

HAPPY PENSION LINKING GENERATIONS

2013 NPS Sustainability Report

Happy Pension www.nps.or.kr
Linking Generations



About this Report

If you have questions or require additional information, then please contact us by referring to the details below.

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Characteristics of this Report

This second-issued "Sustainability Report for the National Pension of Korea for 2013" includes the social responsibility activities and accomplishments of the National Pension Service (NPS) in economic, social, and environmental areas, and it details issues that are of interest to our stakeholders.

Period and Boundary of Reporting

This report highlights the social responsibility activities of the NPS during the calendar year of 2012, including some qualitative performance that covers activities from 2013. For trend analysis, this report also includes quantitative performance data for the past three years and provides an explanation when data is unavailable. The boundary of this report includes activities of the NPS headquarters and regional offices with a one-year cycle for reporting.

Criteria and Assurance

This report was prepared in accordance with the GRI 3.1 Guideline, and a third-party verification was carried out to improve the reliability and accuracy of the contents of this report. The detailed outcomes of the verification are provided through the assurance statement of the third-party verifier in the Appendix.

Highlight

01. Fund Exceeded KRW 400 Trillion



The NPS secured a KRW 391 trillion fund by the end of 2012 and exceeded KRW 400 trillion in February 2013, becoming one of the world's four largest pension funds. This accomplishment can be attributed to the increase in subscribers of the National Pension, the introduction of advanced investment methods, and diversification of investments.

02. Introduction of Silverloan program



The NPS launched the Silverloan program in May 2012, which offered KRW 39.9 billion to 10,152 senior citizens as low-interest loans until the end of 2012, to ensure the stability of the livelihoods of NPS beneficiaries.

03. Work Ability Assessment for Beneficiaries of National Basic Livelihood Security



The NPS was commissioned for the Work Ability Assessment Project for Beneficiaries of the National Basic Livelihood Security in December 2012 for which we utilized our knowhow and infrastructure to reinforce the strengths and supplement the shortcomings of the project. The NPS intends to build a welfare society by securing objectiveness and consistency in assessment affairs based on our expertise.

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04. Reduced pension premiums for SMEs



Through a social security agreement signed with China, we have reduced the pension premiums for companies operating in China. We supported 399 thousand SMEs with 10 or fewer employees by reducing their pension premiums by a total of KRW 149.3 billion through the pension premium support program (Durinuri Program).

05. Establishment of the Cyber Safety Zone



We were selected as the Best Institution for Personal Information Security through the establishment of a systematic cyber safety zone, and we were the first in Korea to receive the Database Quality Certification for Security. We were also awarded the DB Quality Award from the Ministry of Culture, Sports, and Tourism of Korea.



Dear Stakeholders

Thanks to your support, the NPS has become one of the world's four largest pension services with a fund of over KRW 400 trillion, and we now have 20 million policy holders and 3.3 million beneficiaries. Along with our financial growth, we recognize our social responsibility to society and the environment. We will devote our best efforts to offer the world's best pension and welfare services to assist the happy lives of our citizens through change and innovation in accordance with ISO 26000.

To achieve our goals :

First, we will provide personalized services and support to improve the quality of life of underprivileged groups to ensure happiness after retirement.

Second, we will strengthen infrastructure for socially responsible investments and stably manage our fund by minimizing outside risk.

Third, we will reinforce active participation and practice of our staff based on a social responsibility management system that covers ethics, mutual growth, sharing, environment, responsible investment, credibility, and human resources to establish a detailed and categorized strategic goal.

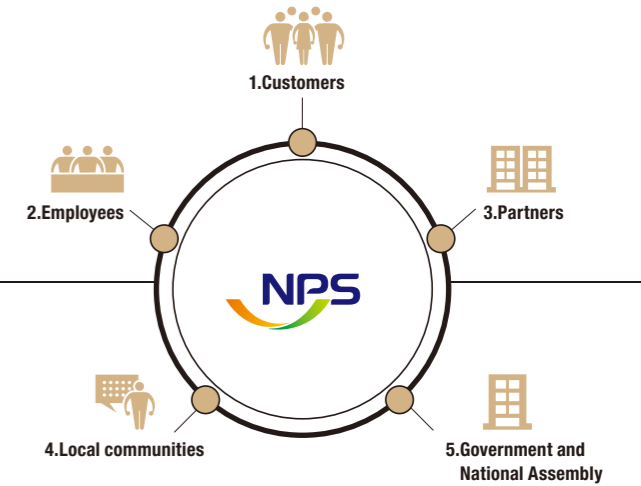
Since its enforcement in 1988, the National Pension Service carried out consistent efforts to create results through solid growth. I pray for your continuous support, as well as happiness for you and your family.

Thank you.

November 2013
Chairman & CEO of the National Pension Service | Choi Kwang **최 광**

Stakeholders Engagement

For better and more efficient communication, the NPS categorizes its stakeholders as customers, employees, partners, local communities, government and the National Assembly. We are seeking to stimulate communication through the most optimal channels for each stakeholder group and to ensure that the opinions of our stakeholders are reflected in our operation.



Stakeholders of the NPS

	Major issues	Communication channels
Customers	<ul style="list-style-type: none"> Collection of pension premiums and increase in revenue Strengthened information security to prevent leakage of personal information Strengthened channels for communication and feedback 	<ul style="list-style-type: none"> VOC, House Call Service House calls, phone and online consulting
Employees	<ul style="list-style-type: none"> Strengthened HR system including career development Harmony in labor-management culture Strengthened communication with staff and prohibition on discrimination 	<ul style="list-style-type: none"> Online channel (e-learning, etc.) Junior board, on-site management
Partners	<ul style="list-style-type: none"> Fair contracting and transparent trade relations Extended support programs for partners 	<ul style="list-style-type: none"> Various committees, conferences, Dudurim Center
Local communities	<ul style="list-style-type: none"> Creation of jobs through increased investments Extended social responsibility activities with participation of staff 	<ul style="list-style-type: none"> Conferences, briefing sessions
Government and National Assembly	<ul style="list-style-type: none"> Increased coverage for socially disadvantaged and vulnerable groups Improved systems to strengthen pension eligibility Strengthened monitoring on fund management 	<ul style="list-style-type: none"> Workshops, public hearings, conferences

STEP 1. Issue Check

Internal Issue Check	External Issue Check
<ul style="list-style-type: none"> Management Status Analysis Employee Survey Employee Interview 	<ul style="list-style-type: none"> Media Analysis Competitor Benchmarking External Stakeholder Survey In-depth Interview with External Stakeholders

STEP 2. Setting Priorities

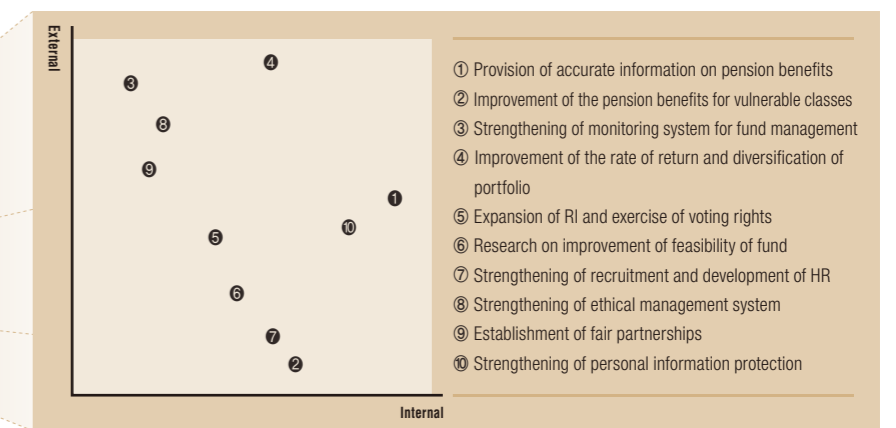
Stakeholder Interest Analysis	Influence Analysis for Organization
<ul style="list-style-type: none"> Frequency Analysis for Each Issue Stakeholder Importance Analysis 	<ul style="list-style-type: none"> Strategic Importance Analysis Urgency Analysis

STEP 3. Materiality Analysis



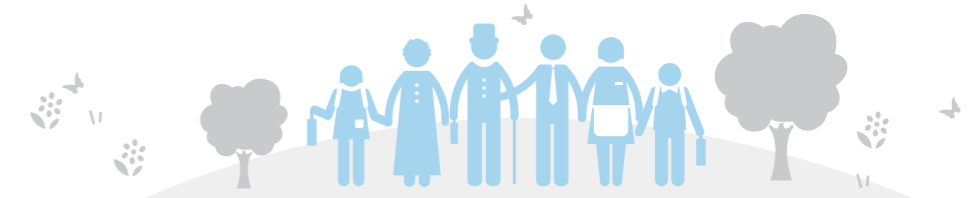
Materiality Analysis

The NPS selects key issues using the following structured approach reflected in our sustainability report, which is provided to our internal and external stakeholders. To collect the various opinions of our stakeholders, we carried out a survey and interviewed external stakeholders. The outcomes were used to determine the priorities of the topics for reporting through a thorough and comprehensive discussion and analysis.





NPS Aims to Become a Foundation for a Happy Society in the Homo New Era of Homo Hundred



NPS_HISTORY

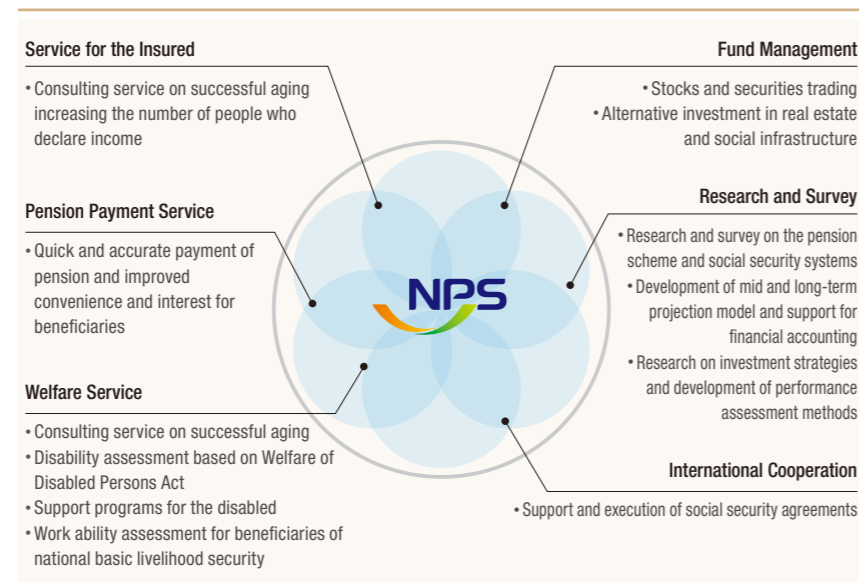
- Foundation of NPS
Sept. 18, 1987
- Commencement of paying Special Old-Age Pension
Jan. 1, 1993
- Extended to urban areas (Nationwide pension scheme realized)
Apr. 1, 1999
- Applicable sites extended (Workplaces with fewer than 5 employees)
Jul. 1, 2003
- Interrelated public pension scheme enforced
Aug. 7, 2009
- Disability assessments performed to register the disabled
Apr. 1, 2011
- Support program for the disabled implemented
Oct. 5, 2011
- Workability evaluation performed for beneficiaries of Basic Livelihood Security
Dec. 1, 2012

NPS Overview

Established in 1987, the NPS expanded its operations to CSA services in 2009 to assist systematic preparations for after retirement and to improve the welfare for NPS beneficiaries. In 2011, we launched a support program and registration system for the disabled to support the social lives of the disadvantaged. We are supporting the vulnerable classes of our society by promoting the workability assessment program for the beneficiaries of the Basic Livelihood Security program in 2012. As of 2012, the number of citizens insured by the NPS is over 20 million, and the number of beneficiaries is over 3.3 million.

Name of corporation	National Pension Service
Location	National Pension Service, 13, Olympic-ro 35-Da-gil, Songpa-gu, Seoul, Korea
Purpose of establishment	To contribute to the welfare and stable livelihood of the public by providing pension benefits for old age, disabilities, and death.
Date of establishment	September 18, 1987
Number of employees	4,578
Organization	Headquarters: 11 departments, 2 centers, Fund Management Center, Compliance Officer, National Pension Research Institute Regional Offices: 97 local branches, 51 counseling centers, Disability Assessment Center, International Cooperation Center Overseas: New York Office, London Office
National Pension Fund	KRW 391,967.7 billion

Key Businesses of NPS



Management Performance

The NPS is funded by the NPS premium, operation profits, reserves, and surplus of the NPS. The NPS raised KRW 32,857 billion in 2012 through premiums and operation profits, and spent KRW 12,068.2 billion for pension benefits and operation costs, increasing the reserve from KRW 348,867.7 billion in 2011 by KRW 43,100 billion to KRW 391,967.7 billion.

Category	Unit	2010	2011	2012
Pension business	Aggregated asset	589,688	612,429	675,210
	Aggregated debt	708,950	709,472	780,731
	Aggregated capital	-119,262	-97,043	-105,521
Fund business	Aggregated asset	325,665,013	350,458,141	392,924,343
	Aggregated debt	1,674,262	1,590,449	956,675
	Aggregated net asset	323,990,750	348,867,692	391,967,668

Allocation of Economic Value

Expenses of the NPS are only available within the boundary of the budget approved by the government. The budget approved in 2012 was KRW 12,070 billion, which was used for customers, employees, subcontractors, local community, government and other NPS businesses.

Customers	<ul style="list-style-type: none"> • Pension Benefits: KRW 11,550.8 billion • Facility Investments: KRW 1.4 billion
Employees	<ul style="list-style-type: none"> • Wages: KRW 292.2 billion • Training Costs: KRW 2.2 billion • Welfare, Benefits, and Bonuses: KRW 23.5 billion
Partners	<ul style="list-style-type: none"> • Purchases from SMEs: KRW 70.3 billion
Local communities	<ul style="list-style-type: none"> • Social Contributions: KRW 700 million
Government	<ul style="list-style-type: none"> • Taxes and Utility Fees: KRW 24.2 billion



The NPS offers a better future with customized planning services.

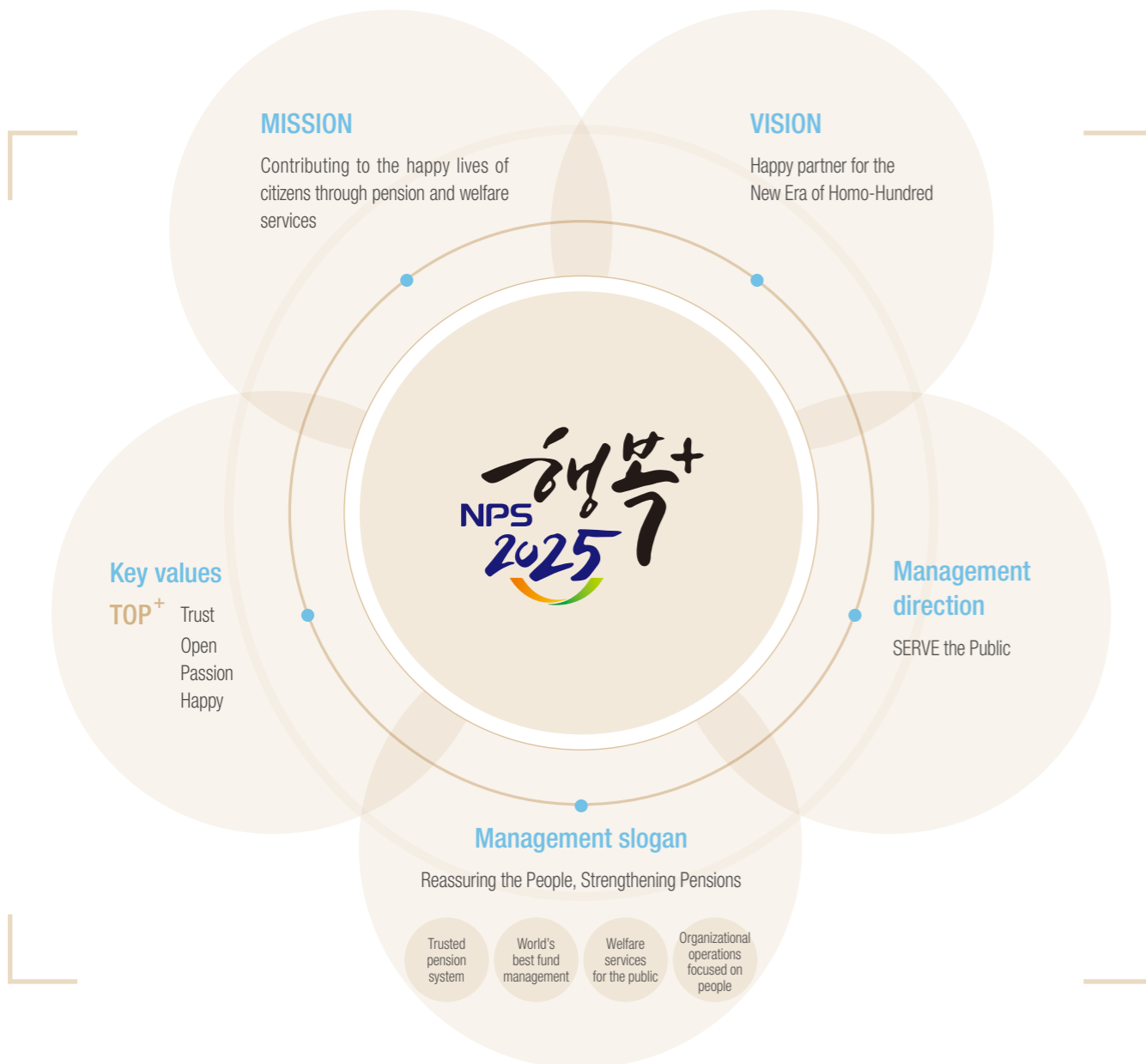


NPS Way

To prepare a new drive for growth in 2013 and to meet rapidly changing business environments, the NPS established its long-term vision, "Happiness+ NPS 2025". We aim to become a partner of the public in the New Era of Homo-Hundred by supporting the happy lives of our citizens through pension and welfare services.

NPS Sharing Values

Trust, Open, Passion, and Happy are the key values of the NPS shared by all NPS members. The NPS provides pension services with the highest priority set as trust with all customers and stakeholders who are preparing for their future. The NPS is also communicating with customers in an open way, and we are devoting our best efforts to become the world's best institute by consistently cultivating our performance and capability based on our passion to become the best. We will continue to strive to ensure prosperity, happiness, and stability in the later years of our citizens.

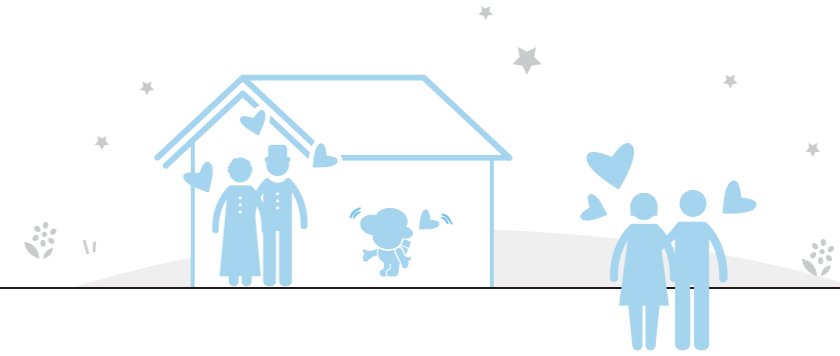


Business area	Social responsibility	Major issues	Key accomplishment	KPI	Goal and plans
Service for the insured	<ul style="list-style-type: none"> Support programs so that all citizens can be covered by the NPS through CSA services so that all citizens can enjoy stability in their later years 	<ul style="list-style-type: none"> Expansion of pension entitlement 	<ul style="list-style-type: none"> Achieving 15.5 million in people with declared income 	<ul style="list-style-type: none"> Income declaration rate 	<ul style="list-style-type: none"> Use of public income data to increase number of persons with declared income Expansion of people subject to support for NPS premium Improvement in subscription system and services
Pension payment service	<ul style="list-style-type: none"> Contribution in welfare and stable livelihood through pension benefits for old age, disabilities, and death. 	<ul style="list-style-type: none"> Requested improvement of systems related to 3rd financial estimation Prevention of inappropriate benefits Expansion of additional services including Silverloan 	<ul style="list-style-type: none"> Strengthening of income Improvement in accuracy of pension payments Strengthening of services for beneficiaries 	<ul style="list-style-type: none"> Satisfaction of beneficiaries 	<ul style="list-style-type: none"> Improvement in pension payment system and process High-quality counseling services Accurate entitlements and investigation on changes in entitlement status Provision of financial services Level of satisfaction reached 90.6 among beneficiaries
Fund management	<ul style="list-style-type: none"> Financial backup for the National Pension system 	<ul style="list-style-type: none"> Trading of stocks and securities Alternative investments in real estate, social infrastructure, etc. 	<ul style="list-style-type: none"> KRW 392,000 billion in reserve Fund KRW 474,500 billion 	<ul style="list-style-type: none"> Rate of return 	<ul style="list-style-type: none"> Procurement of stability through diversification of investments Increased overseas investments and commissioned fund management
Welfare service	<ul style="list-style-type: none"> Protection of rights of the disabled through the improvement of systems and work processes 	<ul style="list-style-type: none"> Softened criteria and requirements for the National Disability Pension 	<ul style="list-style-type: none"> Amendment bill to revise the Disability Assessment Regulation of the National Pension Act (13 types of disabilities of 27 categories) Amendment bill for the Disability Assessment Standard of the Disabled Persons Welfare Act (9 types of disabilities of 30 categories) 	<ul style="list-style-type: none"> Amended laws 	<ul style="list-style-type: none"> Protection of rights of the disabled through the establishment of disability grades, lowering of requirements Resolved inconvenience of the disabled by softening requirements for the Disability Pension and shortening payment periods Strengthened consulting service on successful aging
Research and survey	<ul style="list-style-type: none"> Search for improvement plans through research on pension system and income guarantee systems Strengthening consistency in system through studies on financial estimation and mid to long-term fund management strategies 	<ul style="list-style-type: none"> 3rd financial estimation 	<ul style="list-style-type: none"> Carried out 58 research projects Held 22 conferences Published 30 articles in academic journals 	<ul style="list-style-type: none"> Oversight score for research projects 	<ul style="list-style-type: none"> Strengthening of stability and sustainability of the National Pension system
International cooperation	<ul style="list-style-type: none"> Signing and execution of social security agreements 	<ul style="list-style-type: none"> Protection of pension entitlements of expatriates 	<ul style="list-style-type: none"> Social security agreement effective in 23 countries 	<ul style="list-style-type: none"> Global network 	<ul style="list-style-type: none"> Planned for implementation in 1~2 countries

Social Responsibility Management of NPS



NPS, Providing a Social Security Network that Leaves No One Behind



Social responsibility management strategy

As the best social insurance institute that aims to build happy later years for the public, the NPS strengthened its social responsibility management to secure a sustainable infrastructure. We are promoting systematic activities to ensure social contribution management by making preemptive preparations for domestic and international initiatives, such as the ISO26000, and establishing the 15 strategy directions and 31 detailed execution tasks that are mostly handled by the SR Management Division.



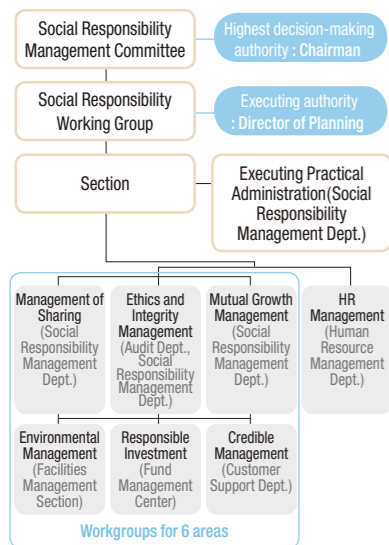
Enterprise Vision

Enterprise Strategy

Objective of Socially Responsible Management

15 Key Strategies

Organization for social responsibility management



Social Responsible Management Promotion System

The "Social Responsible Management Committee", the highest decision-making body for NPS's socially responsible management, is an expanded organization of our former "Ethical Management Committee". The development of action plans are handled by the Social Responsibility Management Working Group while the actual execution is handled by each section, led by the Social Responsibility Management Department. The Social Responsibility Management Advisory Council consists of outside experts, and a stakeholder advisory board reflects various opinions in our business activities. The NPS is also strengthening internal performance through regular self-checkups such as our SR practice cases and online education programs based on ISO26000. We are also reporting our compliance status for the UNGC 10 Principles to carry out socially responsible management that satisfies international standards.

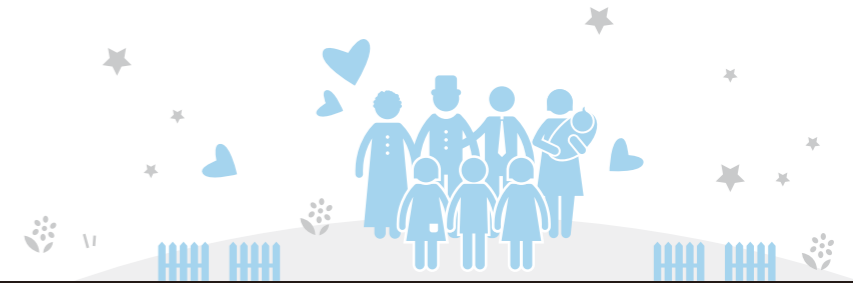
NPS, Fulfilling Social Responsibilities

The NPS is encouraging active participation of its employees through SR strategies based on our vision and core values. The NPS's SR strategy is categorized into responsible investment, HR management, ethical management, mutual growth management, management of sharing, credible management and environmental management, and we have established objectives and plans for each category and action plans that are being followed by all members of NPS.

Area	Vision and mission	Major issues	Key accomplishment	KPI	Goals and plans
HR Management	• Efficient HR management and establishment of future-oriented labor-management culture	• Development of talent and strengthening of fairness in HR management	• Expanded recruitment of high school graduates (21.5% of new recruits) • No. 1 public pension institution preferred by job seekers between 2010~2012	• Level of satisfaction in personnel management • Level of satisfaction in education and training	• HR development with global competitiveness • Promotion of culture that balances work and life centered with performance
Ethical management	• Establishment of transparent management through the promotion of ethical culture	• Strengthening of ethical management system • Promotion of anti-corruption activities	• UNGC membership	• Evaluation index on ethical awareness • Integrity	• Improvement in transparency in system and fund management
Mutual growth management	• Sustainable mutual growth through the establishment of partnerships with contractors	• Establishment of a mutual growth ecosystem	• Selected as Excellent Organization for Mutual Growth in 2012 (pension service section) • Establishment of fair trading culture through the promotion of culture on mutual growth	• Level of actual satisfaction for mutual growth	• Establishment of fair trading culture through the promotion of culture on mutual growth
Management of sharing	• Contributing in social responsibility through strategic CSR activities	• Financial independence in later years of low-income policyholders • Contribution in development of local community	• Received Grade A in government management assessment program for 2012	• SR mileage	• Development and strengthening of representative CSR programs for each type of customer
Credible management	• Establishment of foundation for nationwide pension system through improved credibility	• Introduction of National Happiness Pension Improvement of National Pension system based on the outcomes of the 3rd financial estimation	• Contributed in improving the experience of the public (government) through 1,242 offline campaigns (51.1 points)	• Level of experience of the public (government) • Number of campaigns	• Credibility of system: 56.9 points • Number of campaigns: 364 times • Number of campaign participants: 6,000 persons
Environmental management	• Realization of eco-friendly management through the promotion of voluntary green growth culture • Improved social contribution and realization of values through the establishment of eco-friendly technologies and services	• Strengthening of responsibility and obligation for environmental management through the operation of an environment information disclosure system	• Reduced electricity usage (18,081MW→17,770MW) • Improved energy efficiency - Satisfied obligatory 30% criteria for replacing lighting with LED	• Consistent management of detailed items through the environment information disclosure system	• Reduced greenhouse gas emission (goal for 2013: 7,182.8tCO ₂ eq) • Increased use of LED lighting • Consistent efforts to reduce energy

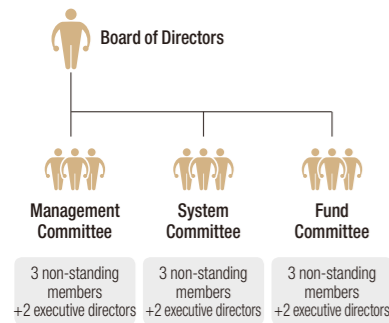


Happy National Pension for Future Generations and Prosperity of Our Children



Establishment of transparent governance

I Committees under the Board of Directors I



Composition and functions of the Board of Directors

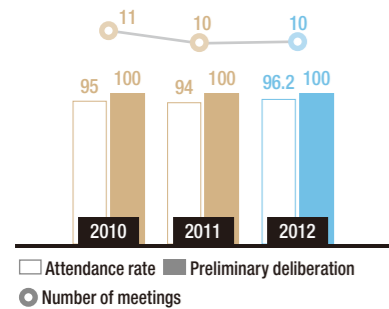
The NPS Board of Directors is composed of 11 members including the Chairman, 3 executive members and 7 non-standing members, and the CEO of the NPS also takes responsibility as the Chairman of the board as is specified by the board regulations. Non-standing members are appointed by the Minister of the Ministry of Health, Welfare, and Family Affairs based on the recommendation made by the Executive Search Committee, and two of the non-standing members represent business owners, two represent corporate employees, two represent self-employed persons, one represents the government, and one is seated by the Pension Officer of the MOHW. The Board of Directors has experts' committees such as the Management Committee, System Committee and Fund Committee to carry out oversight roles on the management of the NPS.

Operation of the Board of Directors

To ensure transparency, the NPS has ensured internal restraint and independence as the majority of the Board of Directors and experts' committees consist of non-standing members. As principle, the Board of Directors meets regularly in February and October and can hold provisional meetings. In 2012, we held a total of 10 board meetings, and the attendance rate was 96.25. Reporting key issues prior to a board meeting has been systemized, and preliminary deliberation of all items prior to a board meeting has allowed us to minimize the percentage of amended decisions.

I Performance of Board of Directors I

(Unit: □ Percent ■ Percent ● number)



Strengthened roles of non-standing members of the Board of Directors

To strengthen our management system led by the Board of Directors, the NPS has secured a candidate pool for non-standing board members for each area of expertise, and the opinions of the non-standing board members are actively reflected in our policies. We also improved the efficiency in our management activities and the expertise of the Board of Directors by actively supporting the participation of non-standing members in internal and external activities, including on-site management activities and engagement with the press.

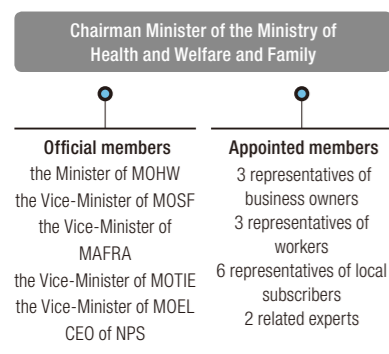
Performance evaluation and compensations

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

Fund Management Committee

The Fund Management Committee under the Ministry of Health & Welfare is the decision-maker at the highest level of national pension management. This committee deliberates and makes decisions on significant issues related to national pension management. There are 20 members: 6 are official members, and 14 are appointed members. The majority of the committee consists of representatives of NPS policyholders to guarantee the profitability and stability of the National Pension Fund that has an enormous impact on the national economy and to effectively reflect the interests of policyholders in our decision-making process.

I Structure of Fund Management Committee I



I Risk Management Category I

Financial risk	<ul style="list-style-type: none"> • Verification of credibility of financial statement • Budget control for each budget item and business • Prevention of inappropriate use of corporate credit card in prohibited types of businesses
Business risk	<ul style="list-style-type: none"> • Verification of risk factors involved in affairs related to the pension system • Data-based analysis of risk factors involved in operation of funds and systematic asset management through trusted operations
Management risk	<ul style="list-style-type: none"> • Transparent decision-making process • Disclosure of key management information including company regulations • Mutual oversight for irrationalities • Preliminary monitoring of key management situations

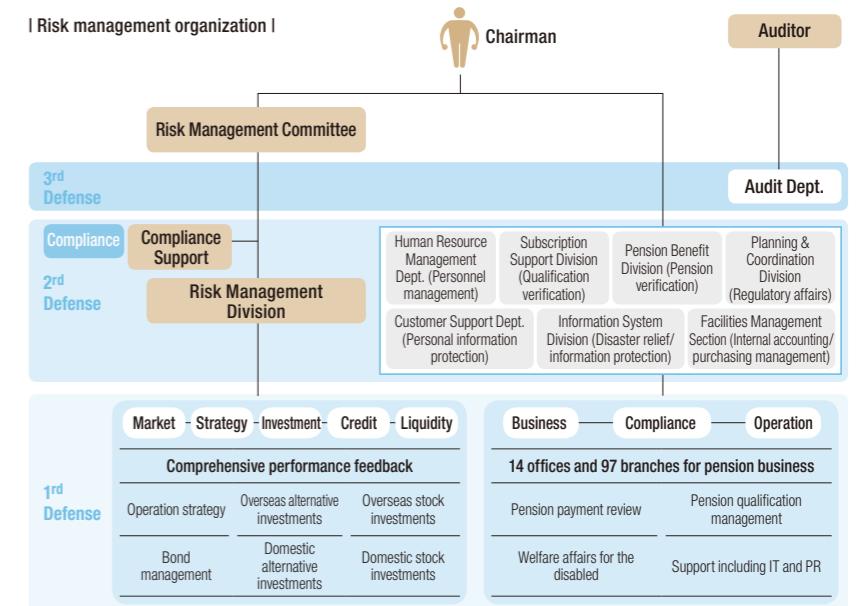
I Risk Management System I

Organization	<ul style="list-style-type: none"> • Risk management (Risk Management Division, Compliance Support Dept.) • Operational risk evaluation (Audit Office)
Personnel	<ul style="list-style-type: none"> • Chairman of Risk Management Committee • Director of Planning for Emergency Actions • Director of Emergency Actions (Early stages in introducing Chief Risk Officer)
Operation	<ul style="list-style-type: none"> • Analysis on internal monitoring (11 high-risk areas)

Risk Management System

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

I Risk management organization I



Fund risk management

The NPS has a risk management team and a Compliance Officer under the authority of the Chairman as an independent organization to ensure efficiency in risk management. The NPS also established a Risk Management Committee consisting of outside experts as a decision-making organization related to risk management to supplement the expertise of the Fund Management Center. As principle, risk management of the NPS fund is required to satisfy the management principles set by related laws and our fund management guideline. Profits made with the NPS fund are created through appropriate management, and we are identifying, measuring, managing, and controlling risks within a set range. The NPS categorizes risk factors for each category including market risks and credit risks, and we are establishing and practicing management plans for each risk factor. To identify risks in advance, we are closely monitoring various factors of the financial market, and we are managing our funds so that we can deal with situations in which a crisis develops or intensifies.

NPS's Value

NPS Will Serve the People by Guaranteeing Stable Retirement Years



Policyholder Management, Aiming to Improve Public Welfare



Our Value

The NPS is encouraging the public to subscribe to the NPS so that they can enjoy stability after retirement. The NPS supports premiums for those who are unable to receive pension benefits due to economic reasons.

- ❶ Encouraging those who are in blind spots of the NPS to subscribe
- ❷ Encouraging NPS subscription by supporting premiums
- ❸ Improvement of subscription system



Materiality Test

It is the opinion of internal and external stakeholders that ensuring the stability of life after retirement is important for all citizens through the improvement of the NPS subscription system.

1 Encouraging those who are in blind spots of the NPS to subscribe

Survey on actual conditions of workplaces

The NPS is providing guidance for NPS subscription based on the data provided by the NTS, NHI, and Employment Insurance to workers who are working in workplaces, but are not subscribed to the NPS. In 2012, we issued letters to workplaces to prevent omission and subscribed 120,000 workers through a survey on the actual conditions of workplaces, increasing the number of NPS policyholders.

Utilization of public income data

Everyone who has an income is eligible to subscribe to the National Pension, and the NPS is encouraging subscription and strengthening social security by utilizing the data provided by the four social insurances. In 2012, the number of workers that subscribed to the NPS increased by 490,000 through the utilization of public income data, and we were able to resolve blind spots by subscribing 830,000 people through a differentiated guidance program. Many of the self-employed subscribers have low or no income, which prohibit them from making proper preparations for their later years, and we were able to support their lives after retirement by including them in the NPS.

I Status of NPS policyholders I

(Unit: thousand)



■ People with declared income,
■ People who are eligible for National Pension

2 Encouraging NPS subscription by supporting premiums

Support for low-wage workers

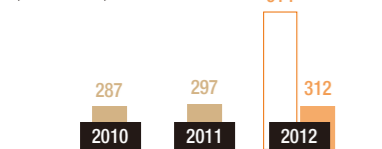
Demand is increasing for support for social insurance premiums for citizens who have difficulties in subscribing to the National Pension due to economic reasons. To meet this demand, the NPS launched a support program in July 2012 to support NPS premiums for low-wage workers. The support program aims to reduce the burden of low-wage workers through which we were able to provide KRW 149.3 billion to 910,000 workers working at 399,000 workplaces in 2012. As of 2013, we are enacting more efforts to expand the range of our support so that more workers can benefit from the National Pension.

Support for workers of agriculture and fishery industries

The NPS is supporting people working in agriculture and fishing who are voluntary subscribers. In 2012, the maximum support for a person with a monthly income of KRW 790,000 is KRW 35,550, which is 50% of the annual NPS premium. In 2012 alone, we provided KRW 105.3 billion to 310,000 people as a part of our effort to support farmers and fishermen who are in a difficult situation due to the opening of the domestic market.

I Support for NPS premiums I

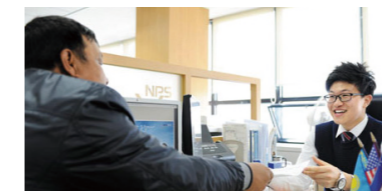
(Unit: thousand)



■ Low-income workers ■ Farmers and fishermen

* Support program for low-income workers was launched in 2012

I Listening to our customers(policyholders) I



3 Improvement of subscription system

Systematic management of recommendations and opinions of policyholders

The NPS has formed a task force team for the improvement of related systems to collect the opinions of NPS policyholders that are increasing every year. By utilizing the various opinions and recommendations of NPS policyholders collected through various channels, we are producing outcomes in improving related systems and selecting tasks that can be presented to the System Improvement Subcommittee after preliminary investigation and deliberation of related departments. The subcommittee is striving to form a mutual understanding required to promote a given task by collecting the opinions of various departments and reviews on disputable issues.

Improvement of qualification criteria

The NPS is improving the pension system to respond to the changes in family structure, strengthened labor flexibility, and increased economic participation of women. Compulsory subscription to the National Pension in the past was determined by income, age, and marriage status, which discriminated against married spouses who doesn't have any income in receiving the survivor's pension and disability pension. We are currently promoting the amendment of related laws to reform the NPS subscription system to a one-pension for one-income system. Through this effort, we expect to be able to expand the universality of the National Pension and operate the pension system in a discrimination-free manner. To improve the current system that excluded expatriates, we have recommended the MOHW to revise related regulations.

Improvement of systems for workplace subscribers

To respond to changes in economic environments such as the introduction of the peak-wage system, the NPS has improved related systems to meet the demands of increased subscribers. Workplace subscribers that have changes in annual income which exceed a certain ratio can pay their premiums based on their income for the given year, and workplaces eligible for this benefit are designated by the health minister with consideration to economic environments. As high-quality part-time jobs are estimated to increase due to the government's policy, we are promoting a plan that will lower the 60-hour-a-month requirement for part-time workers.

Best Practice

Supporting after retirement of baby boomers

Approximately 7.36 million of the baby boomers' generation lack proper preparations for their later years, which is becoming a major issue for the aging population. Moreover, Korea has the highest poverty ratio in the elderly among OECD members, and it is crucial for citizens to prepare for their later years through the National Pension. Based on the understanding on the retirement of the baby boom generation and rapid transition to an aging society which is bringing increased interest and concerns in after retirement management,

the NPS is developing and offering various programs to meet the increased demands. In 2012, we increased the number of subjects among baby boomers eligible for the National Pension by 130,000, and we also supported that generation to prepare for their later years by improving the pre-payment system through which they can pay 5 years' worth of premiums in advance. We also maximized participation by holding the "Baby Boomer Retirement Planning Concert" in major cities nationwide.



Pension Benefits, Taking Responsibility for the Livelihoods of Our Citizens



Our Value

The NPS is giving its efforts to ensure happiness and stability after retirement through the National Pension. We are providing accurate information so that policyholders can receive their pension when they need it, and we are satisfying the need of beneficiaries who require sizable funds through an emergency fund support system. We are also improving the benefit system to guarantee the later years of vulnerable classes.



- 1 Provision of accurate information on pension benefits
- 2 Operation of support system for emergency funds
- 3 Improvement of payment system and process for vulnerable classes

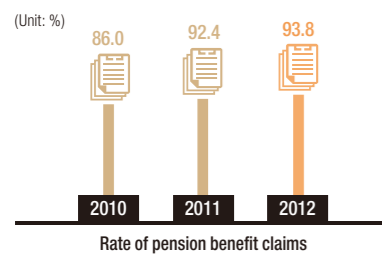


Materiality Test

It is the opinion of internal and external stakeholders that ensuring beneficiaries to receive their pension through the provision of accurate information is important.

1 Providing accurate information and improving processes for beneficiaries

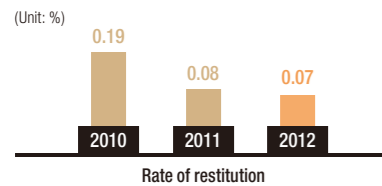
I Status of pension benefit claims I



Strengthened guide for claims

To allow beneficiaries to file claims in an accurate and proper manner, we are expanding the range of information and guidance provided to policyholders for which we are providing various claim guidance services. By improving the tracking system for those who do not file claims, we are guaranteeing that no one's claim is neglected. We are utilizing various media such as the press, SNS, website, and printed materials to provide proper information to guarantee the rights of our citizens.

I Status of restitution I



Improvement in payment process

We are improving our payment system and process into a more customer-oriented system, and we are offering a zero-defect payment system by establishing various and multidimensional verification systems. Through such efforts, we are maintaining our top position in the world in terms of accuracy in payments for pension benefits.

Advanced verification system

We minimized the occurrence of inappropriate payment of pension benefits by establishing an optimized verification process, and we are strengthening on-site verifications including on-site inspections for beneficiaries who are in the blind spots of our verification system. We are also improving the internal soundness of our verification affairs through the improvement of related systems and strengthening of infrastructure.

2 Operation of support system for emergency funds

I Status of Silverloan I



* Data for 2012

Introduction of National Pension Silverloan

The NPS launched the National Pension Silverloan in May 2012, which loans low-interest emergency funds required by elderly beneficiaries for purposes such as medical expenses, housing costs, and disaster relief, to contribute to the stabilization of the later years of our beneficiaries. National Pension beneficiaries who are aged 60 years or older are eligible to borrow up to twice their annual pension (up to KRW 5 million) at the state bond rate (annual rate 2.73%).

I Launching of National Silverloan I



Achievements in supporting emergency funds

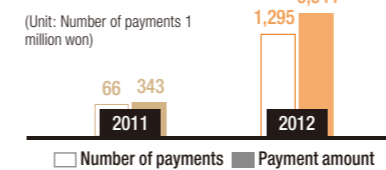
The NPS loaned KRW 60.6 billion to 15,435 people until August 2013, and due to the intention of the loan, 62.7% of the loans were approved on the day of the application while 93.4% were approved on the next day. Through the Silverloan, we were able to resolve financial difficulties, reduce burdens from interests, and assist in stable housing and medical treatments. 90.8% of the users replied that they are satisfied with the loan.

3 Improvement of payment system and process for vulnerable classes

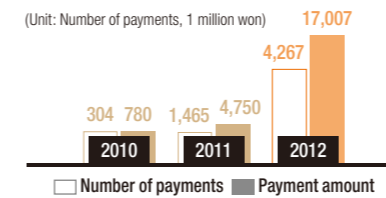
Introduction of cash payment system

For lump-sum beneficiaries who can't use the designated account, we introduced a cash payment system to protect the interest of vulnerable classes. Through this system, 1,361 people with bad credit standings were able to receive KRW 7 billion in cash. Benefits subject to the cash payment system are lump-sum returns, death lump-sum returns, and additional benefits.

I Status of payment I



I Status of usage of airport payment service I



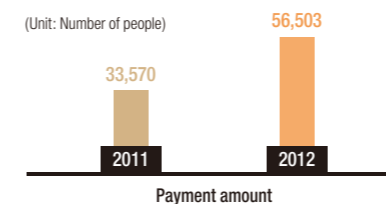
Lump-sum airport payment system for foreigners

We are providing a service that pays lump-sum returns to foreigners before they leave Korea. The office hours for this service were extended to 12:00 p.m. in 2012, and the number of users has increased significantly through strengthened PR activities. The airport payment service aims at providing convenience for beneficiaries, and we were able to reduce our annual overseas wiring fees by KRW 35,970 thousand.

Expanded Safe Payment Service for National Pension

Although one out of three of the population over the age of 60 live on the National Pension, nearly 8.5% (2.81 million people) have Grade 10 credit standings and the number of people who have difficulties in receiving the normal pension is increasing. With the objective to allow all Korean citizens to safely receive the National Pension which is the last line of defense for income in later years, the NPS launched the 'Safe Account' service. The Safe Account was introduced in May 2010 and is prohibited from being subject to foreclosure up to a certain amount (KRW 1.5 million per month) so that the payment of the National Pension is secure and stable. When introduced in 2010, 12 banks that were originally our partners in negotiations refused the Safe Account due to excessive management costs. However, through consistent persuasion and negotiations for the necessity of this system, we were able to partner with one bank was and this expanded to six by the end of 2012 offering the Safe Payment Service to 11,000 people, and as of February 2013, all financial institutions participate in this program. The NPS is establishing high-quality payment services through customized systems that satisfy the economic situations of our beneficiaries, and we will continue to protect the vulnerable class based on a long-term plan that integrates the dedicated accounts operated by other welfare systems centered with the National Pension.

I Status of usage of dedicated accounts I



Welfare Services Assisting the Independence of Citizens with Disabilities



Our Value

The NPS is promoting service projects aimed at improving welfare and stabilizing the livelihoods of citizens with disabilities. We are improving systems and strengthening internal capabilities to ensure fair disability reviews, and we are operating life planning and rehabilitation services to support the independence of citizens with disabilities.



- ① Specialized organization in disability assessment
- ② Workability assessment program for beneficiaries of basic pension
- ③ Support for citizens with disabilities for financial independence



Materiality Test

It is the opinion of internal and external stakeholders that establishing its position as a specialized assessment organization for disability assessments is an important issue in the NPS's welfare services.

1 Specialized organization in disability assessment

Establishment and operation of advanced disability assessment system

The NPS is devoting efforts to establish an advanced disability assessment system through the improvement of the disability assessment system based on information technology. We were able to establish a review environment that is not limited by time or location through a video consultation system based on a "remote consultation system". Through our "Online transmission system", our local branches are able to transmit review materials to our headquarters online, thus significantly reducing the review period and expenses through paperless reviews. By establishing a system that allows monitoring and feedback on the decisions made by our assessment department, we are striving to ensure appropriateness and consistency in our disability assessment affairs.

Improvement in disability assessment system

The NPS is continuously carrying out research projects to establish a system that can satisfy the changes in our society. For this purpose, the NPS is continuously lowering the bar for the disability standard and qualification based on our efforts to identify improvement projects for current problems and our rational process that collects opinions from medical advisors and other related experts. Through the Disability Grade Review Committee, we are operating a relief system that includes in-depth reviews (interviews when necessary) with consideration to physical and mental characteristics as well as medical conditions of beneficiaries so that we can actively protect the interest of citizens with disabilities.

Lowered criteria for disabilities

We lowered the criteria for disabilities to resolve the inconvenience of customers and reduce the costs in issuing various medical records required for reviews for the conventional compulsory re-evaluation system, even when a person has no hope of improvement in his/her medical condition.

Disability pension review

Regular authoritative re-evaluation

- Semi-permanent disability (3~5 years) → Excluded from re-evaluation when the outcomes of re-evaluation is identical to that of the previous evaluation
- Extended range of acknowledged disabilities in eye and mouth (ophthalmectomy, laryngectomy, etc.)

Disability pension review

Re-determination

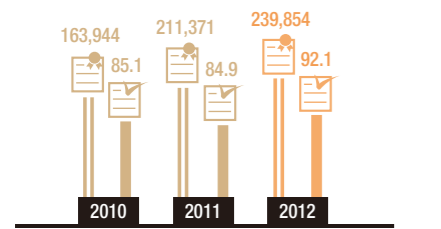
- Re-determination carried out at least twice regularly for mental and medical disabilities → re-determination carried out once
- Mental and medical disabilities excluded from re-determination when there is little possibility of improvement due to old age or terminal condition

Sharing disability assessment data

We have improved convenience for citizens with disabilities by sharing the initial assessment data so that citizens with disabilities don't have to submit the same documents twice when registering based on the Welfare of Disabled Persons Act or applying for filing claims for the Disability Pension based on the National Pension Act.

I Status of disability assessment I

(Unit: number of reviews)



- Number of disability reviews (Review and determination)
- Timely process rate for disability assessments (%)

I Amendment of Enforcement Ordinance of the Welfare of Disabled Persons Act and National Pension Act I

- Newly added consent item in application (claim)
- Welfare of Disabled Persons Act: January 2013
- National Pension Act: May 2013

National Pension Act	Welfare of Disabled Persons Act
Disability pension review	Disability registration review

[Review materials]
- Medical records - Test reports
- Medical imaging reports (CT, MRI, etc.)

2 Workability assessment program for beneficiaries of basic pension

In December 2012, the NPS established an optimal workability assessment process based on our past knowhow and infrastructure. Through the utilization of specialized assessment and evaluation personnel, we were able to solve the problems with differentiated benefits and establish a foundation in which we can participate in rehabilitation programs based on the conditions and characteristics of the subjects.

By introducing an evaluation standard for oriental medicine in our workability assessment, we improved the credibility of our medical assessment. We were also able to improve the accuracy of our assessments by increasing the number of assessment categories from 10 to 15.

3 Support for citizens with disabilities for financial independence

Life planning service for citizens with disabilities

Due to the paradigm shift in welfare services, services based on cash payments is changing to one-stop services customized to the different needs of beneficiaries. To meet this demand, the NPS is providing welfare resource information that satisfies the needs of changed environments, and we are providing instructions on how to use our services.

Support services for activities of citizens with disabilities

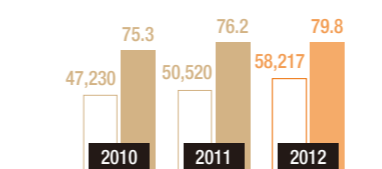
The NPS is supporting social activities and financial independence of citizens with disabilities by the rational improvement of systems for beneficiaries that include the expansion of the range of persons eligible for pension benefits, lowering of requirements for benefits, and improvement of the recognition inspection table. To improve the quality of our services, we are carrying out continuous activities aimed at improving the quality of life of citizens with disabilities, including the establishment of an assessment system for support organizations and support for new beneficiaries. We secured dedicated personnel and strengthened the expertise of our human resources through concentrated training. We carried out training for 6,345 personnel of 1,023 support organizations to improve the level of benefits.

I Workshop on improvement of systems for workability assessment I



I Status of support services for citizens with disabilities I

(Unit: number of services, %)



- Number of beneficiaries
- Usage rate for benefits for support activities (%)

Stakeholder

Interview with Park Chan-Ho, Director of the Seoul Center for Independent Living

The disability rating that was used in the past to provide services for citizens with disabilities provided a national standard. Citizens with disabilities, however, are recently requesting the abolishment of the rating system, and there is an increased demand for services that satisfy the actual needs of citizens with disabilities and not support based on ratings. Therefore, we hope that the NPS will give consideration to the actual needs of citizens with disabilities when launching related support programs. Korea's National Pension system is a contribution-based system through which citizens receive pensions based on the amount of money they paid every month, but citizens with disabilities find it difficult

to pay constant amounts of money from their income. Therefore, to support citizens with disabilities who are not capable of work or for the elderly with low income, it would be preferable to introduce a pension system based on taxes that can represent the positions of the vulnerable classes of our society. It is also important to note that it is not uncommon for the actual pension received by a beneficiary to be lower than the minimum cost of living. We expect the NPS to provide more than just a simple disability pension program to ensure a basic income for citizens with disabilities by supplementing the basic pension system of the government.

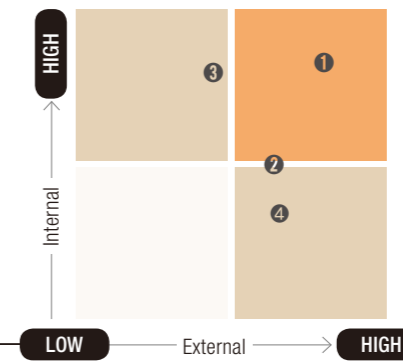


Investments Prepared for the Future

Our Value

The NPS is devoting efforts to improve the performance of the long-term management of our fund to contribute to stabilizing the National Pension to ensure the later years of our citizens. The NPS is promoting diversification strategies for our portfolio and devoting efforts to discover new investment opportunities by expanding alternative investments and overseas investments. We aim at preparing for the future with consideration to the financial investment environment and the characteristics of the National Pension system, which is currently in its developing stage. We are also expanding our investment portfolio aimed, focusing on cooperative investments such as investing in socially responsible funds. We are also contributing to the national economy by improving systems for practicing our voting rights.

- 1 Improvement of the rate of return and diversification of portfolio
- 2 Expansion of Responsibility Investment (RI) and exercise of voting rights
- 3 Research on improvement of feasibility of fund
- 4 Strengthening of monitoring system for fund management



Materiality Test

It is the opinion of internal and external stakeholders that improving the rate of return, diversifying investment portfolio, expansion of socially responsible investments, and exercise of voting rights are important issues in managing the National Pension Fund.

1 Improvement of the rate of return and diversification of portfolio

Efforts to improve rate of return

The National Pension Fund is a precious resource that supports the financial status of the National Pension System. The NPS understands that the National Pension Fund is a responsible reserve aimed at ensuring stability of the later years of our citizens, and we are committing our best efforts as a responsible manager of the fund.

Efforts to diversify investments

We are diversifying our investments to improve the rate of return for the National Pension Fund, which is in its growing stage. We were able to reduce the ratio of bonds in our portfolio, which was 87% in 2006, to 65% in 2012, and the ratio of stock investments has increased from 11% to 25%. By diversifying our investments, we were able to improve the rate of return and reduce risks.

Expansion of alternative investments and overseas investments

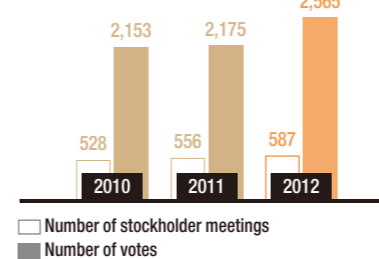
The National Pension Fund is investing in real estate and industrial infrastructure and venture startups, as well as in stocks and bonds, to identify new opportunities and to hedge risks from inflation.

I Profit rate from fund operations I

(Unit: %)	2010	2011	2012
Bonds	7.55	5.74	6.17
Stocks	21.86	-9.46	10.06
Alternative	8.66	10.22	4.92
Total	10.37	2.31	6.99

I Status of exercising voting rights I

(Unit: number of exercise)



Exercise of voting rights and stockholder's rights

The NPS stipulated ESG (environment, society, and governance) principles in the voting right exercise guideline of the Fund Management Committee in 2010 as a part of our efforts to fulfill our social responsibility as a corporation. We are exercising our voting rights aimed at increasing the profit of our fund and stockholder's values. Although increasing the values of stockholders does not necessarily mean that we are actively exercising our stockholder's rights, demands are being stressed for the NPS to take a more active stance due to its position in the stock market.

Activities and outcomes of our exercise of voting rights

The NPS is maintaining independence in exercising voting rights and is in compliance with detailed standards when exercising voting rights that are aimed at reaching our objectives as a pension management corporation based on thorough analysis for each vote. We've exercised our voting rights 2,565 times in 2012, and the number is increasing every year.

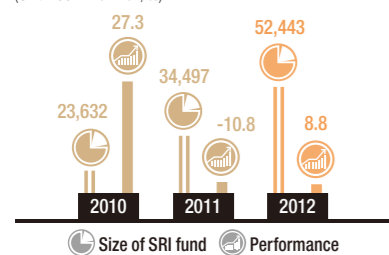
2 Expansion of RI and exercise of voting rights

Expanded operation of responsible investment funds

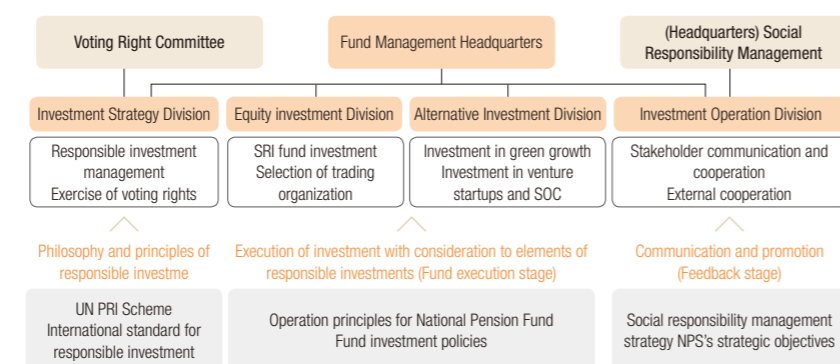
The NPS increased investments in SRI funds that invest in sustainable corporations by 52% from KRW 3.5 trillion in 2011 to KRW 5.2 trillion in 2012 based on our analysis of non-financial elements such as ESG and conventional financial analysis. Through this effort, we were able to obtain an 8.8% rate of return from SRI funds, thus increasing the profit of our funds.

I SRI Status I

(Unit: 100 million won, %)



I Responsible investment organization and strategy I



3 Research on improvement of feasibility of fund

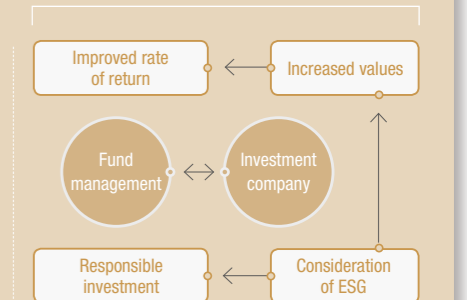
Organization and operation principles for NPS fund

The head of the Fund Management Center of the NPS chairs our investment committee and other specialized bodies composed of experts aimed at improving the safety and profitability of our fund. Based on Article 105 of the National Pension Act, the NPS fund is managed based on the 5 principles of profitability, publicity, fluidity, and independence.

Best Practice

Strategy direction of socially responsible investing

To ensure SRI, the NPS joined the UN PRI (Principles for Responsible Investment) in 2009 and is promoting the introduction of a systematic investment policy based on the 6 SRI principles. SRI is a comprehensive investment method that integrates the elements of ESG when determining an investment aimed at creating values and improving profitability through socially responsible management, and ultimately seeks stability in long-term investments. The Fund Management Center newly established the SRI Team in 2013 to create a foundation for SRI, and we play a positive role in the market by establishing a foundation for long-term investments and expanding SRI through the establishment of systematic action plans.



Investments Prepared for the Future

NPS Aiming for the World



The NPS is carrying out research to improve systems aimed at ensuring the growth and sustainability of the NPS fund, and continuously working to make long-term predictions for the NPS fund and ensure the advancement of the National Pension. We are especially striving to advance infrastructure and improve stability by strengthening monitoring activities on the NPS fund and operation directions.

As one of the world's four largest public pension services, the NPS is interacting and cooperating with domestic and foreign leadership organizations. Through various global conferences on signing of social insurance agreements, the NPS intends to go beyond Korea and aim for the world.

I Research outcomes I



I Public Pension Subcommittee I



Research activities to improve systems

The NPS Research Center studies plans to improve systems and stabilize the NPS finance based on financial estimation, and is contributing to ensuring the stability of the National Pension System by presenting a direction that can strengthen the social responsibility of the operations of the NPS. The Research Center is carrying out consistent research activities to establish systems that can allow more socially neglected and vulnerable classes to receive pension benefits.

Research on mid to long-term fund operations

The NPS Research Center is devoting efforts to establish a system that can ensure the stability and consistency of the National Pension System by presenting efficient operation policy directions based on studies on mid to long-term operation policies. The Research Center is carrying out research on new investment asset evaluation methods based on increased alternative investments and management methods for overseas investments to take initiative in the changing environments in the financial sector. The Research Center is also investigating various roles of the NPS that can satisfy the socially required roles of the NPS such as SRI and the exercise of voting rights.

Strengthening of monitoring system for fund management

I Response plan for each stage of crisis I

Stage	Response
Development of crisis	<ul style="list-style-type: none"> Responding organization – Response TFT (team leaders) Decision-making – Investment Committee
	<ul style="list-style-type: none"> Reporting – Risk Management Committee Response <ul style="list-style-type: none"> Monitoring tolerable risk and establishing response to unacceptable risk Maintaining trust with stakeholders Reviewing coordination of tactical asset allocation (TAA)

Stage	Response
Crisis Serious	<ul style="list-style-type: none"> Responding organization – Response TFT (division heads) Decision making – Investment Committee or Fund Management Committee
	<ul style="list-style-type: none"> Reporting – Risk Management Committee or Fund Management Committee Response <ul style="list-style-type: none"> Responding to unacceptable risk Reviewing change to annual fund management planning Reviewing coordination of strategic asset allocation (SAA)

Multilayer monitoring system

The NPS is measuring and managing risks for its investment portfolio and monitoring the market through the Risk Management Division under the Fund Management Center, and the Compliance Officer under the direct authority of the Chairman is devoting efforts to strengthen internal control over and transparency of the operations of the fund. We are actively responding to the changes in the global investment environment by operating a multilayer monitoring system led by the CEO that includes regular strategy verification of fund operations, verification meetings to determine risks, the Risk Management Committee, and the Extended Executive Meeting.

Thorough risk management

To minimize loss and to earn the trust of our citizens, we established an emergency response plan and developed a risk index in 2010. Through such efforts, the NPS is ensuring early detection of financial risks to allow systematic response. By establishing a response system, we are currently operating a task force team led by team leaders and division heads.

NPS Aiming For The World

Status of social insurance agreements

To solve the double payments in social insurance premiums of Korean citizens, guarantee benefits, and improve the interests of our citizens, the NPS is promoting social insurance agreements with various countries. Korea has signed social insurance agreements with 25 countries, and is the country with the most of such agreements in Asia.

Category	Aggregated subscription period agreement (17 countries)	Insurance premium exemption agreement (8 countries)
Effectuation of agreement (25 countries)	Canada (May '99), U.S.A. (Apr. '01), Germany (Jan. '03)	Iran (Jun. '78)
	Hungary (Mar. '07), France (Jun. '07)	UK (Aug. '00)
	Australia (Oct. '08), Czech Republic (Nov. '08)	Netherlands (Oct. '03)
	Ireland (Jan. '09), Belgium (Jul. '09)	Japan (Apr. '05)
	Poland, Slovakia, Bulgaria (Mar. '10)	Italy (Apr. '05)
	Romania (Jul. '10), Austria (Oct. '10)	Uzbekistan (May '06)
	Denmark (Sept. '11), India (Nov. '11), Spain (Apr. '13)	Mongolia (Mar. '07)
		China (Jan. '13)



Successful hosting of ISSA Asia-Pacific Forum

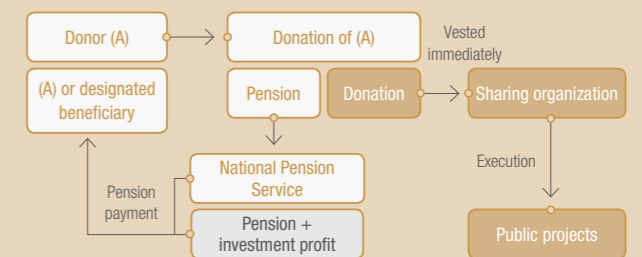
The NPS successfully hosted the 2012 ISSA Regional Social Security Forum for Asia and the Pacific, through which we were able to improve our understanding on the development of social security systems and provide opportunities for international cooperation for heads of social security organizations of the region.



Promotion of donation pension system

As the government decided to introduce a donation pension system as a plan to develop the culture of sharing, the NPS has launched a research project in March 2012 to design a donation pension system that can best suit the requirements of Korea.

The donation pension system in which a donor donates all or part of his assets to a public corporation and receives a part of the donation in the form of a pension is scheduled to be introduced in 2014, which is expected to contribute to spreading the culture of sharing and expanding welfare.



Consulting Service on Successful Aging to Build a Prosperous World

Consulting service on successful aging

The NPS is promoting the consulting service on successful aging based on the necessity to respond to changes in the paradigm and create new customer values, as well as actively correspond to government policies aimed at preparing for the aging society and meet the demands of the public. Through the Consulting Center on Successful Aging established in the counseling centers of regional branches of the NPS, we are offering various and comprehensive information on financial planning, jobs, and health-related issues.

To provide the consulting service on successful aging for the elderly who lack proper preparations for their later years, the NPS installed the Consulting Center on Successful Aging through which we are providing information and services on the overall aspects of life including financial counseling, jobs, health, and recreation.

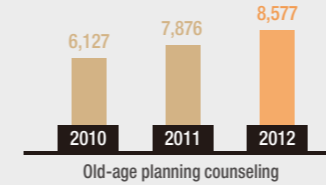
	First insured (20s to 30s)	Age of 40 (Turnover & starting new business in 30s and 40s)	Age of 50 (Turnover & starting new business in 50s and 40s)	Eligible for old-age pension (60s)
No. of beneficiaries	1.02 million	60 thousand	50 thousand	180 thousand
Content	Income/spending management Explanation of National Pension	Necessity for systematic preparation for later years of life Multiplayer planning	Diagnosis for old-age planning Balanced old-age preparations	Jobs, volunteering, etc. Old-age planning
Characteristics	Centered with financial planning	Focus on financial planning Focus on non-financial planning	Balanced planning for financial and non-financial areas	Balanced planning for financial and non-financial areas

Encouraging voluntary subscription through consulting services on successful aging

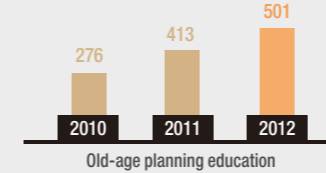
The NPS aims to provide comprehensive consulting services on successful aging that cover financial issues, health, recreation, and personal relationships by establishing the consulting service system on successful aging for each stage of life. In 2012, we developed the Old-Age Preparation Index that provides insight on the level of preparation of the public for their later years of life, and we launched a counseling program for customized old-age planning through the Old-Age Preparation Diagnosis service. We also provided consulting services on successful aging to 200,000 policyholders so that they can extend their subscription periods to obtain eligibility for pension benefits.

I Status of consulting services on successful aging I

(Unit: thousand persons)



(Unit: number of sessions)

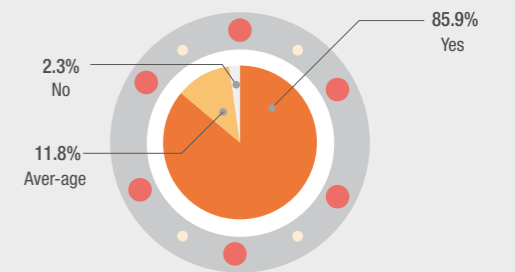


Encouraging subscription through customized services

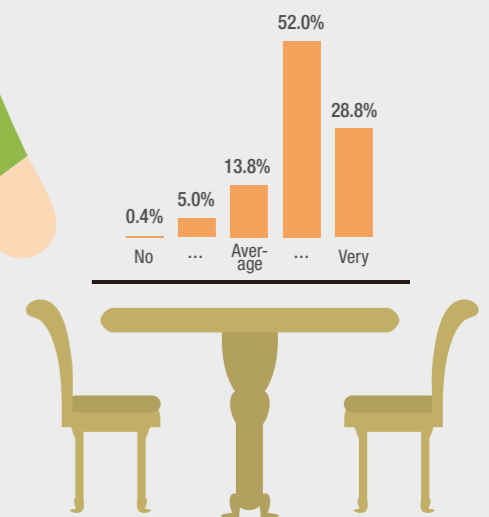
By expanding education on customized old-age planning, we are devoting efforts to provide useful information to our policyholders so that they can understand the need to prepare for their later years of life. To ensure the baby boomers to make proper preparations for their later years, we held 7 "Baby Boomer Retirement Concerts" in major cities nationwide. The NPS is actively operating participation programs to communicate with its customers.

The NPS aims to become a foundation for a happy society in the New Era of Homo-Hundred. Our consulting service on successful aging provides information on customized old-age planning that is essential for each individual in preparing for a happy life after retirement.

Outcomes of survey on consulting services on successful aging - Expertise (converted percentage score: 83.2 points)



- Appropriateness (Converted Percentage Score: 80.8 points)



NPS's Responsibility

The NPS will carry out its social responsibility to ensure sustainable growth



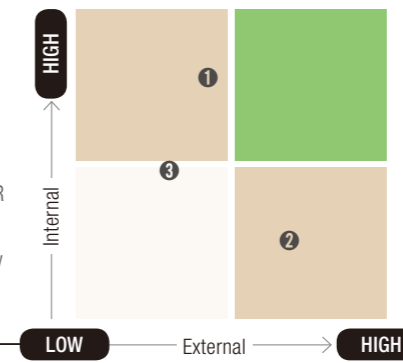
Creation of Organizational Culture that Values People



Our Responsibility

The NPS intends to fulfill its responsibilities for its employees by creating an organizational culture that values people. We are strengthening our HR development system to ensure the sustainable growth of our employees, and we are also devoting efforts to actively collect the opinions of our employees to ensure smooth communication between labor and management. In principle, the NPS respects diversity among our employees and prohibits discrimination.

- ❶ Strengthening of recruitment and development of HR
- ❷ Ensuring healthy labor-management relations
- ❸ Prohibition of discrimination and respect for diversity



Materiality Test

Internal stakeholders identify strengthening recruitment and cultivation systems for human resources is an important issue while external stakeholders consider prohibition of discrimination and respect for diversity as an important issue.

1 Strengthening of recruitment and development of HR

Strengthening of specialty education

The NPS is training experts for each key area of business to ensure stable operations of our fund and the advancement of the pension system. To strengthen expertise in our fund management, the NPS is offering strategic training programs for our employees in partnership with global fund management firms. To ensure the soundness of our training programs, we are operating various work training programs for each area and hired over 70 expert lecturers. To strengthen our performance in services for citizens with disabilities, we expanded our training programs for disability assessment through a partnership with outside organizations specializing in medical specialties. To provide systematic old-age planning for the public, we are operating an in-house certification system for CSA, and we are carrying out continuous efforts to strengthen our performance and expertise by training 105 expert lecturers on old-age planning.

I Status of training programs I



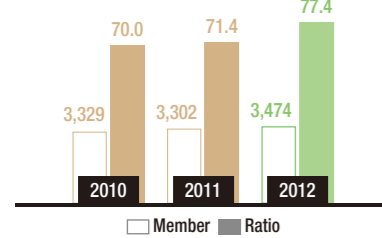
* Training hours per person

Operation of evaluation system based on performance and capability

We are currently operating a rational and fair personnel system based on performance which is linked with promotions, positions, and wages based on the performance and capabilities of our employees. The basic pay for each gender is maintained at the same level.

I Status of union memberships I

(Unit: Number of employees, %)



2 Ensuring healthy labor-management relations

Efforts to protect interest of employees

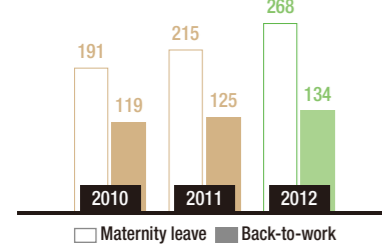
The NPS is carrying out various effects to protect the interests of its employees. To solve various problems in the work environment, we are operating the grievance resolution committee, and we are also operating a gender equality and grievance resolution committee for sexual harassment issues. Also, to quickly respond to the difficulties of our employees in the field, we are holding Labor-Management On-Site Conferences and Labor-Management Grand Conference, and we are devoting efforts to improve labor stability and build trust between labor and management by notifying about key changes in the workplace in advance.

Balance between work and life

We are supporting our employees to balance work and life so that they can focus on their work. The NPS is guaranteeing comfortable commutes for workers who are not natives of the region of their workplace by supporting housing and flexible working hours, and we are also actively promote flexible working hours by expanding the range of subjects eligible for the staggering work hour system. To support maternity, pregnant employees can work less hours for 1 month during their pregnancy, and we guarantee equal and stable career and systems aimed at preventing the career gaps of women by abolishing limitation in promotion during maternity leave.

I Status of maternity leave I

(Unit: number of employees)



We also have expanded various family-friendly programs such as the Better Fathering Program and we are operating health management programs to support the healthy lives of our employees.

3 Prohibition of discrimination and respect for diversity

Non-discriminative personnel management system

The NPS is ensuring that our employees members perform at their best level by operating a personnel system that does not discriminate against employees based on gender, level of education, and region of origin. By holding sexual harassment prevention lectures at least once a year, we are devoting efforts to prevent sexual harassment and to promote the culture of respect and consideration between our employees by establishing virtuous values and abolishing inappropriate gender-oriented cultures.

Social equity-based recruitment and improved labor conditions

The NPS gives preferential treatment for the socially vulnerable class and citizens with disabilities when recruiting new employees, and we are expanding our socially equal recruitment by hiring high school graduates and interns within a certain ratio of the overall recruitment to comply with the government's policy and recommendation. To identify and support local talent, we introduced a quota system for applicants from Jeollabuk-do. Starting in 2014, we are planning to give a 5% quota for the Jeollabuk-do region in our recruitment, and raise the quota to 7% in 2015.

I Status of socially equal recruitment I

(Unit: Number of recruited personnel)	2010	2011	2012
Women	6	399	101
Local talent	3	341	62
High school graduates	0	20	38

Stakeholder

Interview with Lee Mal-Yong, Department Head of NPS

Unlike most other organizations, the NPS is taking initiative in implementing an open recruitment system. The NPS is a national program aimed at all citizens of Korea, and therefore, we cannot and should not discriminate against anyone in our recruitment or HR development programs. The NPS is devoting efforts to offer equal opportunities and to eliminate all factors of discrimination in personnel affairs including promotion. Regarding the hiring of high school graduates, the NPS is making great preparations to ensure that our high school

graduate employees can establish themselves as good citizens. The NPS also has various programs for citizens with disabilities, and we have been a leader among other organizations in hiring citizens with disabilities. Our recruitment program for local talent is also well-known among local residents, which allows us to provide customized services for each region through our employees hired from that region and improve our public image.



Establishment of Clean and Transparent Management Foundation

Our Responsibility

The NPS intends to commit its best efforts to building a fair society by establishing a clean and transparent management foundation. We are strengthening our systems so that our employees can practice ethical management, and we are carrying out activities to eliminate risks in high-risk projects. We are also striving to fulfill our obligations for public disclosure and ensure transparency in our information provided to the public.



- ① Strengthening of ethical management system
- ② Promotion of anti-corruption activities
- ③ Improved transparency in management



Materiality Test

Internal and external stakeholders hope that the NPS's ethical management system is strengthened and provides a foundation for management activities with transparency and integrity.

1 Strengthening of ethical management system

Re-establishment of ethical standards

To strengthen the actual effectiveness of our ethical standards, we revised our ethics charter, ethical code, and code of conduct, and we have re-established our ethical standards by establishing a code of conduct for each situation and position of our employees.

Systematic monitoring

To practice transparent and ethical management, we inspect our practice on a monthly, biannual, and annual basis, and we are strengthening our ethical management practice through the operation of a regular monitoring system.

Comprehensive performance feedback			
Regular	Monthly	Biannually	Annual
Dedicated organization	Ethical Integrity Section	Ethical Integrity Section Social Responsibility Committee	Social Responsibility Management Committee Dedicated department
IT monitoring system / Reporting center	Inspection of accomplishments of each department and task	Performance inspection / Integrity mileage	Annual performance inspection / Administration contest / reward

I Self-evaluation score for NPS's ethics I



Efforts to spread ethical management

Through the promotion of the management's strong resolution for ethics and integrity and various efforts to spread the culture of ethical practice including various ethics programs, we were able to accomplish zero corruption in 2012.

	Resolution of management for anti-corruption and integrity	Resolution ceremony for ethical management Joined UN Global Compact	Customized education for each scenario	Preventive ethics activities
ZERO corruption	Ethics and integrity promotion programs	Bottom-up ethics and integrity practice program Development and promotion of ethics and integrity contents	Analysis on ethical vulnerabilities Strengthening of anti-corruption infrastructure	Systematic management of factors that can cause corruption

2 Promotion of anti-corruption activities

Prevention activities for corruption

The NPS carried out corporate-wide anti-corruption activities to establish a healthy workplace culture that ensures vigilance against corruption. To protect inside whistleblowers, we have outsourced the reporting channel to prevent the disclosure of the identity of the whistleblower. The NPS is contributing in promoting and establishing fair and transparent values in our society by ensuring fair and transparent work processes and policy-making through activities aimed at preventing corruption.

I Presentation on good practices at anti-corruption symposium I



I Status of anonymous reports I



* Number of anonymous reports

Elimination of risk factors for corruption in fund management

Currently, outside experts are participating in our evaluation process to guarantee fairness when selecting trading organizations related to the management of our fund, and we limit trading with organizations that hire former NPS employees for a certain period of time. To prevent our employees from pursuing individual gain, we prohibit our employees from trading stocks, and we conduct regular inspections on stock trading of spouses and underage children of our employees. We are also inspecting in-house phone calls, e-mails, and messenger text to prevent leakage of information related to investments. We prohibit the use of personal cell phones during office hours for employees working in departments related to the management of our assets invested in stocks.

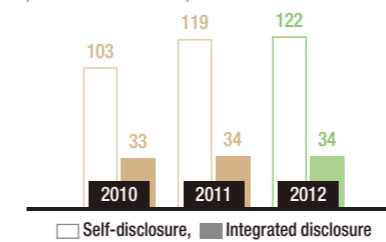
2 Improved transparency in management

Improved management of public disclosure system for management information

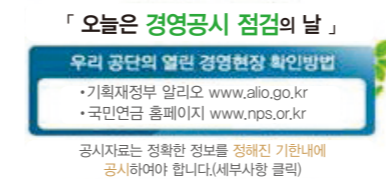
The NPS expanded the previous disclosure system from 3 stages to 4 stages. We are consistently working to improve the quality of our disclosure system, including the joint inspection on all departments and the provision of preliminary notification services and procurement of fidelity in disclosure, by granting IDs for each department aimed at improving the appropriateness of our disclosure system for management information.

I Status of information disclosure I

(Unit: number of disclosures)



I Inspection Day for Information Disclosure I



Expanded and zero-defect information disclosure

We expanded the range of our information disclosure based on a survey on customer satisfaction through which we disclosed the largest number of items among pension services. To strengthen accessibility, we added the "Disclosed Information" corner in our website, and we are devoting efforts to improve customer satisfaction by improving the legibility of our data. To accomplish zero-defects in our disclosure system, we strengthened the verification system to prevent false or malicious disclosure, and we established a regular inspection system by operating the "Inspection Day for Information Disclosure" every month. Thanks to these efforts, we were able to accomplish "0%" in error rate for three consecutive years.

Stakeholder

Interview with Lee Deok-Hui, Junior Officer of the Anti-corruption and Civil Rights Commission

The NPS is devoting efforts to make a closer approach to the public using its nationwide network, and to allow more citizens to experience the integrity management of the NPS. The management and employees of the NPS have a strong resolution for integrity and transparency. I believe that the stability and welfare of our citizens is the objective of the NPS. The public has a great interest in how the NPS manages its funds. To resolve questions on the pension system and improve trust in the NPS, I believe that the NPS should give top priority to the promotion of integrity and transparency. The NPS should also carry out efforts to reach its goal regarding rate of return since profit and rate of return

are important factors due to the characteristics of the operation of the National Pension. Although integrity and transparency in the decision-making process and disclosure of information can conflict with efforts to improve profitability, the NPS should understand that it is its obligation to form a balance between profitability and integrity, and I expect the NPS to be able to provide transparent profits. I request the NPS to carry out more active PR activities so that more citizens can be aware of its efforts for integrity and transparency, and I hope that the NPS will diversify its policies to ensure the interests of various stakeholders.



Ensuring Mutual and Sustainable Growth with SMEs



Our Responsibility

The NPS intends to fulfill its obligation to its partners by realizing mutual and sustainable growth. We are establishing systems aimed at ensuring mutual growth with SMEs, and we are also expanding our systems for mutual partnerships with contractors. The NPS is also devoting efforts to eliminate elements of unfair trade relations to establish fair trade.



- ① Establishment of mutual growth system
- ② Expanded support for partners
- ③ Establishment of fair partnerships



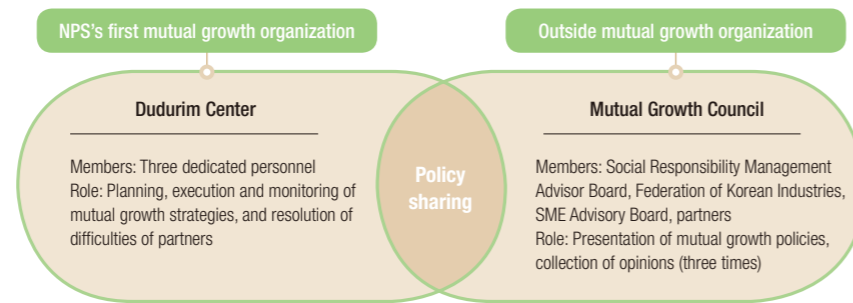
Materiality Test

Regarding mutual growth, internal and external stakeholders consider the establishment of culture for fair trade as the most important issue.

1 Establishment of mutual growth system

Operation of mutual growth promotion system

To carry out effective mutual growth strategies, the NPS is operating the Dudurim Center, which is a dedicated organization for monitoring the affairs, planning, and execution of mutual growth strategies, and the Mutual Growth Council, which is an outside organization that collects the opinions of our partners and presents policies that can assist in mutual growth.



Expanded participation of SME fund management companies

As a part of our effort to strengthen support for SMEs in link with the affairs of the NPS and to strengthen the competitiveness of fund management companies in mid and long-term aspects, we expanded our fund management company pool from 12 in 2011 to 22 in 2012. Through this effort, we are aiming to provide equal opportunities by lowering the entrance barrier for fund management firms and to nurture SME fund management companies.

Support for overseas expansion of SMEs

The NPS is offering the Mutual Growth Fund to support SMEs in expanding overseas and in securing the drive for growth. Our effort is being benchmarked by other organizations, and we were selected by the Ministry of Knowledge Economy as a model example.

I Size of Mutual Growth Fund I



* Based on 2012

2 Expanded support for partners

Strengthened communication with partners

The NPS is strengthening communication with partners through various channels such as the idea contest for mutual growth, operation of study groups, online education, and contests on good practices, and we are leading the way in establishing a culture of mutual growth.

I Support for job fairs I



Operation of mutual growth program

The NPS is operating support programs for SMEs to provide actual assistance and to spread the culture of mutual growth. Through an agreement with the Federation of Korean Industries, we are providing business consulting for 18 SMEs, and we are giving attention to the expansion of corporate welfare programs through on-site consulting services on successful aging and cultural events. The NPS is also assisting the establishment of social corporations such as the NPS Cafe 36.5°, and we are also supporting job fairs that link our partners with citizens who are exempted from NPS premiums.

3 Establishment of fair partnerships

Elimination of elements of unfair trade

To establish a trade culture that is free from the elements of unfair trading, we are operating systems such as the CS Innovation Committee, Proposal Review Team, and TFT for the improvement of systems. We are identifying and improving elements of unfair trading based on the various opinions presented by the public, employees, and government.

Efforts to encourage fair trade

The NPS internally implemented IFRS to establish fair trade customs, and we also established systematic fair and transparent contracting systems such as the regular monitoring and public reporting system. We are also devoting efforts to make actual improvements in our systems to maintain fair trade relations. By making our payments to contractors within 15 days, we are assisting our partners to strengthen their financial soundness. Our efforts to strengthen the transparency in our selection process for commissioned fund management companies received high recognition and was selected as a model example for anti-corruption efforts by the Anti-corruption and Civil Rights Commission in 2012. We are also maintaining transparency in our overall work process and establishing fair trade by strengthening guidance on fair trade practices.

I Level of satisfaction for mutual growth I



Stakeholder

Interview with Cho Gwang-Won, CEO of B2EN Consulting

Along with the public's concern on the depletion of the National Pension Fund, the NPS is obligated to carry out its social responsibilities. As a world-class pension service, the NPS can offer more benefits and opportunities for SMEs than any other public corporation. For this reason, I believe that the level of satisfaction of the beneficiaries of the NPS's mutual growth programs is high, and the effects are significant. Therefore, the NPS should become a leader in mutual growth and should produce model examples. In particular, the Dudurim Center shows the NPS's consistent resolution to ensure mutual growth. I expect the NPS to carry out more active PR on the effects and benefits through this channel, and allow more partners to benefit from the NPS's support

programs. The NPS will be able to build a virtuous cycle if its partners are able to experience benefits through regular opportunities and cooperation. I request the NPS to carry out continuous efforts in building an eco-system for mutual growth with SMEs and become a leader in advanced and future-oriented pension service. I also request the NPS to offer realistic wages for specialized personnel and give efforts in establishing an infrastructure (contracting structure, subcontracting customs, etc.) that can guarantee mutual growth for SMEs with specialized technologies. I also hope that the NPS can reflect issues such as high-quality commercialization and actualization of budget by talking with SMEs from the planning stage.



Participation and Advancement with the Local Community

Our Responsibility

The NPS aims to fulfill its responsibility to the local community by creating new jobs, strengthening partnerships, and encouraging the active participation of our employees.

- 1 Creation of jobs
- 2 Strengthened partnership with local community
- 3 Increased participation of employees in volunteer work



Materiality Test

Internal and external stakeholders understand that among the NPS's social responsibility activities, creating new jobs through increased investment can contribute greatly to our society.

1 Creating new jobs

I Status of creating new jobs through outsourcing I

(Unit: jobs)	2011	2012
Total	1,105	2,146
Outsourcing	752	1,060
Operation of fund (trusted, etc.)	348	886
Construction of NPS Building		142
Partnerships with private	5	58

Creating new jobs through fund investments

The NPS created 1,028 new jobs through the expansion of investments. We were able to create new jobs at fund management firms by commissioning the management of our fund through the establishment of a KRW 30 billion fund dedicated to the creation of new jobs. We are also creating new jobs at companies that received investment from the NPS. We were also able to create new jobs through increased SOC investments.

Creating new jobs through outsourcing

The NPS is creating new jobs through outsourcing and partnerships with the private sector. By expanding our budget for projects that have the potential of creating jobs, we strengthened outsourcing activities and were able to create additional jobs by reviewing areas that require outsourcing. By measuring the outcomes of outsourcing, we offered incentives to contractors which contributed to improving their performance, and we were able to create secondary jobs by improving the competitiveness of our contractors.

Support for social corporations

The NPS Cafe 36.5 is a social corporation established to create jobs for the vulnerable class. Starting with the first cafe in our headquarters building, NPS Café is opening cafes in our local branches. Part of the profit is used to establish infrastructure aimed at assisting new jobs, and the Café is considered as a model example for the establishment of a public corporation.

2 Strengthened partnership with local community

Support program for low-income citizens for NPS premiums

The NPS is raising donations from its employees to support vulnerable classes who are incapable of paying NPS premiums. The "Support Program for Low-income Citizens for NPS Premiums", which was started by an NPS employee who has been paying for NPS premiums for a widow who was forced to give up paying NPS premiums after the death of her husband, developed into the "Happy NPS Sharing Campaign" in 2012; now, the public is also participating to support our neighbors. Furthermore, the support program served as momentum for launching the "Durinuri Social Insurance Support Program", which is a national program that supports low-income workers.

We provided KRW 530 million to 1,270 citizens between 2008 and the present, among which 300 citizens became NPS beneficiaries and are currently receiving pension benefits.

I NPS Cafe 36.5 Daejeon branch I



I Pro Bono (Talent Donation) Volunteer Group I



Development of programs that satisfy the needs of the local community

The NPS is developing programs based on demand surveys conducted on our stakeholders and local communities. For this purpose, we carry out in-depth interviews and media analysis to identify the demands, and in combination with the analysis on NPS's capabilities, we draft our programs and establish the basic directions for our volunteer activities. Through this analysis, we develop programs for each customer, and we are carrying out contribution activities for local communities, such as the one-company-one-welfare center program and one-company-one-village sisterhood program.

3 Increased participation of employees in volunteer work

Establishment of a CSR fund

The NPS is practicing management of sharing by expanding support for CSR activities. We established a CSR fund based on donations from our employees, matching grant, the "one-person-one-account" program and various fund-raising campaigns to actively support our neighbors.

Volunteer work utilizing the talent of our employees

We are carrying out the "Adding Love" campaign that suits the needs of our customers by utilizing the key capabilities of the NPS. Not only are we utilizing the talent of our employees through the "Adding Love" campaign aimed at NPS policyholders and citizens with disabilities, but we are also operating a pro bono volunteer group and encouraging our employees to engage in volunteer work, aiming for an accumulated time of 25,000 hours, to establish an active culture of sharing.

I Status of social contributions I

2010	408,698,000 won
2011	467,476,000 won
2012	676,654,000 won

I Travel of sympathy of adding love for citizens with disabilities I



Adding Love Campaign for NPS policyholders	Support for NPS premiums for low-income policyholders to become eligible for pension benefits
Adding Love Campaign for NPS beneficiaries	Volunteer work for the elderly who are in the blind spots of social welfare
Adding Love for citizens with disabilities	Sympathizing trip with citizens with disabilities to resolve sense of alienation of citizens with severe disabilities.

Stakeholder

Interview with Kim Hyeon-Mi, Office Head of the Comprehensive Support Center for the Elderly Living Alone

The NPS is continuously developing CSR models that best suit its core values, and is playing a leading role in CSR activities through activities, such as support programs for senior citizens living alone and low-income NPS beneficiaries and the various volunteer activities of its employee. The NPS has 145 local branches nationwide, among which 91 are engaged in various employee CSR activities for our neglected neighbors. By offering them hope, the NPS demonstrates that it is sharing with the public. Such efforts, when expanded

throughout the NPS's nationwide local branches, will allow the employee of the NPS to realize the importance of CSR activities and provide support which will allow the NPS to build a positive and friendly image among the public. As a control center of the local community, I hope that the NPS can play its role as a "meeting place" for our neglected neighbors through efforts such as the operation of grievance processing and counseling programs and offering guidance for citizens with difficulties in local communities.



Customer Satisfaction and Trust



Our Responsibility

The NPS intends to fulfill its obligation for our customers by ensuring satisfactory management that is worthy of the people's trust. We are devoting efforts to offer differentiated services that best satisfy the needs of our customer by listening carefully to their voices, as well as protect the personal information of our customers. We are also strengthening the functionalities of our website to offer improved accessibility and convenience.

- ① Strengthened communication with customers
- ② Strengthening of personal information protection
- ③ Improved accessibility and convenience of information



Materiality Test

Internal and external stakeholders consider that strengthening protection of personal information is important to earn trust from customers.

I KSQI Certificate I



Strengthened communication with customers

Analysis and processing VOC

We increased our collection channel for VOC from 7 to 8, and we are devoting efforts to reflect various VOCs in our systems by expanding the range of VOC collection that includes negative contents. To actively reflect and analysis repeated VOCs, we selected 10 VOCs, and we are strengthening our communication with our customers through efforts such as the 5 Key Focuses as a practice guideline.

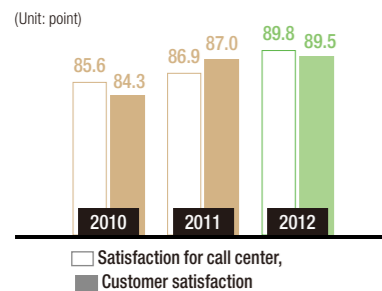
Strengthening performance of our call center

The NPS was the first among public organizations to launch a call center service in October 2000. Our system allows customers to connect directly with a consultant without having to go through an ARS, and a customer can connect to our 51 call centers offered by 91 local branches in real-time. Our call center service is open for extended hours (8:00 a.m. to 7:00 p.m.) to improve its convenience for our customers. For our continuous efforts to improve customer service, we ranked among the top 40 public organizations in 2013 in KSQI, and we were selected as an excellent call center for 9 consecutive years.

Improvement of customer satisfaction

To improve the quality of our services, we identified and improved 172 cases of customer inconvenience that occurred between 2008 and 2012 and established a customer-centered service system. By developing an in-house CS training program, we are devoting efforts to improve the performance of our employees in terms of customer service. We are also carrying out annual inspections on the quality of our telephone services to strengthen our inspection system for customer contact services. As a result, we scored 94.7 points in telephone service quality, and we were able to accomplish zero unsatisfactory cases for two consecutive years in 2012.

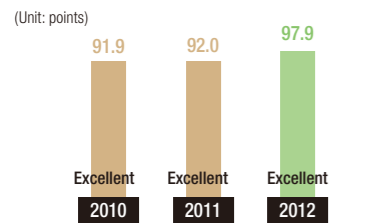
I Status of customer satisfaction I



I Customized on-site education for local branch I



I Diagnosis on management of MOHW (ministry of health and welfare) I



Strengthening of personal information protection

Establishment of stable foundation for protection of personal information

The NPS is an organization that handles an enormous amount of personal information of our citizens. Therefore we are carrying out large and corporate-wide efforts to guarantee the security of personal information of our customers. To enhance the level of understanding of our employees on information security, we established a strong punishment standard for violations, and we are carrying out various education and training programs using offline and online methods. We also established a regulation and enforcement rule for information security based on the Personal Information Protection Act to establish a foundation for the stable execution of personal information protection policies.

I Customer information protection safety mark I



As a result, we were selected as an "excellent organization" for three consecutive years in the MOHW's personal information protection inspection carried out every year, and in 2012, we earned i-Safe and ePRIVACY certification for our website.

Preventive activities for personal information protection

To prevent abuse, misuse, and leakage of personal information, the NPS established various systems as well as institutional measures. Personal information impact analysis is carried out on all files and systems that contain personal information to prevent and evaluate risks of leakage of personal information, and we also established a regular monitoring system that monitors viewers of personal information. We are also carrying out preventive activities for accidents and established systems such as the printout management system that tracks and manages printed materials, PC Defender and BXR that are file managers for personal information stored in PCs, DRMs for various files, and an e-mail block system.

I Improved speed in processing grievances through website I

Outsourced area	2010	2011	Effect
Peak response	3,000.1ms	2,110.5ms	29.7%
Simultaneous processing	752ea	1060ea	6 times

I EDI workload sharing and transmission success rate for web fax system I

Outsourced area	2010	2011	Effect
EDI workload sharing rate	66.7%	67.7%	1.0%p ↑
Transmission success rate for web fax system	76.9%	83.8%	6.9%p ↑

Improved accessibility and convenience of information

Advanced website and strengthened web accessibility

The number of users of our website is increasing every year, and to satisfy the demands for high quality, we upgraded our equipment and software. We offer seamless grievance processing 24/7. We also are in compliance with the web accessibility standard so that the elderly and citizens with disabilities can comfortably use our web services, and our main website and the "My Pension" website earned the Web Accessibility mark.

Strengthened web-based services

By establishing a web-based EDI system, we are providing high-quality services not limited by time and location through which we were able to significantly improve customer satisfaction and the EDI workload sharing rate. We also secured the stability of our system by upgrading our systems, including a double web fax server and various convenience programs. The NPS was also able to significantly improve the transmission success rate by introducing a regular monitoring system and preliminary error elimination system.

Environment Management Minimizing Ecological Impact



Our Responsibility

The NPS intends to fulfill its responsibilities regarding the environment and practice environmental management aimed at minimizing ecological impact. To respond to climate change, we are devoting efforts to reduce energy consumption and greenhouse gas emission. By encouraging green purchasing practices, we are establishing an environment for eco-friendly companies to grow.

- ❶ Response to climate change
- ❷ Reducing water consumption and waste
- ❸ Promotion of green purchasing



Materiality Test

Internal and external stakeholders consider that environment-friendly management of the NPS is important to actively respond to climate change and to reduce energy consumption.

Response to climate change

Corporate-wide efforts to reduce energy consumption

The NPS devised and is practicing corporate-wide management plans to reduce energy consumption and greenhouse gas emission. We are not only reducing energy consumption in building management, transportation, and use of items, but we are also devoting efforts through active education and PR activities aimed at reducing energy consumption and greenhouse gas emission and to ensure efficient use of energy by evaluating and managing our performance. By forming and operating the "Reduction of Energy Consumption Committee", we are regularly inspecting and managing our performance in cutting energy consumption and reaching our goal in the use of LED lighting.

Strengthened management of greenhouse gas emission

We established a management system in May 2011 for greenhouse gas emission to establish a foundation to efficiently manage our greenhouse gas emission. Through this system, we are inspection and managing greenhouse gas emission of our buildings and vehicles, and we are establishing plans to effectively reduce greenhouse gas emission by setting our target and detailing specific actions for our plans. Through such efforts, we were able to reduce 11.8% of our greenhouse gas emission in 2012 to 6,905.3 tCO₂e (target 10%).

Increased use of renewable energy

The NPS is in compliance with laws related to the environment and is carrying out regular inspections. In compliance with the government's low-carbon green growth policy, we are promoting a certification system for eco-friendly buildings when moving our headquarters to a local area, and we are promoting high energy efficiency in our new headquarters building, which was built using eco-friendly construction methods. By using high-efficiency insulators and multilayer glass that incorporate energy efficient materials and systems that were reviewed for technical and economic feasibility, our Chuncheon building was the first among the NPS to obtain Class 1 certification in energy efficiency. Furthermore, we are devoting efforts to reduce energy consumption by inspecting energy usage every 5 years for buildings that are larger than 10,000 in architectural area and by promoting the ESCO project.

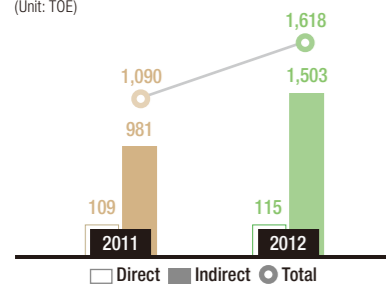
Reducing water consumption and waste

Reducing water consumption and thorough management of water

The NPS's water management is carried out by making gross measurements for each building, and monthly usage is managed based on KRW-based data. To ensure an objective analysis of water usage, we compare the increase and decrease of year-on-year data, which allows us to analyze whether water is unnecessarily wasted.

I Status of energy consumption I

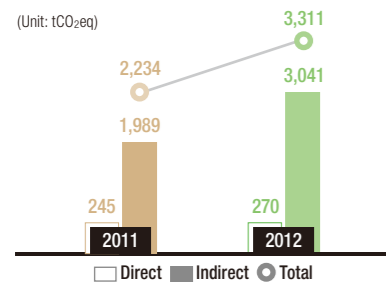
(Unit: TOE)



* Calculation of consumption at headquarters

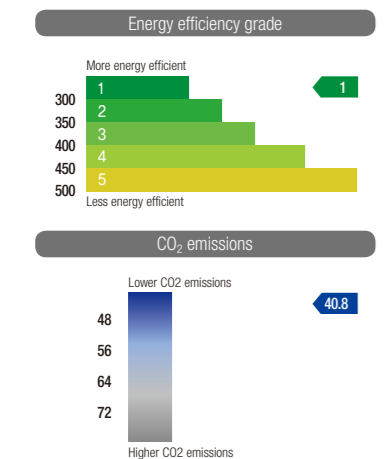
I Greenhouse gas emission I

(Unit: tCO₂e)



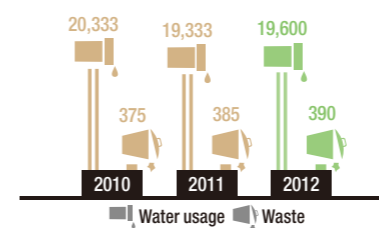
* Calculation of headquarters' emissions based on government's management standard for greenhouse gas

I Preliminary energy efficiency certificate for relocated headquarters building I



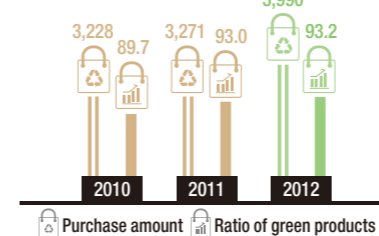
I Status of water usage and waste I

(Unit: TON)



I Status of green purchasing I

(Unit: 1 million won, %)



We are also optimizing the use of water and reducing water consumption through activities such as the installation of water-saving equipment and implementation of slogans.

Strengthened waste management

The NPS is devoting efforts to reduce waste and is managing domestic waste, food garbage, and designated waste based on legal procedures. We have waste bins for separate collection and storage boxes for paper cups, batteries, and waste fluorescent lamps, as well as outdoor waste storage facilities. In case that separate collection is difficult at the waste generation stage, staff members in charge of separate waste collection are designated for thorough waste management. Wastes are managed on a monthly basis through the purchase or usage amount of volume-rated waste envelopes, and the performance in reduction of waste is monitored for continuous improvement. For domestic waste, mixing recyclable waste is prevented through the separate collection, and our employees are encouraged to voluntarily participate in our efforts to reduce food waste.

Promotion of green purchasing

Expanded green purchasing

Over 90% of the purchased made by the NPS are for products that received either an environmental mark or Good Recycling (GR) certification. By promoting green purchasing, we are aiming at ensuring safety and reducing costs for waste processing, and we are encouraging the eco-friendly productive activities of our partners. Prior review of prioritized purchases is a must to form the basis of green products purchase at the planning stage. At the contracting stage, a special condition of purchasing green products is included in the contract terms and conditions. Purchasing performance is managed by a computer system, and the amount of green products purchased in 2012 was KRW 3,990 million, which is 93% of our total purchase.

Stakeholder

Interview with Im Hyeon-Jeong, Head of the Environment Economy Office of the Korea Environmental Industry & Technology Institute

Environmental management can be categorized into the management of internal activities such as reducing energy consumption, management of waste, green purchasing and reduction of greenhouse gas emission, and management activities related to external businesses. The focus is generally given to management, and there is a public consensus that large corporations and manufacturers should take initiative. The service industry generally has a relatively low resolution for environmental management. However, based on environment-related systems such as ISO14001, the U.S. and EU are establishing new standards with consideration to the characteristics of each business. In particular, they are establishing standards for the service industry.

If the NPS is giving consideration to environmental performance in its management activities such as contracting affairs and giving preference to eco-friendly companies, then the NPS will be able to promote the need for environment-friendly management to its stakeholders. As one of the world's four largest pension services, the NPS will have a greater impact than other major corporations in broadening understanding on environmental management if it takes initiative in establishing new standards. I hope that the NPS will be able to establish a system that can measure and manage environment-related performance of a corporation, and play a leading role in expanding understanding on environmental management.



Appendix

Sustainability management performance	42
Assurance Statement of Third Party Verifier	45
GRI Index	47
Memberships and Awards	51
Glossary	52



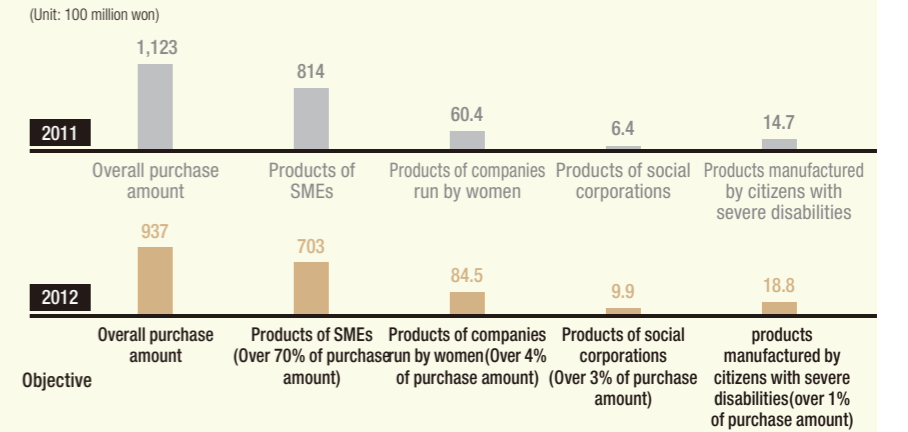
Sustainability Management Performance (Economics)

Coverage of the organization's defined benefit plan obligations (EC3)

The NPS is operating a pension support system to guarantee stable life after retirement of our employees.

Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation (EC6)

The NPS does not have a separate policy for locally-based purchases as a business operation based in Korea. To fulfill its social responsibility, however, the NPS encourages the preferential purchase of products supplied by SMEs, businesses run by women, social corporations, and companies that hire employees with severe disabilities. We set our goals every year and we are devoting efforts to accomplish this goal.



Procedures for local hiring and proportion of senior management hired from local communities at significant locations of operation (EC7)

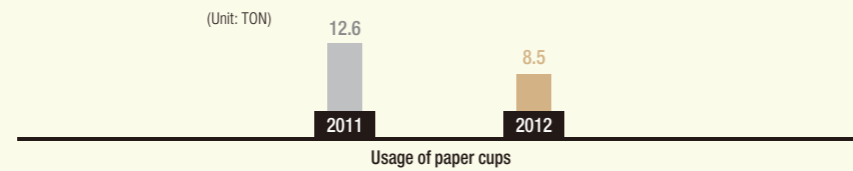
The NPS does not have a separate policy for local hiring as a business operation based in Korea. The NPS, however, is operating open recruitment with consideration to socially vulnerable classes. In particular, the NPS has a socially equal recruitment program for women, citizens with disabilities, local talent, science and engineering majors, and high school graduates, and we are also operating various support systems so that people of socially vulnerable classes can carry out their work at the NPS.



Sustainability Management Performance (Environment/Society)

Materials used by weight or volume and percentage of materials used that are recycled input materials (EN1/EN2)

Due to the characteristics of its business, most of the employees of the NPS works in an office environment, and the NPS does not separately manage the usage amount of materials. We are, however, devoting efforts to measure and reduce the usage amount for paper cups.

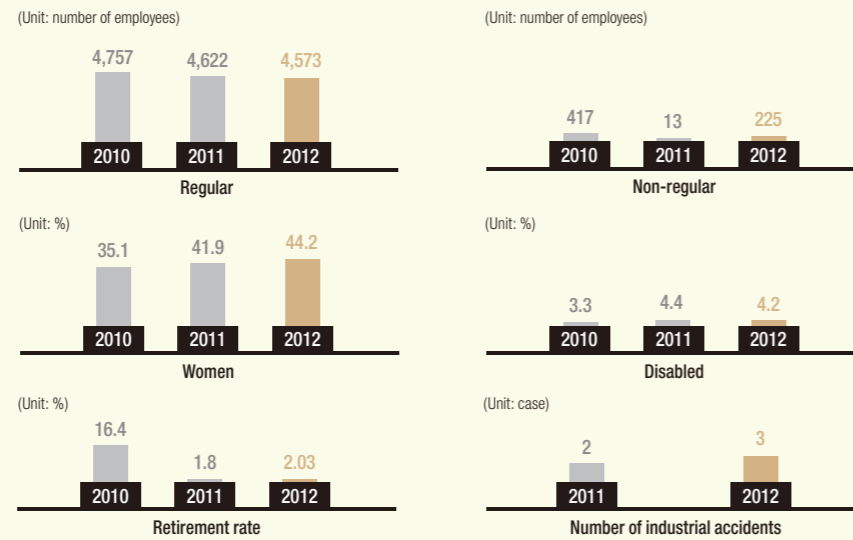


Protection of biodiversity (EN11~EN15)

The NPS's base of operations is not an area designated for the protection of the ecosystem. The NPS, however, is promoting indirect activities aimed at protecting the ecosystem, such as planting trees and collecting garbage.

Composition of employee and protection of rights (LA1/LA2/LA7/LA9)

The number of employees at the NPS total 4,587 as of 2012. The NPS guarantees the right to organize, right of collective bargaining, and right of collective action of its employees, and the NPS does not hinder an employee from joining the labor union nor encourages secession. The NPS's labor union is a decision-making organization that represents the safety and health of our employees and handles related issues through collective bargaining.



* Includes employees transferred to the NHIS in 2010 due to the integration of premium collection affairs of the 4 major social insurances

Welfare and support for retirees (LA3/LA11)

The NPS is operating various welfare systems for issues such as health management, livelihood stability, family affinity, recreation, and self-development, and is supporting its employees for stable lives after retirement through preparatory programs for starting business, reemployment, and old-age planning.

Sustainability Management Performance (Society)

Composition of Board of Directors (LA13) (As of Sept. 2013)

The NPS Board of Directors is composed of a Chairman, auditor, 3 executive directors, and 7 non-standing members, among which 10 are male and 2 is female.

Category	Gender	Name	Current position
Chairman	Male	Choi Kwang	Chairman
Auditor	Male	Kang Yeon-Jae	Auditor
Executive Director	Male	Ryu Ji-Hyeong	Director of Planning
	Male	Kim Min-Soo	Director of Affairs
	Male	Hong Wan-Seon	Director of Fund
Non-standing Director	Male	Yang Seong-Il	Head of Fund Policy Bureau of the MOHW
	Male	Kim Yeong-Bae	Vice President of the Federation of Korean Industries
	Male	Lee Seung-Cheol	Vice President of the Korea Employers Federation
	Male	Kim Dong-Man	Vice Chairman of the Federation of Korean Trade Unions
	Female	Kim Gyeong-Ja	Vice Chairman of the Korean Confederation of Trade Unions
	Female	Kim Ae-Gyeong	Bureau Director of the Consumers Korea
	Male	Oh Chung-Han	Review Member of the Korean Institute of Certified Public Accountants

Number of proportion of key investment agreements that passed human rights review or include human rights clauses (HR1)

The NPS is making investments with consideration to potential violations of human rights, and is devoting efforts to improve the long-term performance and the establishment of a culture of long-term investments in the financial market based on the 6 principles of the UN PRI (Principles for Responsible Investment) that the NPS joined in 2009. The NPS, however, does not have an investment agreement that includes specific human rights clauses.

Proportion of human rights reviews on partners (HR2)

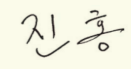


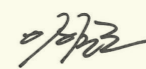
The NPS does not specifically reflect items related to human rights in the review and selection of partners. The NPS, however, takes action such as revocation of contract or limitation of participation of workers of our partners when there is an issue related to human rights.

Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations (HR8)

The NPS requires employees working on security affairs that have risk of violating human rights to receive necessary education to prevent human rights violations.

Assurance Statement of Third Party Verifier

To the Stakeholders of the NPS	We have been engaged by the NPS to review information in the NPS Sustainability Report 2013 (hereinafter referred to as The Report).
Responsibility and Independence	The NPS holds responsibility for the information and opinions contained in the Report. Our responsibility is limited to the verification of the Report, and as a third-party verifier, we did not participate in any way in the production of the Report and we do not hold any interest that can affect the independence of this verification.
Standards and Reporting Criteria	We conducted our engagement in accordance with the AA1000AS (2008) verification standard's Type 1 verification category and Moderate verification level, and based on AA1000APS (2008) principles we verified the principle and appropriateness of comprehensiveness, importance and response. We also verified whether the Report complies with the GRI G3.1 Guideline.
Considerations and Limitations	The verification of the Report was carried out on the outcomes of 2012 and does not include the credibility of data disclosed through the Business Report, website etc. Also, the on-site verification was carried out in a limited manner on the NPS headquarters, and the outcome may differ when additional verification is carried out on other domestic business sites.
Method of Verification	<p>The verification was carried out on the Report as follows.</p> <ol style="list-style-type: none"> 1. The reporting and description method for indicators of GRI G3.1 Guideline was verified for compliance 2. Compliance with the principles of GRI G3.1 Guideline on the quality and contents of the Report was verified 3. The material assessment method applied in the Report was reviewed in order to verify the appropriateness of the selection of issues, and the contents describing the responses for key issues were also verified. 4. We carried out an on-site inspection on NPS headquarters to verify data and information presented in the Report, and verified the internal process and systems through interviews.
Conclusion	<p>We verified that this report faithfully and impartially reflects the social responsibility activities and accomplishments of the NPS. Through this verification, we were also able to verify that the NPS satisfies the GRI Application level A+.</p> <p>1. Inclusivity: Stakeholder participation Inclusivity is a principle that requires the participation of stakeholders of an organization in the process of developing and achieving responsible and strategic response for sustainability. This report was able to verify that the NPS defines key stakeholders and discloses communication channels for each stakeholder in order to comply with the inclusivity principle. Issues for each stakeholder verified through these channels are reflected with the participation of stakeholders in the management of the NPS through the establishment of response plans for each department. There is a need for supplementation for the appropriateness of the number and form of the participants and criteria for selection for stakeholders, and a more official process and principles for stakeholder participation.</p>

Conclusion	<p>2. Materiality: Selection and reporting of key issues The materiality is a principle that requires the determination of related key issues surrounding an organization and its stakeholders. The NPS identifies issues related to social responsibility using various methods. We were also able to verify that the key issues were presented properly in the sustainability report so that stakeholders can properly identify the key contents of the report. Also, we were able to verify that the selected issues were reflected in a balanced manner. We recommend that the NPS continuously verify and report business opportunities and risk factors related to the key issues and their effects on stakeholders.</p> <p>3. Responsiveness: Organization's response to issues Responsiveness is a principle that requires an organization to respond to issues that can influence the outcomes for stakeholders. The NPS has set its principles and method of approach for key issues and carries it out in its business activities. It is our conclusion that activities intended to respond to economic, social and environmental issues are being well reported. In particular, activities related to the management of policyholders, management of NPS benefits and investment of funds are being well reported.</p>
Commentary	<p>We highly appreciate the NPS' efforts and accomplishments to enhance its performance in aspects of social responsibility, and we recommend the following to improve the sustainability report and level of socially responsible management.</p> <ol style="list-style-type: none"> 1. Key issues presented by stakeholders that affect the NPS and stakeholders should be reported in economic, social and environmental aspects. Through this effort, the NPS will be able to verify the contributions of its activities and accomplishments in the advancement of sustainability. 2. We believe that if the NPS is able to establish a process for the selection of key issues, promotion activities and reporting, the NPS will be able to report its accomplishments made through activities aimed at making improvements in a more positive manner. <p>The Korea Productivity Center is qualified for independent verification and was officially qualified by Accountability, the founding organization of the AA1000, the international standard for stakeholder participation and verification. Also, the verifiers are composed of experts who received special training on sustainability counseling and verification.</p> <div style="text-align: right;"> <p>November, 2013 Jin Hong, President of Korea Productivity Center</p>  </div> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>김동수 Kim Dong-Soo, Center Director</p> </div> <div style="text-align: center;">  <p>이주병 Lee Yang-Ho, Team Head</p> </div> <div style="text-align: center;">  <p>이주병 Lee Ju-Byeong, Researcher</p> </div> </div>

GRI Index

[● Full disclosure ● Partially disclosed ○ Not disclosed]

Code	GRI Indicator	Page	Disclosure rate	Note
Strategy and analysis				
1.1	CEO's message	3	●	
1.2	Opportunities and challenges	3	●	
Organizational profile				
2.1	Name of organization	5	●	
2.2	Primary brands and products	5	●	
2.3	Organization structure	5	●	
2.4	Location of headquarters	5	●	
2.5	Countries and markets where the organization operates	5	●	
2.6	Structure of governance (ownership) and legal form	11	●	
2.7	Markets serviced	5	●	
2.8	Scale of organization	5	●	
2.9	Significant changes during the reporting period	5	●	
2.10	Awards received in the reporting period	51	●	
Report profile				
3.1	Reporting period	1	●	
3.2	Date of most recent previous report	1	●	
3.3	Reporting cycle	1	●	
3.4	Contact point for questions regarding the report and its contents	1	●	
3.5	Process for defining report content	1	●	
3.6	Boundary of report	1	●	
3.7	Limitations on the scope or boundary of the report	1	●	
3.8	Basis for reporting on entities that can significantly affect comparability between organizations	1	●	
3.9	Basis for calculation and data measurement method and assumptions in the data collection process	1	●	
3.10	Explanation of the effect of re-statements	1	●	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied	1	●	
3.12	Table identifying the location of the Standard Disclosures in the report	50	●	
3.13	Policy and current practice with regard to seeking external assurance for the report	45-46	●	
Governance, Commitments and Engagement				
4.1	Governance structure of the organization	11	●	
4.2	Indicate whether the chair of the highest governance body is also an executive officer	11	●	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	11	●	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	11	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance	11	●	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	11	●	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	11	●	

[● Full disclosure ● Partially disclosed ○ Not disclosed]

Code	GRI Indicator	Page	Disclosure rate	Note
Governance, Commitments and Engagement				
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	7	●	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	11	●	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	11	●	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	12	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	9	●	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * has positions in governance bodies, * participates in projects or committees, * provides substantive funding beyond routine membership dues, or * views membership as strategic	51	●	
4.14	List of stakeholder groups engaged by the organization	4	●	
4.15	Basis for identification and selection of stakeholders with whom to engage	4	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	4	●	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	4	●	
Economic				
EC1	Economic value generated and distribute	6	●	
EC2	Financial implications and other risks and opportunities due to climate change	39	●	
EC3	Coverage of defined benefit plan obligations	42	●	
EC4	Significant government financial assistance	47	●	KRW 10 billion for management and administrative expenses
EC5	Range of ratios of standard entry level wage compared to minimum wage at significant locations	47	●	Basic wage of new recruits compared to legal minimum wage: 225%
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	42	●	
EC7	Procedures for local hiring and proportion of senior management hired locally	42	●	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	35-36	●	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	35-36	●	
Environment				
EN1	Material used by weight and volume	43	●	
EN2	Percentage of material used that is recycled input material	43	●	
EN3	Direct energy consumption by primary energy source	39	●	
EN4	Indirect energy consumption by primary source	39	●	
EN5	Energy saved due to conservation and efficiency improvements	39	●	
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services	39	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	39	●	
EN8	Total water withdrawal by source	40	●	
EN9	Water sources significantly affected by withdrawal of water	40	●	
EN10	Percentage and total volume of water recycled and reused	40	●	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas	48	N/A	N/A
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas	48	●	
EN13	Habitats protected or restored	48	N/A	No form

GRI Index

[● Full disclosure ● Partially disclosed ○ Not disclosed]

Code	Index	Page	Reporting rate	Note
Environment				
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	48	●	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	48	N/A	N/A
EN16	Total direct and indirect greenhouse gas emissions by weight	49	●	
EN17	Other relevant indirect greenhouse gas emissions by weight	39	●	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	39	●	
EN19	Emissions of ozone-depleting substances by weight	49	N/A	N/A
EN20	NOx, SOx, and other significant air emissions by type and weight	49	N/A	N/A
EN21	Total water discharge by quality and destination	40	●	
EN22	Total weight of waste by type and disposal method	40	●	
EN23	Total number and volume of significant spills	49	N/A	N/A
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous and waste shipped internationally	49	N/A	N/A
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	49	N/A	N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	39	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	49	N/A	N/A
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	49	●	No legal violations
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	39	●	
EN30	Total environmental protection expenditures and investments by type	40	●	
Labor practices				
LA1	Total workforce by employment type, employment contract, and region	43	●	
LA2	Total number and rate of employee turnover by age group, gender, and region	43	●	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations	43	●	
LA4	Percentage of employees covered by collective bargaining agreements	29	●	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	29	●	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	29	●	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	43	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	29	●	
LA9	Health and safety topics covered in formal agreements with trade unions	43	●	
LA10	Average hours of training per year per employee by employee category	29	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	43	●	
LA12	Percentage of employees receiving regular performance and career development reviews	29	●	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	43	●	
LA14	Ratio of basic salary of men to women by employee category	29	●	
LA15	Return to work and retention rates after parental leave by gender	29	●	

[● Full disclosure ● Partially disclosed ○ Not disclosed]

Code	Index	Page	Reporting rate	Note
Human rights				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	44	●	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	44	●	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	30	●	
HR4	Total number of incidents of discrimination and actions taken	30	●	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	30	●	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	50	●	N/A
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	50	●	N/A
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	44	●	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	50	●	N/A
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	30	●	
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms	30	●	
Society				
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	35-36	●	
S02	Percentage and total number of business units analyzed for risks related to corruption	31-32	●	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	31	●	
S04	Actions taken in response to incidents of corruption	31	●	
S05	Public policy positions and participation in public policy development and lobbying	50	●	Compliance with law
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	50	●	Compliance with law
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	50	●	No legal violations
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	50	●	No legal violations
S09	Operations with significant potential or actual negative impacts on local communities	35-36	●	
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	35-36	●	
Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	37-38	●	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle by type of outcomes	50	●	No legal violations
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	17	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	50	●	No legal violations
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	37	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	32, 38	●	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	50	●	No legal violations
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	37-38	●	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	50	●	No legal violations

Memberships and Awards

Memberships

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

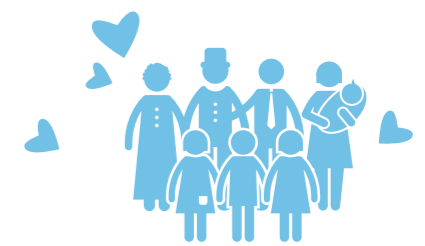
Awards

Year	Award	Awarding organization
2012	Asia CEO Award of the Year	Asia Asset Management
2012	Korea Awards 2012 "CIO of The Year"	Asian investor
2012	Best Investment Organization Award (real estate section)	IP Real Estate
2012	2012 Global Financial Management Award	Korea Daily
2011	Most Respected Company in Korea, No. 1 Pension Service	Korea Management Association
2011	Selected as Excellent Organization (5 consecutive years) for Service Quality Index (call center section)	Korea Management Association
2011	Best-HRD certification for public sector	Ministry of Education, Science and Technology / Ministry of Public Administration and Security
2011	Family-friendly corporation certification	Ministry of Gender Equality & Family
2011	'Web Accessibility Quality Mark'	National Information Society Agency
2011	This Year's Best Pension Service of Asia-Pacific Region (3 consecutive years)	Asia Asset Management
2011	This Year's Pension Investor Award	The Asset
2011	This Year's Organizational Investor Award	Asian investor
2011	2011 Asia Socially Responsible Investment Award	ASrIA
2011	Prime Minister's Award for Contributions in Farming Region (selected as excellent company for urban-rural area partnership for 3 consecutive years)	Farming Region Improvement Movement Headquarters

Glossary

Glossary

Terms	Definition
Socially Responsible Investment (SRI)	Investments made in companies that exhibit visual performance, such as healthy financial status and management capabilities, as well as sustainability that values various social outcomes, such as environment, human rights, labor issues, anti-corruption, transparent governance and contribution to local communities
ISO26000	An international standard on corporate social responsibility (CSR) released by the ISO on November 1 st , 2010 which defines governance, human rights, labor practice, fair trade, consumer issues, community participation, and development under 7 social responsibility issues
UNGC(UN Global Compact)	An organization of the UN that aims to improve the international environment and social ethics and encourage corporations to participate in sustainable development, which is promoted by the UN through partnerships between corporations
UN PRI	A set of principles and a movement aimed at improving the long-term rate of return of profits by giving consideration to issues related to the environment, society, and governance of a company when global investment companies decide whether to invest in that company
4 Major Social Insurance Services	NPS, NHIS, HIRA, Korea Workers' Compensation & Welfare Service
Voluntary subscriber	People who became voluntary subscribers after the age of 60 and continuously have income
Baby boomer	People born between 1946 and 1965 who are facing their later years of life
Funeral service expense	The amount paid based on the National Health Insurance Act to beneficiaries or dependents for a funeral service
Social security agreement	An agreement between two countries to exempt an expatriate who has been dispatched overseas for a short period of time from paying social insurance premiums of the host country or allowing an expatriate to accumulate the subscription period from the host country in his/her subscription period at home
ISSA (International Social Security Association)	An international organization established in 1927 with the purpose to maintain and develop social insurance systems of the world. The organization currently has 144 countries and 367 organizations as its members. Its headquarters is located in Geneva, Switzerland
World Bank	A common term for IBRD (International Bank for Reconstruction and Development), an international organization established in December 1945 with its headquarters in Washington, U.S. based on the Bretton Woods Agreement signed in July 1944
MBO (Management By Objective)	This is a management method in which the staff is only given the work objective, and the method for accomplishing the objective is delegated to the staff. Recently, even the setting of goals is frequently delegated to the staff
IFRS (International Financial Reporting Standards)	An acronym for International Financial Reporting Standards, which were established and released by the IASB (International Accounting Standards Board)
SOC (Social Overhead Capital)	These are social infrastructures that are essential in smooth economic activities, though not directly used for production. Facilities such as roads, ports and railways are SOCs
4 Key Insurances	The 4 insurance systems used by the government for social security that includes the National Health Insurance, National Pension, Industrial Accident Compensation Insurance, and the Employment Insurance
DRM (Digital Rights Management)	A technology that intends to protect information used by the copyright owner to limit unauthorized access or illegal use of digital media
EDI (Electronic Data Interchange)	A data exchange method between computers based on a pre-agreed communication standard to exchange standard trade forms and public forms
ESCO (Energy Service Company)	A company that invests in energy consumption reduction facilities instead of the user and collects profits by reducing energy consumption
ISO14001	An international standard on environmental management established by the TC207 of the ISO, which presents a model for the organization, structure, responsibilities, process, procedure and management resources that are required in managing environment-related activities of a corporation or organization



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