which local talents who have been trained are recruited to the related industries and the region through our own talent nurturing programs. Besides, we are making strenuous effort in creating jobs in the private sector by expanding fund investment in SOC facilities and entrusting partner operators with asset management.

**Job Creation by Expanding Service for the Disabled** In 2019, the NPS established a user-oriented support system for the disabled. After designing a new comprehensive examination that evaluates the difficulties in daily life and needs of services for people with disabilities, 43 new internal jobs were created. In terms of private sector, the increased demand for supporters to assist activities of the disabled created 4,753 additional jobs along with the improved service level.

Creating Jobs for the New Middle-Aged to Participate in Social Activities

Established

7 Socio-economy Corporations

Created

89 Jobs



### Creation of inclusive jobs

**Creating innovative jobs in the private sector using ICT technology** In 2019, the NPS IT R&D Center was opened for information convergence and the development of regional ICT in partnership with academia (2 universities), and private sector (13 companies), supporting the growth of 33 related companies including IT-based start-ups. The IT R&D Center serves as a venue for openness, sharing, and innovation where local companies, universities, and local governments work together to commercialize ICT research outcomes and developed into startups. We are providing space and funding to prospective entrepreneurs in the ICT field, transferring professional skills through mentoring program for the capacity building of IT sector, which will eventually contribute to creating jobs for youth.

#### Youth Employment Support Program in ICT Sector

Category	Support Programs
Support for Field Experience	Giving workplace experience and career design for college students, lecture on internal/external big data analysis cases Fostering talented people equipped with practical skills through a four-month-long experience program in ICT companies
Employment Support to the Partner Companies	Helping to find jobs in outstanding ICT partner companies

**Job Creation through Big Data Sharing** The NPS is contributing to job creation in local communities by effectively supporting job policies of local governments with big data analysis to provide customized pension information considering the characteristics of each local government.

#### Job-related Policy Support Based on NPS's Big Data wnalysis

Type	Support Details
Job Matching	Offering a job data platform to local governments and affiliated job centers * Providing practical information for employment counseling based on constant analysis of employment and unemployment status by city and county
Youth Employment	Providing data on youth employment status and income distribution in the city and county
Supporting Companies with Superior Capability	Providing data for selecting small-sized companies with superior capability that need financial support and export consultation

### Creating jobs for Social Integration

**Successful Transition to Full-time Employment** A total of 1,231 non-regular workers in various fields ranging from environment, security, facilities, individual businesses and call centers were converted to regular workers. In the transition process, we are pursuing measures to harmonize the organization and promoting morale of employees through improved treatment and systematic personnel management, such as an adjustment in wage system that was different from similar jobs. In addition, we are striving to improve the working conditions of workers in the relevant workplaces operated by privately commissioned partners such as daycare centers, Cheongpung Resort, and cafeterias.

**Reinforcing Job Security through Contribution Support** The NPS is supporting contributions for small business and self-employed owners with low income in the cause of preventing those who have difficulty in maintaining economic activities and employment due to the prolonged COVID-19 and delayed economic recovery from unemployment and business closure.


#### Role of the ICT R&D Center

Collaboration	Participated by 8 companies including Kakao Bank and 9 local institutions including companies and universities
Job Support	Employment support to SMEs in the center
Business Opportunities	Promotion of joint project on informatization with relocated institutions
Talent Cultivation	Career counselling and credit-linked field practice
Startup Support	Support for the growth of prospective IT startups
R&D	Joint research on application plans for new technology and services

#### Job Support Using Big Data

Gyeonggi Job Foundation 'Job Aba' Program	118 people
Gimhae-si Job Searching Support Center	17 people

#### Excellent Institution in Early Completion of Full-Time Transition

 Awarded Citation by the Prime Minister

Strengthened cooperation with local governments helped us to discover a total of 51,629 small-scale business sites in the region and provide a total of KRW 10.9 billion contribution support with various efforts such as shared financial resources. Furthermore, we are expanding the list of countries that have signed on the agreements for the exemption of social insurance premium as an effort to reduce the burden of Korean companies and workers overseas.

**Creating Local Jobs to Resolve Social Problems** The NPS is developing a collaboration model for social jobs through which decent jobs are created in the region and problems in local communities are resolved at the same time by combining various actors and resources. In 2019, a total of 291 social jobs were created through a job searching project for each type who has difficulty in finding a job.

#### Creation of Social Jobs

Category	Program	No. of People Finding Jobs
Senior Citizens	Senior Traffic Safety Keeper	250 people
Youth	Social enterprise project for youth named Bobusang Merchants, meaning traveling peddlers	7 people
Women with Career Break	Education programs on family care service	30 people
Recipient of National Basic Livelihood Guarantees	Project for computer recycling and donation	4 people



### Community Development and Shared Growth

#### Community Development

**Contribution to Revitalization of Local Economy** With the determination to address pending issues and the need to revitalize the social economy of the Jeonbuk region where the headquarters are relocated, the NPS is developing a model for win-win growth through collaboration between public and private sectors. To this end, we are operating a marketplace for local food on every Friday with the catchphrase of 'value consumption' which minimizes the distribution stage to help small-scale farmers having difficulties in securing stable sales channels due to the economic downturn. As a result, the government acknowledged the market as the one and only marketplace run by public institutions that is operated on a regular basis.

Along with this, the NPS is working together with the local residents to identify major issues

of Innovative Cites in Jeonbuk area such as job and settlement conditions, supporting the establishment of related organizations. For example, the 'Self-Support Project by Visiting Car-Wash Service' created jobs and provided opportunities to the vulnerable such as recipients of national basic livelihood guarantees and lower-income family, while 'Child Care Social Cooperative' is being operated to improve conditions for the settlement, which has been decided to be established through discussions and workshops to find out measures for navigating through the pending issues in the region.

**NPS Model for Local Economy Revitalization**

<p><b>Revitalizing Local Economy</b></p> <p>Creating virtuous cycle of the regional economy by purchasing local products over KRW 3 billion, having effect of expanding sales channels for small farms and promoting consumption in the region</p>	<p><b>Promoting Social Economy Growth</b></p> <p>Providing infrastructure to expand sales of socio-economic enterprises, supporting establishment and growth of self-supporting companies</p>	<p><b>Addressing Community Problems</b></p> <p>Spreading a culture of safe food production &amp; consumption and reassuring community (helping out each other's childcare)</p>
--	---	--

**Driving Regional Growth by Creating Ecosystem for Financial and IT Industry** With an aim to foster the Jeonbuk region as a third financial city along with Seoul and Busan, the NPS is laying the foundation and establishing a strategy to build infrastructure and attracting institutions under the vision of 'an international financial city where capital and people gather'. These efforts are reflected in the current government's administration plan and the five-year plan for balanced national development to develop Jeonbuk into an area specialized in financial industry and financial IT industry with close cooperation among the government, local governments, the NPS, and related organizations.

**Promotion Strategy for Financial Industry**

Category	Direction	Contents
<b>Infrastructure</b>	Promoting gradual development of Jeonbuk Financial Town	Constructing Jeonbuk International Finance Center by 2023
<b>Big Data</b>	Integrating pension fund and financial data and constructing convergence center Facilitating fintech startups and R&D	Promoting the construction of a data center by 2023
<b>Cultivating Talents</b>	Developing and operating practical training programs related to majors for cultivating talented professionals in practical asset management	Establishing the Department of Pension Management in a university Operating a three-stage professional training course by the NPS
<b>Attracting Institutions</b>	Pushing forward with relocation of financial institution specialized in asset management,	Attracting 6 domestic and foreign financial institutions Preparing system for additional attraction
<b>International Events</b>	International Finance Forum jointly held by the government, local governments, and the NPS	

**Social Contribution Activities** The NPS has created its own social contribution brand called 'Love Plus' and has been steadily promoting various social contribution activities for stakeholders. Unlike other volunteer activities that are unilateral and confined to the dispensation, we are conducting various projects by which all citizens can enjoy pension benefits while taking care of marginalized neighbors so that we can create society where everyone leads a happy life.

**Establishment of 'Self-Support Project by Visiting Car-Wash Service'**



**Development of Financial-based Local Industries And Recruitment of Local Talents**

Grand Prize for Balanced National Development

**NPS's Social Contribution Brand**



'LOVE PLUS' expresses our social contribution spirit demonstrating happiness grows even greater when we share love and plus sharing

**Our Major Social Contribution Activities**

Category	Main Project	Performance
<b>Subscriber</b>	Contribution support project for low-income subscribers and support project for child-care of single parent household	296 people KRW 300 million
<b>Subscriber</b>	Contribution support project for low-income subscribers and support project for child-care of single parent household	33,929 people KRW 1,870 million
<b>The Disabled</b>	Support project for trip, community service, scholarship for children receiving survivors' pension	871 people KRW 46 million
<b>Local Community</b>	Support project for local cultural activities, computer donation, sisterhood relationship, etc.	27 times KRW 120 million

**Driving Shared Growth**

**Spreading a Fair-Trade Culture** The NPS faithfully implements the priority purchase system of products from socially disadvantaged companies such as made by the disabled, operating a fair contract system. In order to facilitate fair trade culture, we introduced a "Exemplary Model for Trade" considering our unique the business environment to get rid of unfair practices in the entire contract process, guaranteeing the payment to suppliers. Thanks to these efforts, we had no report regarding unfair trade practices related to contracts and witnessed 0.18 points of increasement compared to the previous year for the integrity in the contract section of the Anti-Corruption and Civil Rights Commission.

**Four Major Themes of Exemplary Trade Model**

Category	Contents
<b>Public Trade Practice</b>	Decreasing overdue rate for the lease of office building (20%→10%)
<b>Suppliers Trade Practice</b>	Stopping low-cost contract practices 10% increase in advance payment rate
<b>Private Company's Unfair Activity</b>	Protecting subcontractor Operating timely payment system
<b>Internal Regulation</b>	Reflecting fair trade in the internal evaluation index Reviewing unfair trade for the promotion

**Supporting the Competitiveness of SMEs** The NPS is making unwavering effort to conduct customized support projects by signing business agreements with SMEs, the Korea Foundation for Cooperation of Large&Small Business, Rural Affairs, and the KOREA SMEs and Startup Agency for the purpose of ensuring effective support for SMEs such as generating profits through collaboration and sharing performance. Through the 'academy for win-win growth capacity building', we raised the awareness of internal members about shared growth, while supporting four projects including technology deposits to protect core technologies of SMEs and discovering and executing 15 cooperative profit tasks to generate profits through collaboration. By expanding the public procurement cluster, a total of 382 of SMEs secured sales channels which led to the increase in sales of SMEs by 24.5 times compared to the previous year. Also, we contributed to the sales increase worth KRW 83.45 million through the pilot-purchase of products in the process of technology development.

Moreover, two start-ups were provided with financial support and office space while the rural area was supported to secure stable export channels. We are currently pursuing separate orders so as to provide opportunities for SMEs to participate in large-scale information system development and operation projects. Also, small informatization projects worth less than KRW 200 million are preferentially allocated to local IT companies, contributing to the improvement of the contract rate of local companies.

2019 Survey on Awareness of University Students by Korea University Newspaper

No. 1 for 10 consecutive years  
Beat Public Institution in Social Contribution

Fair Contract Operation with Exemplary Trade Model

Evaluated by ACRC Contract Integrity Level

9.78 points

Contract Operation Satisfaction Level

94.8 points

The Best Public Institution in Spreading Shared Growth Culture

Awarded by the Chair of Shared Growth Committee



## People-centered Safety Management

### Enhancing Information Security

**Advancing Information Security System** For the prevention of advancing cyber infringement, the NPS introduced intelligent analysis control system based on big data and reinforced our response capabilities against security breach. In addition, we have established the security environment equipped with new technologies such as cloud while keeping our core infrastructure including information security server and software up to date. Attributable to such seamless response, we have achieved zero accident related to cyber infringement for 31 consecutive years since our inception.

#### Activities for Advancing Our Information Security System

Activity Type	Main Contents
<b>Introducing intelligent analysis control system</b>	Enabling real-time infringement log analysis and scenario correlation analysis using high-speed search engine and analysis function in database
<b>Keeping core infrastructure up to date</b>	Changing firewall system to new one, switching safety solution version to Window 10, introducing new network access control, etc.
<b>Remote-controlled monitoring of information security</b>	Conducting a remote-control monitoring on information security for the first time to supplement the limitation of on-site inspection, inspecting all offices (twice)

We are securing the foundation for internal control over personal information and fund information. Conditions to verify if the information is encrypted and whether sensitive information screens are used in saving and browsing personal information is developed to monitor appropriateness of information usage. Along with pre-approval system for sending out fund-related information, we also record all sending history in our e-mail system while additionally introducing data extraction function to the wired telephone recording system. On top of that, our monitoring activities are all the more strengthened on management status of stock information devices in overseas offices and information management in the stock management division.

**Raising Information Security Capabilities** In order to reinforce the capabilities for security management and to raise security awareness of employees, we promote tailored training and activities to enhance expertise. We support 'enjoyable information security' and voluntary learning group activities to spread the culture of information security practice focusing on the basics and conduct simulation training and security checks while operating related education programs so as to improve the expertise in security management of our external suppliers.


Result of inspection on personal information protection conducted by the Ministry of Public Administration and Security

 Excellent grade

Outstanding organization in personal information protection

 Top grade  
5 consecutive years

Information Security Management System (ISMS) Certification

 Acquiring ISO 27001  
ZERO inappropriate one among 114 items

### Capacity-building for Flawless Information Security

Activity Type	Main Contents
<b>Tailored training</b>	Operating 24 training courses including on-site infringement prevention training and consulting-type tailored education
<b>Enhancing expertise</b>	Making all employees in charge of information security acquire security certificates, receiving award in hacking contest hosted by the government for 5 years in a row, etc.
<b>Raising awareness</b>	Developing NPS personal information protection index and introducing early warning system regarding personal information protection Operating 'Fun&Lock Festival' and quiz show in relation to information security
<b>Training and security inspection</b>	Computer network hacking simulation training (new), response training against malicious mail/DDoS, cyber crisis response training

We also strive to create the information security culture tailored to the region. By providing consulting on information security to related organizations, we support the establishment of their own information security foundation, while helping local youth to form a proper cyber ethics by operating interesting programs such as 'Information Security Golden Bell', and offering special lectures on career design in information security area to provide career details about the field.

### Safety First Operation

**Prioritizing Public Safety** After declaring safety management which put public safety first, the NPS reflected public life and safety on our core values and selected three key tasks. As we operate nationwide organizations providing pension services, we are raising satisfaction of facility safety through preemptive preventive activities putting visiting customers' safety first. Moreover, with an aim to tighten safety of Cheongpung Resort, a recreational facility for the people, we have built fall prevention installations in the lakeside, repaired hike trails, and secured budgets to improve dangerous facilities among old ones, thereby achieving zero safety-related accidents.

**Creating Safe Workplace Where Workers Can Work with Easy Mind** For realizing workplace where all workers can feel reassured, the NPS established a direction to improve working environment through thorough preliminary analysis of position, job characteristics, and work environment such as office types. We conducted safety assessment targeting all workplaces in order to make accident-free work environment. Through it, 822 risk factors were identified, and 793 ones among them were immediately taken care of.


For office employees who are fatigued with emotional work, we produced and distributed safety manual containing the information of legal/psychological treatment support while operating tailored Employee Assistance Program (EAP) so as to preemptively manage and prevent our employees' work stress. We also overhaul institutions to remove risk factors by designating certain employees for special care including the disabled, the old, and pregnant women.

**Zero Risk in Our Facilities** Considering environment in accordance with related laws, the NPS has set a strategy for safety management of facilities including our offices, eliminating potential risk factors. As part of our efforts, we conducted special inspections beside regular inspections for 480 times following laws on all facilities and found and took care of 158 additional risks. As a result, we are maintaining uninterrupted operation without any accident in all 42 facilities including our headquarters. In addition, we are also challenging ourselves to realize zero severe accident in construction sites. Risk management in the new office building under construction are being fortified, by using drones to manage risks in blind spots, operating 'Safety Inspection Day', and reinforcing safety facilities to prevent a fall of construction workers.

### Declaration of Safety Management



No. of Employee Assistance Program (EAP) held

 270 people  
491 times

NPS HQ Acquiring Safety Management Certification

 KOSHA-MS certification<sup>1)</sup>

First as a quasi-government institution

<sup>1)</sup> The certification of the Korea Occupational Safety and Health Agency complying with ISO 45001 standard

**Disaster Response Activities** Establishing a safety and crisis management system by major disasters and types, the NPS maintains our zero case in severe accident. In respect of our office building, we made and distributed a 4-step disaster response manual and built a corporate-wide response system so that an emergency group can immediately activate in case of natural disasters and national infectious disease crisis, thereby enabling systematic response. On top of that, we implement preventive measures by operating monitoring system at all times to detect any crisis occurrence in case of infringement accidents such as financial crisis or large-scale personal information leakage.

To cope with any possible disasters like earthquakes and fires, we have completed the seismic performance evaluation of the office building, and are managing a seismic performance at 85%, which is a higher level compared to other public buildings. In addition, we are securing fire safety by replacing the exterior wall finishing materials of the buildings in areas with high fire frequency.

No. of Disaster and Safety Accidents



ZERO

Disaster Management and Crisis Response Activities in 2019



Citation from the Minister of Health and Welfare

**Best Practice 04 Job Creation Project**

**Creating Local Jobs for Solving Social Issues**

For the purpose of contributing to resolving job and unemployment issues that are grave concerns of Korean society, the NPS strives to create jobs that can resolve social issues considering the social impact we can generate with new jobs. We divided social issues in Jeonbuk and Jeonju City, where our headquarters are located, into safety, women & unemployment, regional imbalance, and environment, and are operating job creation programs to alleviate these problems. In the course of implementing them, we have collaborated with various organizations and companies, increasing expertise and effectiveness of job creation and social value creation. Through these endeavors, we successfully created 291 jobs for the vulnerable in the region and it leads to alleviating other social issues as well.

Regional Social Issues	NPS Regional Jobs for Solving Social Issues	Fruitions of Our Measures
<b>Safety</b>	<ul style="list-style-type: none"> <li>• Jeonju City having the lowest level of traffic safety in Korea</li> </ul> <p><b>Senior Traffic Safety Keeper</b></p> <ul style="list-style-type: none"> <li>• Assigning Senior Traffic Safety Keepers to 21 areas in Jeonju where traffic accidents frequently occur to carry out protection activities</li> <li>• Collaboration with Korea Labor Force Development Institute for the Aged, Road Traffic Authority, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Zero accident in the protection areas</li> <li>• 250 jobs created for the aged</li> <li>• Spreading to other regions</li> </ul>
<b>Women &amp; Unemployment</b>	<ul style="list-style-type: none"> <li>• Economic participation rate of women in Jeonbuk dropped 0.3% year on year</li> <li>• 48,000 women suffering from career breakw</li> </ul> <p><b>Integrated care training and establishing a social cooperative for general care</b></p> <ul style="list-style-type: none"> <li>• Providing housekeeping manager and care expert training to women with career breaks having much experience of child and family care and get related jobs</li> <li>• Collaboration with Jeonbuk Labor Welfare Center, public institutions relocated to innovative cities, Wanju-gun District Office, and Wanju Socio-economic Network</li> </ul>	<ul style="list-style-type: none"> <li>• Alleviating the lack of child-care infrastructure</li> <li>• 208 participated in training and 30 women with career breaks found jobs</li> </ul>
<b>Regional Imbalance</b>	<ul style="list-style-type: none"> <li>• Rural towns having difficulty with getting necessities due to the lack of transportation infrastructure</li> </ul> <p><b>Youth Peddler</b></p> <ul style="list-style-type: none"> <li>• Assisting with delivery vehicles to provide local produce and socio-economic enterprises' products to the places vulnerable to transportation</li> <li>• Collaboration with Han-wool Consumer Cooperative, Wanju Local Food Cooperative, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Resolving an isolation issue of aging rural towns</li> <li>• Making KRW 3 billion effect on local economy</li> <li>• Creating 7 new jobs for the youth</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Wasting resources when producing or discarding computers and generating environmental pollutants</li> </ul> <p><b>Sharing Computers with Love</b></p> <ul style="list-style-type: none"> <li>• Distributing computers that we do not use to the socially neglected for free</li> <li>• Collaboration with Jeollabuk-do Provincial Government and social enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Recycling and distributing 415 computers</li> <li>• Alleviating information gap between social classes</li> <li>• Hiring 4 beneficiaries of national basic livelihood</li> </ul>

# Sustainability Fundamentals

Governance · Risk Management · Ethics Management · Human Rights Management · Talent Management

# Governance

## Board of Directors (BOD)

### Composition of BOD

The NPS organizes and operates the Board of Directors, the highest decision-making body of the corporation, in accordance with the 'Board of Directors Operation Regulations'. Under the 'Act on the Management of Public Institutions', the chairman of the NPS also serves as the chairman of the BOD, making the number of non-executive directors more than a half of committee to ensure independence. The BOD of the NPS consists of a chairman, four executive directors, and 9 non-executive directors.

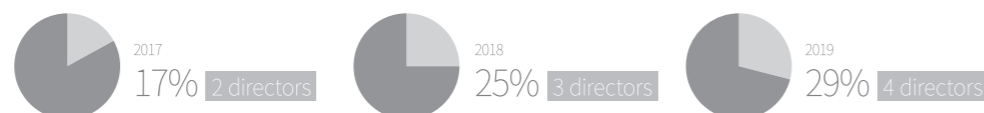
### Enhanced Representativeness, Diversity and Expertise

Complying with the National Pension Act (Article 30), we appoint a representative of management, a delegate of our employees and a representative of regional subscribers as non-executive directors, and in 2019, we encompassed a representative of recipients in the board. A female ratio in the BOD is an indicator to see female representation and diversity, and it stood at 29% up by 4%p from the previous year. Meanwhile, with an aim for reinforcing expertise of the BOD, we provide information through the operation of an information system exclusively for non-executive directors and assist them with support groups comprised of doctoral-level experts, establishing systematic support system.

#### Current Status of BOD As of September 1, 2020

Classification	Name	Gender	Company and Position	
<b>Chairperson</b>	<b>Chair</b>	Yong Jin Kim	Male	NPS Chairperson & CEO
<b>Executive Director</b>	<b>Executive Director</b>	Jeongbae Park	Male	NPS Executive Director for Planning
	<b>Executive Director</b>	Yongkuk Kim	Male	NPS Executive Director for Pension Operations
	<b>Executive Director</b>	Younghee Nah	Female	NPS Executive Director for Welfare
	<b>Executive Director</b>	Hyo Joon Ahn	Male	NPS Executive Director for Fund
<b>Non-executive Director</b>	<b>Representative of Management</b>	Yonggeun Kim	Male	Vice Chairman of Korea Employers Federation
	<b>Representative of Management</b>	Seungwon Suh	Male	Full-time Vice Chairman of Korea Federation of SMEs
	<b>Representative of Employees</b>	Jaegil Yu	Male	Vice Chairman of Korean Confederation of Trade Union
	<b>Representative of Employees</b>	Dongho Lee	Male	Secretary General of Federation of Korean Trade Unions
	<b>Representative of Regional Subscribers</b>	Youngmi Yoon	Female	Representative of Green Consumer Network in Korea
	<b>Representative of Regional Subscribers</b>	Yeonju Lee	Female	Lawyer
	<b>Representative of Recipients</b>	Soonmyeong Oh	Female	Former Director of Financial Consumer Protection Center under Financial Supervisory Service
	<b>Representative of Recipients</b>	Myeongryong Joo	Male	Representative of Korea Association of Retired Persons
	<b>Ex-officio Director</b>	Hyeonghoon Lee	Male	Head of Pension Policy Department of Ministry of Health and Welfare

### Raising Female Representation in the BOD



## BOD Operation

### Vitalization of BOD Operation

The NPS has made institutional efforts to raise the attendance rate of the BOD by regulating the BOD meeting schedule and notifying the next meeting 30 days in advance. As a result, the declined attendance rate due to the principle to hold BOD meetings in Jeonju where our headquarter is located increased by approximately 13%p, and particularly the attendance rate of non-executive directors increased by 22.2%p. In addition, we improved a post-management process of the BOD so that each relevant department reviews the recommendations from the board and report the results of the following measures. This has led to bring out more active recommendations from the BOD meetings followed by the reflection on management. We incorporated the BOD's management recommendations on the Safety Management Practice Declaration 2019, and the BOD pronounces its strong will to practice it at the Vision Declaration Ceremony. These strenuous endeavors are all the more strengthening the BOD's role regarding major current issues of the NPS.

### BOD Operation Performance

	Unit	2017	2018	2019
<b>BOD Meetings</b>	Times	11	11	14
<b>Submitted Issue</b>		39	50	50
<b>Decision to Modify or Postponed</b>	Case	1	4	8
<b>Attend-ance Rate</b>	<b>Total</b>	82.0	80.0	93.0
	<b>Executive Directors</b>	90.5	95.2	94.3
	<b>Non-executive Directors</b>	77.9	69.8	92.0

### Reflection of Major Recommendations from the BOD in 2019

Key Recommendations for Management	Result of Reflection on Management
The 1st BOD - reporting a business operation plan : An analysis of promotion effect compared to input is required.	Implementing an assessment on promotion effect : Reflecting the result on business operation plan and promotional contents
The 6th BOD - reporting a basic plan for safety : A safety management regarding our staff's business trips is required.	Producing and distributing 'employee protection safety manual' : Including ways to respond by situation (preparation - during business trip - damage occurrence)
The 11th BOD - proposal for a regulation of safety and health management : Responsive measures in case of real disasters are required to be included in the regulation of safety and health management.	Implementing an integrated manual of corporate-wide crisis management : Prescribing crisis pool, crisis management system, and response procedure

### Expert Committee

In accordance with the 'Board of Directors Operation Regulations', our BOD is operating expert committees by sector to discuss certain issues that are highly of significance. The expert committees are focusing on five sectors: management, system, fund, socially responsible management, and customers' rights protection. Each expert committee is comprised of one executive director and two or three non-executive directors with relevant expertise.

#### Composition of Expert Committee

Management Subcommittee	System Subcommittee	Fund Subcommittee	Socially Responsible Management Subcommittee	Customers' Rights Protection Subcommittee
1 executive director	1 executive director	1 executive director	1 executive director	1 executive director
2-3 non-executive directors	2-3 non-executive directors	2 non-executive directors	2 non-executive directors	2 non-executive directors

## Evaluation and Compensation of BOD

### Transparent Evaluation and Reward

The NPS sets the basic annual salary of executive directors in line with the 'Act on the Management of Public Institutions,' and pays differentially according to the annual comprehensive evaluation results. When evaluating, we comprehensively consider directors' efforts through the evaluation on contractor performance, management of public institution, internal ethical management practice and advancement of management. The salary of executives and payment history to non-executive directors are disclosed on our website.

# Risk Management

## Advancing Risk Management System

### Corporate-wide Crisis Response System

In the face of fast-changing management environment with growing complexity and diversified danger, we are operating a crisis management system. Through the 'NPS Corporate-wide Crisis Management Manual', which defines the management system, measures, and actions required in the event of a serious crisis, we divided our business areas into four in connection with the strategic system while separately managing and 34 crisis types that needs to be dealt with company-wide response beyond the scale of division. In addition, we have established a system that can methodically respond to different crisis management situations with the flow of 'field-headquarters-crisis management department' and the operating crisis management steps are divided into 'prevention-preparation-response-recovery-prevention of recurrence-revision' so that we can operate it with PDCA (Plan, Do, Check, Act) cycle.

#### Crisis Types by Business Area

Pension System	Fund Management	Welfare Services	Management Support
Supporting subscription, managing payment and customers	Supporting fund strategies and management, internal control	Post-retirement preparation, assistance in the disabled, basic pension	Management planning and HR & labor, financial accounting, and general affairs & safety
Personal information leakage, safety accident of employees responsible for civil complaints, subscription/payment service error, etc.	Rapid decline in earnings rate due to the financial crisis, errors in payment and transfer, internal control issues, etc.	Work transfer of central retirement preparation center, pension payment error, etc.	Employee accidents and payment errors, office building blackouts and fires, cyber attacks, etc.

### Risk Management in Fund Management

The NPS meticulously manages risks and increasing uncertainty in domestic and overseas financial economic climate that may affect the stable fund operation by reinforcing the management system against various risk factors. Investment risks are classified into market risk, credit risk, liquidity risk, operational risk, and legal risk and separate check indicators for each risk type are developed for real-time monitoring and feedback. Also, the strategic asset allocation set the yearly net risk limit and asset type's risk limit to be monitored at all times. Fund management profits are generated through appropriate risk tolerance and management, so that they are not exposed to excessive or additional risks compared to profits.

We have a Risk Management Division, solely responsible for risk management, within the fund management organization and operate Risk Management Committee with the chairperson as its chair participated by external experts to more efficiently manage all risks related to fund management. In addition, a separate compliance officer independently practices the internal control of fund management. Apart from this, regular audits are conducted by the NPS's internal audit, as well as external auditors, the Audit and Inspection Act, and the National Assembly.

#### Risk Management Process

Planning		Policy Implementation		Monitoring		
National Pension Research Institute	National Pension Fund Management Committee	National Pension Service Investment Management (Investment Strategy Division/ Risk Management Division)	Risk Management Committee	Investment Departments	Risk Management Division	Compliance Officer
- Conducting an actuarial projection	- Establishing fund investment plans (SAA) - Setting active risk targets - Defining risks and performances	- Drawing up yearly and monthly fund investment plans (TAA) - Securing management measures by risk factor - Establishing crisis management	- Allocating risk limits by asset type (market, credit, active) - Setting criteria for managing key risks	- Investing assets by area (stock, bond, alternative investment)	- Managing risk limits - Risk monitoring and management - Exposure management	- Internal control

# Ethics Management

## Fortifying Ethics Management System

In order to vitalize ethics management, the NPS continues to develop our organization, standards, and system. We also reorganized audit organization and added legal experts to response to social issues and changes, while firmly establishing ethics management infrastructure by introducing integrity verification system in promotion review and making operation standard for active administration. On top of that, the ethics management system was highly strengthened through improving our ethics charter, code of conduct, and employee code of conduct and applying the zero tolerance principle for violations of the integrity obligation, and newly establishing a personnel code to allow severe disciplinary action and maximum dismissal in the event of hiring corruption.

## Disseminating a Culture of Ethics and Integrity

We have conducted ethics training tailored to each job stage and unique position. By expanding the existing curriculum for each job, we provide introductory education to ethics and integrity for those who converted their employment status to regular workers and operate specialized training courses considering the degree of ethics violation exposure and work expertise. We provide incentives such as rewards through the integrity mileage system and operate a participatory program by adopting 'On-site Integrity Consulting', thereby increasing the motivation for employees to practice integrity. Moreover, we are contributing to spreading awareness of ethical practices with our suppliers through providing integrity training for members of organizations related to our business.

## Reporting and Monitoring Regarding Ethics Management

The NPS is intensifying our internal and external reporting system by newly founding a reporting support center regarding the abuse of power, making our efforts to facilitate a reporting culture. We have established a manual on handling procedures when reporting a power of abuse case and monitored the overall ethics management reporting system such as designating a certain period for heightened reporting activities hindering the organizational culture and investigating an awareness level of our reporting system. The reporter protection system has been reinforced. For example, persons in charge of it pledge to protect the reporter and anyone who violates the manual is immediately excluded from the work. We have also actively informed of our reporting channels to stakeholders in areas with higher vulnerability to corruption such as contractors.

[For more information](https://www.nps.or.kr/jsppage/singo/singo_tab_01.jsp) Online reporting center(https://www.nps.or.kr/jsppage/singo/singo\_tab\_01.jsp)

## Operate a Preemptive Internal Checking System

Through our three-stage internal checking system, we are conducting systematic and effective internal checks and doing analysis, assessment, and feedback on our overall audit activities from an external perspective through auditing channels engaged by Audit Advisory Committee and Integrity Ombudsmen. Our intensive audits on high-risk groups are conducted by classifying those risks into four stages by our business area while voluntary improvement is encouraged and preliminary inspections are conducted to prevent cases of excessive budget execution through reinforced monitoring to block the violations of social responsibility in the management process from the perspective of the public. The Integrity Help Desk is operated to provide counseling for compliance with the code of conduct and reinforce compliance support services by providing legal advice.

#### Result of Integrity Assessment Conducted by the Anti-Corruption & Civil Rights Commission

Category	Unit	2017	2018	2019	
Integrity Assessment	Comprehensive Integrity Level	Point	8.54	8.64	8.69
	External Integrity	Point	8.69	8.73	8.95
	Internal Integrity	Point	8.42	8.60	8.27
Evaluation on anti-corruption policy	Overall Result	Grade	1	1	Exempted (excellent institution for 3 consecutive years)

# Human Rights Management

## Human Rights Management Governance

Keeping in mind the importance of human rights, we make strenuous effort to protect human rights of all interest parties ‘Human Rights Management Charter’ has been enacted and proclaimed externally and human rights impact assessment is promoted through our internal regulations including ‘Human Rights Management Guidelines.’ In addition, we have established a reporting process and relief procedures in case of any human rights violation. The Human Rights Management Charter and Human Rights Management Guidelines are released in public through the NPS homepage. Major decisions related to human rights management are deliberated and resolved through the Human Rights Management Committee composed of various stakeholders and experts, and the results are reflected in our management through annual establishment and implementation of human rights management integrated plan and review of performances. With the Social Value Promotion Group under the direct control of the chairperson, we are promoting internal and external human rights awareness and various cooperation projects.



For more information NPS Human Rights Management Charter and Guidelines ([https://csr.nps.or.kr/jsppage/contribution/incorrupt/ethics/ethics\\_08.jsp](https://csr.nps.or.kr/jsppage/contribution/incorrupt/ethics/ethics_08.jsp))

## Consolidating Foundation for Human Rights Management Practice

The division in charge of human rights management is conducting regular inspections and giving feedbacks on human rights management tasks and the NPS is effectively promoting the rights and interests of stakeholders in our business areas. Along with that, we made a checklist to self-diagnose the impact of human rights when establishing a business plan, and designated a human rights officer in each division. In addition, human rights implementation activities are reflected in the evaluation of division heads so that human rights-oriented management can be practiced even to individual organizations. To facilitate interests and endorsement in human rights, we hold human rights quiz events and play related movies while providing specialized training to each job level so that our employees can raise human rights awareness and our executives can cultivate human rights leadership. On top of that, we give special training by major human rights issue such as power abuse, harassment at work, and prevention of four major violence.

### Internalizing Human Rights Awareness through Participatory Training

Participatory Training Program		No. of Participants
Playing human rights themed movies	Playing movies to raise human rights sensitivity produced by NHRCK <sup>1)</sup>	130
Human rights management quiz event	Holding quiz events targeting all employees through company notice	9,750
Special lecture by human rights experts	Providing lectures to executives and persons in charge in major departments in headquarters	126
Specialized education by human rights issue	Special tutor training in areas including power abuse, harassment at work, protection of emotional workers, and prevention of four major violence	52,376

1) NHRCK: The National Human Rights Commission of Korea

## Discovering and Improving Human Rights Risks

We have conducted an annual human rights impact assessment in all areas of our business so as to identify actual or potential human rights infringement items that may occur when we do our business activities. To this end, we supplemented the human rights impact assessment manual of NHRCK to be suitable to our business characteristics and prepared a more detailed procedure. So, we added procedures like conducting a preliminary impact assessment by experts and organizing a council of related departments, thereby ensuring that a sound human rights impact assessment can be implemented. For the human rights impact assessment on institutional operation, 171 indicators were evaluated. Also, for the human rights impact assessment, 38 unique indicators were developed by selecting the ‘pension payment programs’ that are the most significant and have the greatest stakeholder influence. In these assessments, we discovered a total of 11 potential human rights issues and made improvement plans. We have established a comprehensive human rights management plan every year to self-diagnose human rights issues inherent in our business. The 2019 Human Rights Management Integrated Promotion Plan consists of three strategies and 14 execution tasks, focusing on realizing work-life balance, preparing a safe workplace, establishing a fair-trade order, and expanding public rights protection services.

### Key Issues and Items To Be Improved from Human Rights Impact Assessment 2019

NPS Operation		Major Business	
Area	Issue and Items To Be Improved	Area	Issue and Items To Be Improved
<b>Establishment of Human Rights Management System</b>	Describing notice period of results regarding relief procedure	<b>Protection of Subscribers' Rights</b>	Improving the guideline for the public expectation
<b>No Discrimination in Hiring</b>	Excluding age in the factor for promotion in case of the same score		Reviewing support plans for individually insured subscribers with low-income
<b>Responsible Supply Chain Management</b>	Supporting the protection of workers in our contract companies through human rights education	<b>Protection of Pensioners' Rights</b>	Paying accurate amount through shortening the receipt period for materials
	Protecting workers in our contract companies through a rights protection agreement		Enhancing the right to know of the public by raising homepage accessibility
	Operating human rights training programs for employees taking in charge of safety		Preparing the protection for the right to receive through active provision of claim-related information
<b>Environmental Rights Assurance</b>	Raising environmental awareness through sharing related information		

## Preventing Human Rights Violation and Enhancing Remediation

The NPS does active preventive performances on human rights violation issues while meticulously and sensitively respond to real cases in the perspective of reporters and victims through our systematic relief procedures. When human rights violations occur, we start taking procedures of relief, complying with ‘Human Rights Management Guidelines.’ Particularly for major human rights violation issues, we establish separate management system and form a ‘Labor-Management Joint Case Handling Committee’ to respond to them, operating joint procedure with labor and management.

### Preventive Activities on Major Human Rights Issues

Activity	Details	Performance
Eradicating power of abuse	Identifying NPS's power of use cases through inspection and implementing personnel measures excluding those issues from the subject of disciplinary reduction	Result of integrity level in 'power of abuse' area(Received 9.37 points internally and 9.34 points externally)
Preventing harassment at work	Making and distributing response manuals and implementing internal campaign of spreading a mutual respect culture, declaring mutual respect between the labor and the management	
Preventing sexual harassment/violence	Establishing a Case Handling Committee, conducting a role-playing type activity to raise awareness	Zero occurrence
Labor rights and contractors' safety	Building an Occupational Safety and Health Committee, diagnosing current status of emotional workers, introducing One-click Recording of Abusive Language System, etc.	Workplace and work safety level 86.2 points

We are doing our best to listen to our stakeholders' opinions on human rights-related issues. Capitalizing on complaint handling system, reporting system, survey, and awareness diagnosis, we keep monitoring concerned issues while consistently monitoring and supplementing regarding systems which experienced troubles and implementing relief procedures on individual cases at the same time.

# Talent Management

## Nurturing Talents

### Systematic Human Resource Development

We have established and pushed forward a unique human resource development system tailored to our three desired talent types; ‘Creative Innovator with New Ideas’, ‘Growing Professional with Progress’, and ‘Considerate Communicator with Empathy’. For the higher competence of field employees, we have adopted and operated a systematic three-stage tailored job program so that our growing capabilities of employees and organization will be raised by higher work expertise and coaching skills that go well with each individual and situation. Furthermore, the next generation leader nurturing program is advanced to cope with a large-scale retirement of baby boomer generation and to cultivate leaders with both competence and great personality. We also largely applied diverse education trends such as social learning, increasing usage level in the real field.

In addition, we have established a strategy (Recruit+Grow) which is a combination of recruiting workers with career history and directly nurturing workforce to stably secure fund management talents. We are pushing forward the establishment of a mid- to long-term personnel cultivation roadmap and design of programs by revising laws to establish a ‘professional talent training system’ specialized in public pension funds, newly building a dedicated HR organization, and securing a business budget of KRW 1.5 billion, while expanding open positions and strengthening the verification system for recruiting professionals.

### Reasonable Evaluation and Reward

The NPS is improving a performance evaluation system in a rational manner to achieve our management goals. While heavily reflecting social values and efforts for innovation in the organization and individual evaluation, we work on a shift to a job-oriented compensation system, from a way of managing performance to encourage performance improvement. We also implement a performance improvement support program for low performing divisions. Through the evaluation system that focuses on fairness as well as performance improvement, we are securing the acceptance and satisfaction from our employees.

### Equal Opportunities and Non-discriminatory Principle

In the circumstances where more than half of all employees are female, the NPS is setting up a reasonable management plan for the use of female employees. Considering the fact that many women may be excluded from promotion and placement due to parenting, we have implemented systemic improvements to avoid any disadvantages in the workplace especially in promotion due to parental leave by establishing a personnel system to support female employee’s growth, expanding customized competency development training such as coaching programs for those who reinstate from parental leave. On top of that, when participating in important decision-making within the organization, such as improving the personnel system, the representation of gender and rank is strengthened, and in the operation of the executives and promotion target system, rational target values are set and managed in consideration of changes in the workforce structure with an aim to prevent reverse discrimination against specific genders.

## Fair Employment Relationship

### Transparent Hiring Process

To make fairness and transparency of our hiring process even higher, the NPS is operating a hiring process that eliminates discriminatory factors in all recruiting process. We increased the portion of qualification of the job position to concentrate on each individual’s competency in blind hiring system while enhancing an in-depth interview process so that objective evaluation of capabilities can be practiced. Besides, an audit division engages in overall hiring process to supervise and verify it and we provide training about preventing information leakage for external members and related institution, putting emphasis on fairness.

## Expanding Social Equity in Recruitment

As the role of public sector is highlighted in creating quality jobs, the NPS is expanding a tailored open hiring policy, operating separate process for the youth or the socially disadvantaged. Our hiring policy has higher social balance level than recommended level by the government, and we make sure the hired through this process can work stably after hiring by developing job positions that fit their capabilities and area.

### Recruiting System for Social Equity

Category	Details	Achievement
Youth/high school graduate/regional talent	Hiring youth and expanding the number of local talents hiring through rapid recruitment in vacant positions	351 people hired
The disabled	Hiring and placing the handicapped-friendly jobs such as consultations of the support regarding the disabled	18 people hired
The aged	Securing stability by discovering appropriate jobs such as facility maintenance and giving advantages in retirement age to the aged whose employment position is converted to regular one	30 people hired
Person with career break	Supporting work and life balance and the return to society for those who cannot work full-time or get a job owing to birth and childcaring, hiring short-time work position	35 people hired

### Cooperative Labor-Management Relationship

The NPS has established cooperative labor-management relationship on the foundation of active communication and continued policy of respecting labor. We view the labor as our companion of the management, leading to a number of achievements including labor-management joint declaration for social value fulfillment, labor-management agreement on job sharing, and improvement of three-stage promotion system through active communication. We also promote participation and cooperation between the labor and the management through a total of 13 labor-management consultative bodies in five areas including labor, human rights, safety while newly establishing five committees including ‘Harassment at Work Case Handling Committee,’ ‘Safety Management Committee,’ ‘TF Team for Alleviating Workplace Wage Gap among Positions,’ ‘Retirement Pension Investment Committee,’ ‘Wage Peak Support System Improvement TF Team’ to raise employment conditions on the basis of labor-management discussion.

## Work and Life Balance

### Family-friendly System

The NPS is implementing policies to reflect male and female co-parenting social trend and to alleviate burdens derived from career break due to birth and childcare. Our systematic support encourages male employees to use childcare leave and allow coexistence of work and childcare by making efforts to raise the awareness of parents’ co-parenting. With actively providing information of childcare support system and encouraging birth and childcare culture together, the usage rate of a childcare support system increased 48.4% compared to the previous year. Based on these endeavors, we were selected as a ‘family-friendly certified institution’ by the Ministry of Gender Equality and Family for 13 consecutive years from 2008 to 2020.

### Flexible Work and Right to Rest

Capitalizing on ICT, we automated simple and repetitive work and improved reporting and meeting culture while operating on-time leave day, PC-OFF system, intensive working hours in the morning and afternoon and many more, thereby reducing considerable amount of extended work hours by 24% compared to the previous year. As a result, the employee satisfaction level on the work concentration level and working ways were increased by 1.6 points year on year. On top of that, we are enhancing work concentration through encouraging the use of leaves tailored to the circumstances of employees, for instance, supporting the use of annual leave in advance for newly hired employees who are relatively short of holidays and easing the requirements for using self-development leave for employees with long working history. The standard working hours for fund management positions have been moved earlier by one hour to coincide with the opening hours of the financial market as their work starts earlier than general office workers.

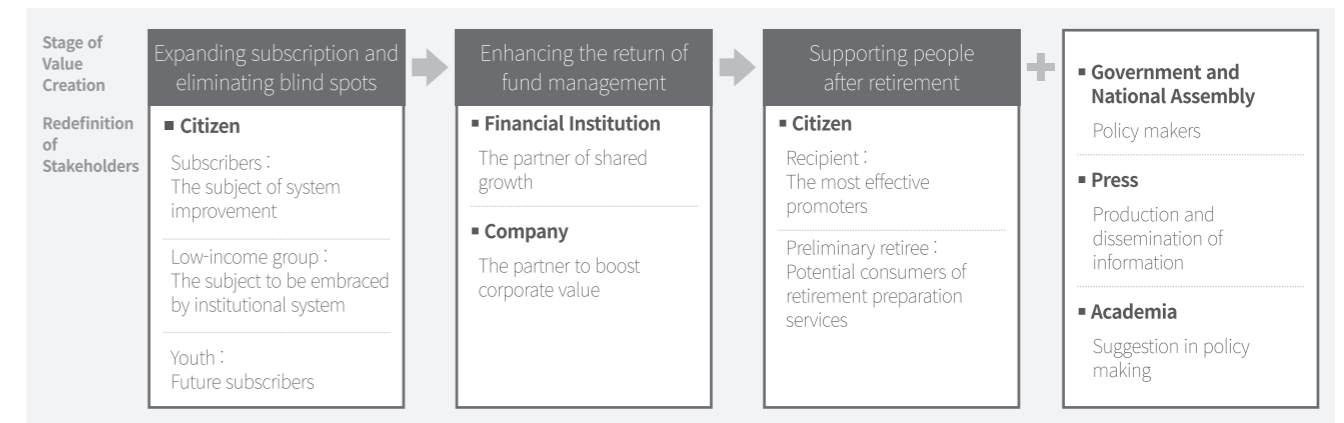


# Stakeholder Engagement

## Communication with Stakeholders

### Redefinition of Stakeholders Consistent with the Nature of NPS

The NPS reorganized the classification of stakeholders by value creation stages of the pension scheme. The communication system was also re-established to be consistent with the nature of the NPS by subdividing stakeholders and reinterpreting each role, focusing on civic participation and cooperation with financial institutions. In addition, the opinions from stakeholders are collected through communication channels customized to the needs of stakeholders at each stage of value creation to be reflected in management. Looking forwards, we will continue to seek for the way that various interests and requests of stakeholders can be embraced in our sustainable management.



### Efforts to Communicate with Stakeholders

Classification	Main Needs	Communication Strategy	Communication Channel and Performance
Expanding Subscription and Eliminating Blind Spots	<b>Citizen</b>	Resolving uncertainty in the institutional system and strengthening inclusion for the vulnerable	Improving understanding of the national pension through education
	<b>Academia</b>	Sharing research results to be reflected in policies	Increasing expert exchange
	<b>Government and National Assembly</b>	Supporting the process of policy-making	Strengthening cooperation with the member of the National Assembly
Enhancing the Return of Fund Management	<b>Citizens and Press</b>	Enhancing transparency in the return of fund management and decision making	Proactive media promotion
	<b>Financial Institution</b>	More opportunities to communicate and participate	More opportunities to listen to the opinions whether regular or official meetings
	<b>Company</b>	Recognizing Stewardship Code as management interference	Disclosing clear criteria of management participation, etc.
Supporting People after Retirement	<b>Citizen</b>	Growing demand for continued social activities and welfare services	Providing job information linked to retirement preparation services
	<b>Government and National Assembly</b>	Strengthening the role of public pensions to alleviate poverty of the aged	Making suggestions to the government and supporting policy makers for legislation

# Appendix

Stakeholder Engagement · Sustainability Performance · The Third Party's Assurance  
 GRI Standard Index · Sustainability Initiative · Awards and Membership Status

# Sustainability Performance

## Economic Performance

### Economic Value Distribution

Category	Unit	2017	2018	2019
Customer (pension payment)	KRW 1 million	19,083,886	20,752,684	22,764,343
Employees (wage, severance pay, welfare benefits)		435,853	475,979	523,538
Government (taxes & dues)		31,457	33,052	36,044
Local community (social contribution expenses)		588	746	762
Suppliers (goods purchased from SMEs)		59,656	56,124	57,928

### Statement of Financial Position

Category	Unit	2017	2018	2019
Assets	Total current assets	162,529	144,676	140,677
	Total non-current assets	85,379	93,037	98,202
	Total assets	247,908	237,713	238,879
Liabilities	Total current liabilities	90,347	96,875	112,188
	Total non-current liabilities	301,969	348,888	360,894
	Total liabilities	392,316	445,763	473,082
Equity	Issued capital	-	-	-
	Other	-144,408	-208,050	-234,203
	Non-controlling interests	-	-	-
	Total equity	-144,408	-208,050	-234,203

\* Changes in some figures in 2017 and 2018 financial information : the NPS changed accounting policy for the balance of government subsidies from liabilities to assets deduction with a view to providing suitable and reliable information through the application of accounting policies adopted by the most of the institutions in the same field

### Comprehensive Income Statement and Key Indicators

Category	Unit	2017	2018	2019
Sales	KRW 1 million	19,739,157	21,409,536	23,453,597
Net sales		19,739,157	21,409,536	23,453,597
Cost of sales		19,107,073	20,775,422	22,788,039
Selling and administrative expenses		625,857	646,747	679,270
Operational profits (loss)		6,227	-12,633	-13,712
Other profits		26	797	-
Other expenses		4,093	-	-
Other gains and losses		-22,218	-25,233	-25,477

Category	Unit	2017	2018	2019
Finance income	KRW 1 million	4,264	5,214	5,270
Finance expenses		404	646	943
Profit (loss) before income tax		-16,198	-32,501	-34,862
Corporate tax (gain)		562	4	-2
Net profit for the term		-16,760	-32,505	-34,860
Other inclusive gains and losses		-5,490	-31,300	8,247
Total inclusive gains and losses		-22,250	-63,805	-26,613
Net profit ratio		-0.08	-0.15	-0.15
Capital turnover ratio		-13,669.02	-10,290.57	-10,014.22

\* Changes in some figures in 2017 and 2018 financial information : the NPS changed accounting policy for the balance of government subsidies from liabilities to assets deduction with a view to providing suitable and reliable information through the application of accounting policies adopted by the most of the institutions in the same field

## Environmental Performance

### GHG Emissions

Category	Unit	2017	2018	2019	
Base emissions	tCO <sub>2</sub> eq	13,320	14,385	16,667	
GHG emissions amount		Scope 1	2,130	2,074	1,904
		Scope 2	7,370	8,181	8,688
		Total emissions	9,500	10,255	10,592
GHG reduction amount		3,820	4,130	6,075	
GHG reduction rate	%	28.68	28.71	36.45	
Energy consumption	TOE	3,413	3,498	2,562	
Water usage	Ton	78,255	81,638	48,115	
Wastes emissions		259	255	18.24	

### Purchase of Green Product

Category	Unit	2017	2018	2019
Amount of green product purchase	Eco-label certified product	2,947	2,430	2,579
	Good Recycled (GR) certified product	0	0	0
	Low-carbon certified product <sup>1)</sup>	0	0	0
	Total	2,947	2,430	2,579
Purchase rate of green product	%	88.72	81.6	81.17

<sup>1)</sup> Approved as a green product since the amendment of the 'Green Product Purchase Promotion Act' in 2020

### Violation of Environmental Laws

Category	Unit	2017	2018	2019
Sentenced severe penalties than paying fines	Case [KRW 1 million]	0 [0]	0 [0]	0 [0]
Fines		0 [0]	0 [0]	0 [0]

## Social Performance

### Human Resources

Category	Unit	2017	2018	2019	
<b>Total number of employees (including executives)</b>		5,816	7,264	7,396	
<b>Total number of employees (excluding those away from work for parental leave, etc.)</b>		5,745	6,775.75	7,357.25	
<b>By employment type</b>	Permanent	5,475	5,815.50	6,033.75	
	Indefinite contract	270	960.25	1,323.50	
	Contract	122	214	56	
<b>By Gender</b>	Female	2,968	3,488.50	4,045.25	
	Male	2,777	3,287.25	3,312	
<b>By ages</b>	Under 30 years old	766	1,893.75	1,073.5	
	30 – 50 years old	3,397.50	3,329.50	4,066.00	
	After 50 years old	1,581.50	1,552.50	2,217.75	
<b>New recruitment</b>	Permanent employment	322	477.5	416.5	
	Contracted employment [transit to permanent employment]	18 [9]	34 [17.25]	35 [18]	
	Indirect employment	736	0	0	
<b>Female employees</b>	Female managers <sup>1)</sup>	232	283	314	
	Ratio of female employees	48.3	51.49	54.98	
	Ratio of female managers	21.2	24.2	26.3	
<b>Socially vulnerable group</b>	Disabled employees [ratio]	201 [3.43]	243 [3.48]	276 [3.72]	
	Veterans [ratio]	458 [8.28]	525 [8.77]	580 [8.04]	
<b>Retirement</b>	<b>Total</b>	Total	126	230	355
		Male	72	157	224
		Female	54	73	131
	<b>Resignation</b>	Total	40	68	104
		Male	14	27	33
		Female	26	41	71
	<b>Regular retirement</b>	Total	21	87	193
		Male	18	74	155
		Female	3	13	38
	<b>Voluntary retirement</b>	Total	11	18	18
		Male	8	10	10
		Female	3	8	8
	<b>Others</b>	Total	54	57	40
		Male	32	46	26
		Female	22	11	14

1) Female manager : Including executives and 1-3 level employees

### New Recruitment

Category	Unit	2017	2018	2019
<b>Permanent Employees</b>	Female employees	190	294	224.5
	Disabled employees	5	17.5	12
	Regional talent	194.5	272.5	266.5
	High school graduates	46	51	15
	Total new hires	322	477.5	416.5
<b>Contracted Employees</b>	Interns	190	286	242
	Counsellors, etc.	261	201	189
	Contract workers	296	403	4
	Total	747	890	435

### HR Development

Category	Unit	2017	2018	2019
<b>No. of trainees</b>	Person	74,724	84,050	130,588
<b>Training budget per employee</b>	KRW	957,000	720,000	839,000
<b>Satisfaction level</b>	Point	4.67	4.65	4.72

### Flexible Working Hours

Category	Unit	2017	2018	2019
<b>Part-time</b>	Recruited	18	33	35
	Converted	91	163	256
<b>Flexible working hour system</b>	Staggered office hours	1,025	1,046	1,164
	Optional working hours	-	943	950
	Compressed working hours	39	40	30

### Labor Union

Category	Unit	2017	2018	2019
<b>No. of membership targets</b>		6,038	7,072	7,526
<b>No. of members</b>	Person	4,442	5,155	5,878
<b>Membership rate</b>	%	73.56	72.89	78.10

### Welfare Benefits and Satisfaction

Category	Unit	2017	2018	2019
<b>Welfare benefits per person</b>	KRW	1,942,000	1,873,000	1,821,000
<b>Satisfaction with welfare benefits</b>	Point	85.3	85.5	85.8

Welfare Benefits System

Type of Support	Contents
Group insurance	Support for group insurance according to budget planning guidelines
Health examination	Support for biennial health examination according to the National Health Protection Act
Cultural and leisure activities	Support for summer resorts, condominium, and club activities according to budget planning guidelines
Childcare facility in workplace	Support for day care centers in workplace according to related laws such as the Infant Care Act
Prevention of musculoskeletal system disorder	Support for the prevention of musculoskeletal diseases according to the Industrial Safety and Health Act
Employee Assistance Program (EAP)	Support for worker support programs according to the Basic Workers Welfare Act

Support for Childbirth and Childcare

구분		Unit	2017	2018	2019	
Support for pregnancy	Reduction of working hours during the period pregnancy (2 hours/day reduction for pregnancy under 12 weeks and over 36 weeks)		103	81	149	
Childcare support	Reduction of working hours during childcare (daily work time is reduced by 4 hours for employees raising children under the age of 9)		82	130	125	
Maternity leave	Maternity leave (90 days for single child and 120 days for multiple children)		131	139	147	
	Childbirth leave for one's spouse (five paid days)		89	58	53	
Parental leave	No. of employees who used parental leave	Person	Total	417	408	420
			Male	26	26	34
			Female	391	382	386
	No. of employees returning after parental leave	Person	Total	241	222	195
			Male	20	18	24
			Female	221	204	171
	No. of employees who have worked for more than 12 months after returning	Person	Total	226	212	187
			Male	19	17	23
			Female	207	195	164
	Service rate of over 12 months	%	Total	93.7	95.4	95.8
			Male	95	94	95.8
			Female	93.6	95.5	95.9

Ethics Management

Category	Unit	2017	2018	2019
Comprehensive Integrity Level (ACRC)		2	2	2
Evaluation on anti-corruption policy (ACRC)	Grade	1	1	Exempted (excellent institution for 3 consecutive years)
Index of employee's ethics	Point	84.9	90	93.2
Education on ethics management	Total number of trainees	20,666	21,595	20,333

Human Rights Management

Category	Unit	2017	2018	2019	
Education on human rights management	Total number of trainees	Person	6,398	13,455	22,002
	Rate of trainees	%	-	93.3	99.4

Local Community

Category	Unit	2017	2018	2019
Job creation	Person	6,147	6,289	7,202
Social contribution mileage	Point	167,030	183,390	182,122
Length of volunteering activities per employee	Hour	10.9	10.7	9.8

Win-Win Growth

Category	Unit	2017	2018	2019
Win-Win Growth assessment of public institutions	Grade	Average	To be improved	Good
Rate of purchase from SMEs	%	81.5	82.3	94.2
Investment in SMEs such as domestic ventures funds	KRW 1 billion	694.0	773.7	906.6

Occupational Safety and Health

Category	Unit	2017	2018	2019	
Industrial accident	Accident rate	%	0.1032	0.0551	0.0811
	Total number of trainees	Person	-	-	7,768
Education on safety	Rate of trainees	%	-	-	99.45
	Training hours per person	Hour	-	-	3

Supply Chain

Category	Unit	2017	2018	2019	
Priority purchase from a socially responsible perspective	Purchase amount of green products	KRW 1 billion	2.9	2.4	2.6
	Purchase amount from SMEs	KRW 1 billion	59.7	56.1	57.9
	Priority purchase amount from female-owned business	KRW 1 billion	5.1	4.5	5.0
	Priority purchase amount from the disabled-owned business	KRW 1 billion	1.8	1.7	1.6
	Priority purchase amount from social enterprise	KRW 1 billion	2.3	2.6	2.5
	Purchase rate of green products	%	88.7	81.6	81.2
	Priority purchase rate from SMEs	%	81	82.3	94.2
	Priority purchase rate from female-owned business	%	7.0	6.5	8.2
	Priority purchase rate from the disabled-owned business	%	2.5	2.4	2.6
	Priority purchase rate from social enterprise	%	3.3	3.9	5.1

# The Third Party's Assurance

## To the Readers of 2020 NPS Sustainability Report :

### Foreword

Korea Management Registrar Inc. (hereinafter "KMR") has been requested by of National Pension Service (hereinafter "NPS") to verify the contents of its 2020 NPS Sustainability Report (Hereby referred to as "the Report"). NPS is responsible for the collection and presentation of information included in the Report. KMR's responsibility is to carry out assurance engagement on specific data and information in the assurance scope stipulated below.

### Scope and standard

NPS describes its efforts and achievements of the corporate social responsibility activities in the Report. KMR performed a type2, moderate level of assurance using AA1000AS (2008) and SRV1000 from KMR Global Sustainability Committee as assurance standards. KMR's assurance team (hereinafter "the team") evaluated the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of the selected GRI Standards indices as below, where professional judgment of the team was exercised as materiality criteria.

The team checked whether the Report has been prepared in accordance with the 'Core Option' of GRI Standards which covers the followings.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
  - Management approach of Topic Specific Standards
  - Economic Performance : 201-1
  - Indirect Economic Impacts : 203-1, 203-2
  - Anti-Corruption : 205-2, 205-3
  - Energy : 302-1
  - Water : 303-5
  - Emissions : 305-1, 305-2
  - Environmental Compliance : 307-1
  - Employment : 401-1, 401-2, 401-3
  - Occupational Health and Safety : 403-1, 403-4, 403-5, 403-8, 403-9
  - Training and Education : 404-2
  - Diversity and Equal Opportunity : 405-1
  - Human Rights Assessment : 412-1, 412-2
  - Customer Privacy : 418-1

This Report excludes data and information of joint corporate, contractor etc. which is outside of the organization, i.e. NPS, among report boundaries.

### Our approach

In order to verify the contents of the Report within an agreed scope of assurance in accordance with the assurance standard, the team has carried out an assurance engagement as follows :

- Reviewed overall report
- Reviewed materiality test process and methodology
- Reviewed sustainability management strategies and targets
- Reviewed stakeholder engagement activities
- Interviewed people in charge of preparing the Report

## Our conclusion

Based on the results we have obtained from material reviews and interviews, we had several discussions with NPS on the revision of the Report. We reviewed the Report's final version in order to confirm that our recommendations for improvement and our revisions have been reflected. When reviewing the results of the assurance, the assurance team could not find any inappropriate contents in the Report to the compliance with the principles stipulated below. Nothing has come to our attention that causes us to believe that the data included in the verification scope are not presented appropriately.

- **Inclusivity** Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability
  - NPS is developing and maintaining stakeholder communication channels in various forms and levels in order to make a commitment to be responsible for the stakeholders. The assurance team could not find any critical stakeholder NPS left out during this procedure.
- **Materiality** Materiality is determining the relevance and significance of an issue to an organization and its stakeholders. A material issue is an issue that will influence the decisions, actions, and performance of an organization or its stakeholders.
  - NPS is determining the materiality of issues found out through stakeholder communication channels through its own materiality evaluation process, and the assurance team could not find any critical issues left out in this process.
- **Responsiveness** Responsiveness is an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders.
  - The assurance team could not find any evidence that NPS's counter measures to critical stakeholder issues were inappropriately recorded in the Report.

We could not find any evidence the Report was not prepared in accordance with the 'Core Option' of GRI standards.

## Recommendation for improvement

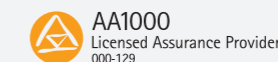
We hope the Report is actively used as a communication tool with stakeholders and we recommend the following for continuous improvements.

- National Pension Service (NPS) systematically established strategies and a roadmap for social values, an important initiative for public agencies, and delivered a detailed report of its quantitative performance. It also tracked material topics for years and pursued sustainable management with integrity. We recommend that NPS set a principle of reporting the recent three-year data for quantifiable areas wherever possible to improve comparability.

## Our independence

With the exception of providing third party assurance services, KMR is not involved in any other NPS's business operations that are aimed at making profit in order to avoid any conflicts of interest and to maintain independence.

Aug, 21th, 2020



CEO *E. J. Hwang*

# GRI Standards Index

## Universal Standards (GRI 100)

Topic	Disclosure	Page		
Organizational profile	102-1	Name of the organization	4-5	
	102-2	Activities, brands, products, and services		
	102-3	Location of headquarters		
	102-4	Location of operations		
	102-5	Ownership and legal form		
	102-6	Markets served		
	102-7	Scale of the organization		
	102-8	Information on employees and other workers		66
	102-9	Supply chain		47-49
	102-10	Significant changes to the organization and its supply chain		N/A
	102-11	Precautionary Principle or approach		56
	102-12	External initiatives		74-76
	102-13	Membership of associations		77
Strategy	102-14	Statement from senior decision-maker	2-3	
	102-15	Key impacts, risks, and opportunities		
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	57	
	102-17	Mechanisms for advice and concerns about ethics		
Governance	102-18	Governance structure	54-55	
	102-22	Composition of the highest governance body and its committees		
	102-23	Chair of the highest governance body		
	102-24	Nominating and selecting the highest governance body		
	102-35	Remuneration policies		
Stakeholder engagement	102-40	List of stakeholder groups	63	
	102-41	Collective bargaining agreements	61, 67	
	102-42	Identifying and selecting stakeholders	63	
	102-43	Approach to stakeholder engagement		
Reporting practice	102-44	Key topics and concerns raised	About This Report	
	102-45	Entities included in the consolidated financial statements		
	102-46	Defining report content and topic Boundaries		
	102-47	List of material topics		19
	102-48	Restatements of information		64-65
	102-49	Changes in reporting		20
	102-50	Reporting period		About This Report
	102-51	Date of most recent report		
	102-52	Reporting cycle		
	102-53	Contact point for questions regarding the report		

## Universal Standards (GRI 100)

Topic	Disclosure	Page	
Reporting practice	102-54	Claims of reporting in accordance with the GRI Standards	About This Report
	102-55	GRI content index	72-73
	102-56	External assurance	70-71
Management Approach	103-1	Explanation of the material topic and its Boundary	26, 32, 38, 44
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	

## Topic Specific Standards-Economic Performance (GRI 200)

Topic	Disclosure	Page	
Economic Performance	201-1	Direct economic value generated and distributed	64-65
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	26-52
	203-2	Significant indirect economic impacts	45-49
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	57-59
	205-3	Confirmed incidents of corruption and actions taken	

## Topic Specific Standards-Environmental Performance (GRI 300)

Topic	Disclosure	Page	
Energy	302-1	Energy consumption within the organization	65
Water and Effluents	303-5	Water consumption	
Emissions	305-1	Direct (Scope 1) GHG emissions	
	305-2	Energy indirect (Scope 2) GHG emissions	
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	

## Topic Specific Standards-Social Performance (GRI 400)

Topic	Disclosure	Page	
Employment	401-1	New employee hires and employee turnover	66-67
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	68
	401-3	Parental leave	
Occupational Health and Safety	403-1	Occupational health and safety management system	51-52
	403-4	Worker participation, consultation, and communication on occupational health and safety	69
	403-5	Worker training on occupational health and safety	
	403-8	Workers covered by an occupational health and safety management system	51
	403-9	Work-related injuries	69
Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	60, 67
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	54, 66-67
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	58-59
	412-2	Employee training on human rights policies or procedures	58, 67
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	50

# Sustainability Initiative

## UN Sustainable Development Goals (UN SDGs)

We declared our support for the UN SDGs composed of 17 goals and 169 sub-tasks that the international community should achieve together to resolve universal problems of humanity, environment, economic and society. In 2019, we shared our practical experiences as an excellent institution in implementing SDGs.

UN SDGs	Potential Impacts	NPS' Actions	Page
1  End poverty	Settlement of the poverty issue by providing contribution support program to the economically vulnerable group	Promote Durunuri Project	28
		Promote loans for contribution	Homepage
2  End hunger and achieve food security	Eradication of hunger for the socially vulnerable group	Confirm survival of single seniors when checking eligibility for pension and deliver food and supply	41
3  Ensure healthy lives and promote well-being	Enhancement of health of the stakeholders such as beneficiary and employees through a variety of support programs	Provide senior beneficiaries opportunities for various social engagements including self-improvement and volunteering	41
		Provide stress management programs for emotional laborers	51
		Pursue enhancement of employees' health through environmental improvement	51
4  Ensure quality education	Enhancement of education opportunities with high-quality education programs	Provide scholarship to beneficiaries of socially vulnerable group and their children	49
		Educational support to local students regarding finance and coding	49
		Provide job competency programs for employees	60
5  Achieve gender equality and empower all women	Enhancement of human rights of women and empowerment through systems and education programs	Promote expansion of national pension subscription for females with career break	27-28
8  Promote sustainable economic growth and decent work	Creation of jobs in Korea through stable fund management and support	Introduce female-friendly system in all areas including promotion, appraisal, and training	60
		Create jobs in the finance industry of Korea by expanding private contracting for fund management	45
9  Build resilient infrastructure and promote sustainable industrialization	Building of social infrastructures using the fund and reinvigoration of sustainable economic development	Create jobs in the private sector by resolving job miss-matching and opening jobs for retirement planning service tutor to public	46
		Increase investment in social infrastructures including SOC through National Pension Fund	48
10  Reduce inequality	Support on the socially vulnerable subscribers in the blind spot of the scheme	Reinvigoration of local economy by invigorating traditional markets in Jeollabuk-do, etc.	47-48
		Expansion of knowledge infrastructures through regional events such as international seminar on public pension, etc.	48
		Support on the disabled and employment vulnerable group through the scheme	28
10  Reduce inequality	Support on the disabled and employment vulnerable group through the scheme	Support on the socially vulnerable subscribers in the blind spot of the scheme	28
		Support on the disabled and employment vulnerable group through the scheme	58-59, 61
		Endeavor to conduct blind recruitment, recruit high school graduates and local talents, and expand female managers to eliminate discriminations at work	60-61
10  Reduce inequality	Support on the disabled and employment vulnerable group through the scheme	Complete transition of contracted employees to permanent	46

UN SDGs	Potential Impacts	NPS' Actions	Page
11  Make cities and human settlements sustainable	Contribution to the stable provision of public services through the advancement of services related to the fourth industry	Develop welfare service models and programs that contribute to lives of the public including sophistication of big databased retirement preparation service	12
		Establish the disaster recovery system at ICT Center and operate the integrated disaster management system	52
12  Ensure sustainable consumption and production patterns	Contribution to regional development and revitalization of local economy by procuring products of local companies	Purchase from and contract with local companies	17
13  Combat climate change and its impacts	Direct and indirect effects on climate change and air pollution	Surpass GHG reduction goals through energy conservation practices	17
		Consider the ESG (Environment, Social, Governance) factors including the environment when making fund investment	34-35
16  Build accountable and inclusive institutions	Promotion of sustainable society through responsible fund management Encouraging peaceful and inclusive society through ethical and human rights management	Reinforce transparent and responsible activities based on the principle of good faith	35
		Establish system to carry out ethical and human rights management and expanding infrastructure	57-59
17  Revitalize the global partnership	Contribution to sustainable development of the international society by cooperating with the stakeholders	Transfer the National Pension Scheme to developing countries such as Vietnam, Cambodia, Mongolia, Nepal, and Indonesia and practice improvement of school environments and cultural exchanges	Homepage
		Joining UN PRI and strengthening responsible investment	76
		Running global CSR activities	Homepage

## UN Global Compact (UNGC)

The NPS joined the UN Global Compact in October 2012 and has been adhering to the ten principles in the areas of human rights, labor, environment, and anti-corruption. Recognized our contribution to the people's stable lives with sustainable pension and welfare services, we were selected as the LEAD Group of the Korean Association of UNGC in 2019. Going forwards, the NPS will make strenuous efforts to spread the values of UNGC and achieve the goal of sustainable development.

UN Global Compact Ten Principles			Page
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	58
	Principle 2	make sure that they are not complicit in human rights abuses	59
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	61
	Principle 4	the elimination of all forms of forced and compulsory labour;	58
	Principle 5	the effective abolition of child labour; and	58
	Principle 6	the elimination of discrimination in respect of employment and occupation.	60
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;	16
	Principle 8	undertake initiatives to promote greater environmental responsibility; and	34
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.	69
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	57

### UNGP (UN Guiding Principle) Reporting Framework

The UNGP Reporting Framework is an international guideline for reporting human rights issues with which various activities of the NPS were published on this report to protect and promote the human rights of stakeholders.

Part	Question	Description	Page
A. Governance of Respect for Human Rights	A1 Policy Commitment	Public disclosure of commitment to respect human rights	58
	A2 Embedding Respect for Human Rights	Implementation of its human rights commitment	58
B. Defining a Focus of Reporting	B1 Statement of Salient Issues	State the salient human rights issues associated with the company's activities	59
	B2 Determination of Salient Issues	Describe how the salient human rights issues were determined	59
	B3 Choice of Focal Geographies	Human rights issues focused on particular geographies, explain how that choice was made	The Head Office and Regional Headquarters of the NPS
	B4 Additional Severe Impacts	Identify any severe impacts on human rights that occurred or were still being addressed	59
C. Management of Salient Human Rights Issues	C1 Specific Policies	Any specific policies that address its salient human rights issues	59
	C2 Stakeholder Engagement	Engagement with stakeholders in relation to each salient human rights issue	59
	C3 Assessing Impacts	Identify any changes in the nature of each salient human rights issue	59
	C4 Integrating Finding and Taking Action	Company integrate its findings about each salient human rights issue into its decisionmaking processes and actions	58
	C5 Tracking Performance	Efforts to address each salient human rights issue are effective in practice	59
	C6 Remediation	Effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue	59

### UN Principles for Responsible Investment (PRI)

Since the NPS joined the UN PRI in 2009, we have reported in accordance with the reporting framework through the annual Transparency Report. The UN PRI, an international principle on responsible investment, consists of six principles proposing to consider investees' at the non-financial aspect, such as environmental & social impact and governance.

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

## Awards and Membership Status

### Awards & Highlights

Category	Awards	Host Organization	Date
Fund Management	Winning 'Best Pension Plan Sponsor of the Year Award' in Asia-Pacific Region	Asia Asset Management	Mar. 28, 2019
	Winning 'Global Real Estate Investor of the Year Award' in Asia-Pacific	IPE Real Asset	May 16, 2019
Innovative Service	Ranked as the 'excellent call center for 15 consecutive years' by KSQI <sup>1)</sup> , maintaining the first position in the public sector for 7 consecutive years	Korea Management Association Consulting (KMAC)	May 9, 2019
	Presidential Award for the Provision of Pension Information to Statistics	Ministry of Public Administration and Security	Aug. 30, 2019
	Winning the Grand Prize in 7th Korea Marketing Awards	Korean Marketing Association	Feb. 29, 2019
Job Creation	Selected as the Korea's representative case for mobile service by OECD	Ministry of Public Administration and Security	Nov. 12, 2019
	Awarded by the Prime Minister's for the contribution in Job creation in 2019	Ministry of Employment and Labor	Dec. 23, 2019
	Received a commendation from the Vice Chairman of the Presidential Committee on Jobs for contribution to job creation in 2019	Presidential Committee on Jobs	Dec. 27, 2019
Development of Local Community	Winning the Prime Minister's Award at the 2019 Sustainable Development Awards	Ministry of Environment, Sustainable Development Council	Sep. 25, 2019
	Awarded by the Minister for the excellence in the development 'Innovation City'	Ministry of Land, Infrastructure and Transport	Dec. 11, 2019
	Awarded by the Minister for the excellence in response to the crisis in local industry	Ministry of Trade, Industry and Energy	Dec. 11, 2019
Shared Growth	Best public institution for the spread of shared growth culture	Shared Growth Committee	Dec. 9, 2019
Innovative Management	Received a presidential citation for excellent personnel innovation	Ministry of Personnel Management	Sep. 23, 2019
Human Rights Management	Selected as a LEAD company by the UN Global Compact Korea Association	UNGC Korea Association	Oct. 8, 2019

1) KSQI (Korean Service Quality Index)

### Membership

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





This report is designed to use soybean oil in the printing process free of spot color and coating process in order to minimize environmental contamination and waste of resources.