

KSD Happy Story

2012 Sustainability Report



Happy Thinking
Happy Growth
Happy Community
Happy Environment



Cover Story

Korea Securities Depository (KSD) is committed to building a better world through sharing. This sustainability report is designed to incorporate KSD's economic, social and environmental engagements.

About this Report

Features of Report

Korea Securities Depository (KSD) has published sustainability reports since March 2010, and this report is the second of its kind that incorporates our efforts and achievements in the establishment of sustainable economy, society and environment. We attempted to disclose our economic, social and environmental performances in association with KSD's long-term management strategies in a bid to highlight the correlation between management strategies and sustainability management. An independent assurance service provider has examined respective performances to enhance the reliability of the report. Stakeholders were also interviewed to aggregate their opinions pertaining to KSD's sustainability management initiatives.

Scope and Period of Report

This report covers the quantitative performances conducted by KSD for a three year period from January 2010 to December 2012 on an annual reporting basis. When specific data was not collectable, the underlying causes were stated in this report. KSD's head office, three regional branches (in Busan, Daejeon, and Gwangju) and Ilsan Center are subject to the coverage of this report.

Reporting Standards

The 2012 KSD Sustainability Report was compiled in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines and GRI Financial Services Sector Supplement (FSSS).

Assurance of Report

This report has been verified by an independent assurance service provider to ensure the accuracy and reliability of the report. The assurance results were compiled in a separate report, which was posted as the appendix (p.73~74). and received a GRI Application Level Check and statement which certifies that the report is of level A+(p.75).

Supplementary Information

This report is also available on the website of Korea Securities Depository (<http://www.ksd.or.kr>). If you need additional information or have an inquiry about this report, please refer to the following information to contact us.

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Dear stakeholders

First of all, I would like to offer my appreciation for your care and support for the Korea Securities Depository.

Established as 'Korea Securities Settlement Corporation' in 1974, KSD has developed in line with the growth of the Korean capital market over the past 38 years. Our company has settled trades worth approximately one trillion won annually when established. We currently settle approximately six trillion won of trades on a daily basis. KSD manages securities which market capitalization surpasses 2,800 trillion won and processes security-related capital transfers of a quadrillion won on an annual basis. Korea's capital market and economy have made impressive progress over the past decades.

The constantly-changing history continues to create new values. Corporations have long been committed to securing a competitive edge in the market, but they are increasingly required to turn their gazes into the values of inclusive growth and coexistence. Under the mission of 'Inclusive Value Management', KSD attempts to eradicate its outdated pursuits exclusively for economic performances. Based on our new values in customers and local communities, we are newly committed to assuring joint growth with all our stakeholders.

From an economic perspective, KSD has successfully developed itself into a core capital market operator on the back of the developments in Korea's capital market. The company also provides a variety of services utilizing its international settlement network in an effort to facilitate cross-border transactions. We are also building our identity as part of core international infrastructures by transferring technologies and knowhow to many developing economies in Asia, including Thailand and Vietnam. Along with such efforts, we have also conducted a campaign to help 'retrieve dormant stocks' through six different sessions in which unclaimed stocks worth 652.6 billion won in total were returned to their original owners.

From a social perspective, KSD engages in ethical management, customer satisfaction management, and social contributions in order to further share our values with stakeholders. For these engagements, we have deployed 30.0 billion won in the establishment of 'KSD Nanum Foundation', a social charity fund, to provide financial education programs, award scholarship grants, and aid developing economies. We are also operating 'SME Co-Development Committee' to sustain the inclusive growth with small and medium-sized corporations. We undertook a variety of supportive measures such as the reduction of fees, procurement of SME products, DR issuance forum, and subscription to the fund for lower SME lending rate, aiming to promote the practices of inclusive growth.

From an environmental perspective, KSD has prepared for launching a domestic carbon credit market to help address global warming, adopted electronic voting systems, and initiated a registration service for electronic short-term bonds as part of its efforts to help reduce greenhouse gas (GHG) emissions directly and indirectly through building eco-friendly financial service infrastructures. In addition to energy saving initiatives, KSD makes an effort to establish eco-friendly procurements and proactively engage in the government energy-saving project and initiatives to reduce carbon emissions through afforestation in a bid to address global climate change and support the development of the financial industry as well as economic growth through environmental financial services.

Currently, we are still in the midst of a global economic turmoil. The ongoing crisis, which may add more uncertainties in the coming years, pose new assignments for our future.

An African proverb says "If you want to go fast, go alone. If you want to go far, go together". Under the mission of 'Inclusive Value Management', KSD will continue to cooperate with customers, local communities, international society, and other stakeholders to overcome the ongoing crisis together. For the purpose, our company will endeavor to achieve sustainable development and growth through fulfilling our social responsibilities and nurturing the valuable seeds for the next generation. KSD will also further deliberate on sustainable values that we can offer to our stakeholders.

I hope all of you can witness the positive progress of KSD in the future and continue your support. Thank you.

Kim Kyung Dong
Chairman and CEO of Korea Securities Depository
January 2013

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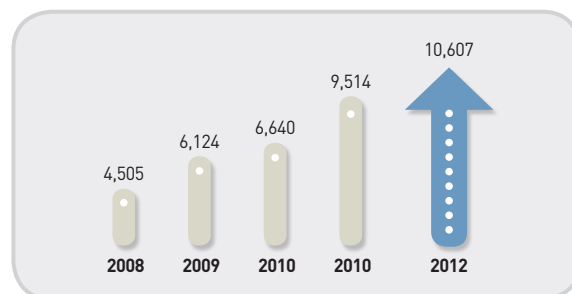
KSD 2012

Highlights

The images and articles will help you examine KSD's performances and accomplishments for stakeholders in 2012.

Annual settlement of funds for securities transactions tops 1 quadrillion won

Cash settled through KSD in 2012 reached 1 quadrillion and 607 trillion won as of the end of October, surpassing 1 quadrillion for the first time ever.



KSD announced Vision 2020

KSD announced Vision 2020 in January 2012, reinforcing its commitment to becoming a 'Next Post-Trade Network Capital.'



KSD won an Excellent Service Quality certification

As a result of consistent efforts to improve customer satisfaction, KSD has received the 'Certification of Excellent Service Quality' from the Korean Agency for Technology and Standards of the Ministry of Knowledge Economy.



KSD campaigned for returning unclaimed stocks to owners

KSD has been conducting campaigns to 'return unclaimed stocks to owners' every year to help shareholders heighten their vested rights and stimulate the economy.



KSD was rated A (excellent) in 2011 Public Institution Management Evaluation

KSD was rated 'A', signifying excellence, in the 2011 Public Institution Management Evaluation conducted by the Ministry of Strategy and Finance.



KSD implemented New Securities Settlement System

KSD has initiated a new securities settlement system to resolve delays in settlements and enhance compliance with international standards.



KSD was certified for family-friendly environment

Thanks to the efforts to build a family-friendly work environment, KSD earned a certification of being a family-friendly workplace from the Ministry of Gender Equality and Family.



KSD cut transaction related fee rates by 20%

KSD has implemented a wholesale cut of fees in May 2012 in effort to raise the affordability of trading rates and reduce burden on investors.



KSD was awarded by the Minister of Public Administration and Security for social contributions

KSD won an award from the Minister of Public Administration and Security in December 2012 for its social contribution activities.



Positive thinking ensures greater wellness

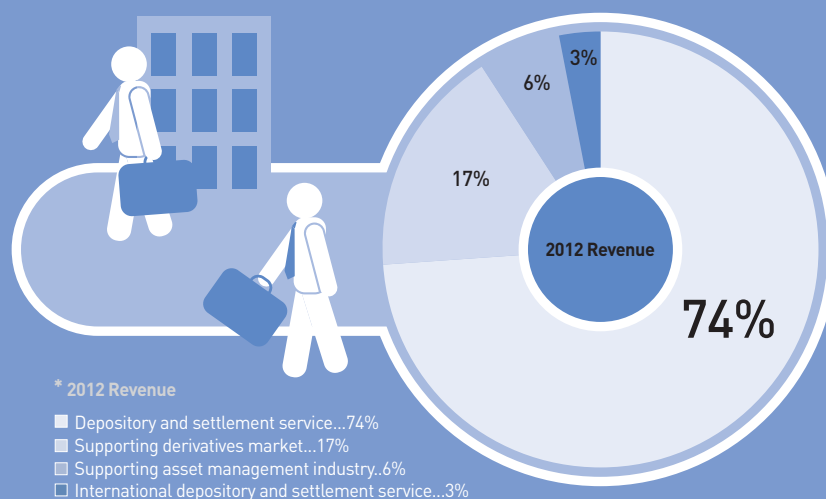
Happy × thinking & action

Positively generating even more positivity,
while **building a sound corporate culture.**

Our sound financial infrastructure results from our pursuits for success and innovations.
KSD engages in changes, innovations, and contributions to enhance investor's values and develop the financial market.
KSD aims to become the future hub of the financial network in Asia and around the world.



Values in Sharing for Society



As all trees begin as sprouts when they start to grow,
sharing must be initiated by the implementation of commitments.
KSD is spearheading efforts to expand our commitments on sharing through engaging
in common value management practices.



Company Profile

Company Information

Korea Securities Depository (KSD), the nation's only central depository and settlement service institution, has securities worth nearly 2,800 trillion won deposited with its system and provides a wide range of services including settlements of trades in the primary and secondary markets.

[As of December 31, 2012]

Company	Korea Securities Depository
Location of HQ	4 gil 23 Yeouinaru-ro, Youngdeungpo-gu, Seoul
CEO	Kim Kyung Dong
Functions	Centralized deposit of securities, book-entry transfer, facilitation of clearing and transaction
Establishment	December 6, 1974
Employees	518 persons
Total Assets	2,567.9 billion won
Debt	1,678.2 billion won
Equity	889.7 billion won
Net Profit	61.8 billion won

Key Functions

- 1. Central Depository & Settlement Service Provider**

The social infrastructure of securities depository and settlement system is required to execute a large volume of transactions in the capital market. As the nation's centralized depository and settlement service provider, KSD attempts to enhance efficiency in the issuance and circulation of securities in the financial and securities markets as well as financial transactions to help reduce social transactions costs for the economy.
- 2. Public Asset Manager**

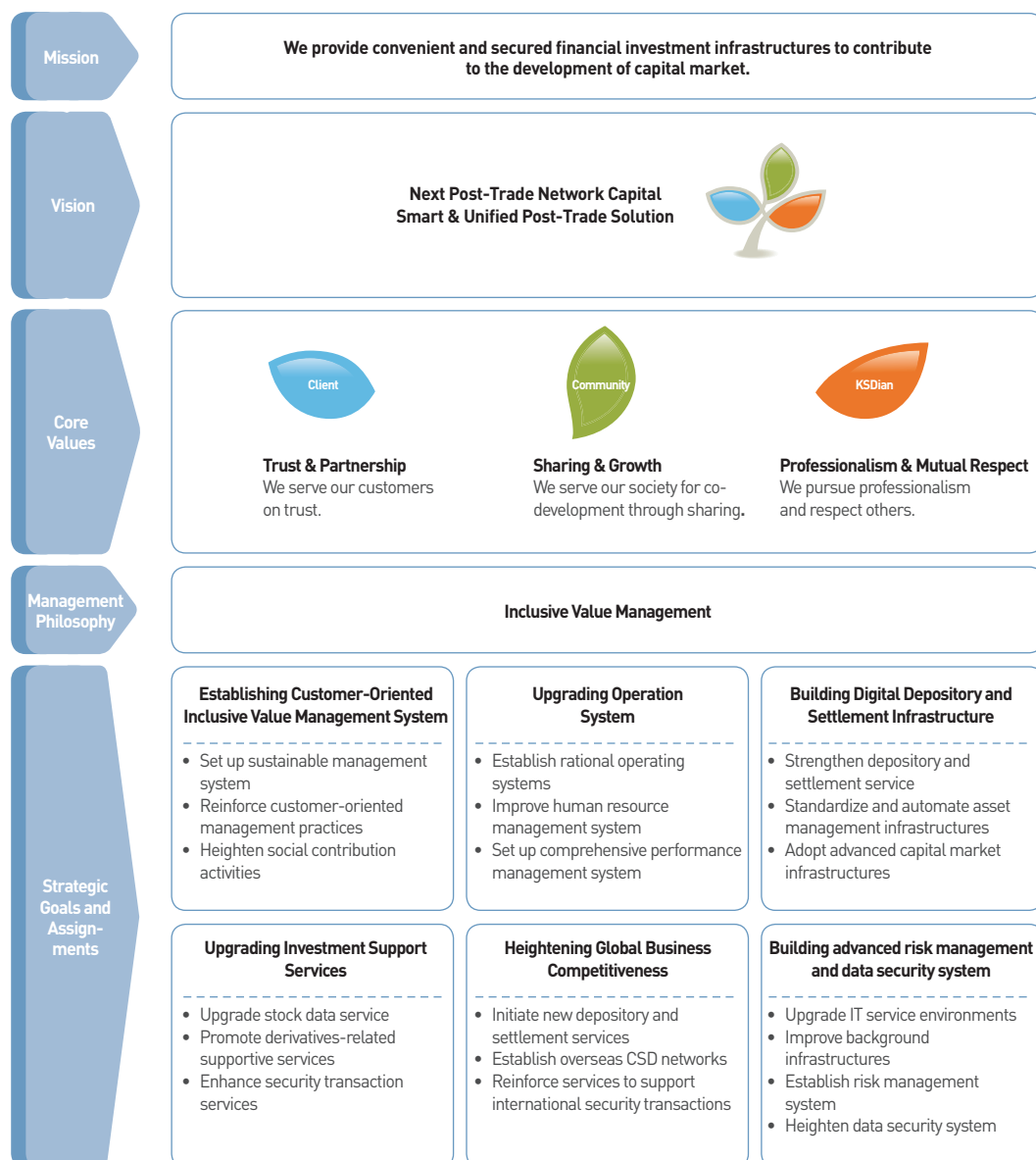
The number of investors and the scale of investment assets have increased on the back of the growth of capital market. Most investments are made in the form of security as public property. KSD fulfills its responsibility of protecting the assets and securities of investors by securely managing them in its custody.
- 3. Financial & Securities Service Infrastructure**

KSD enhances the stability of security settlement processes and the efficiency of the financial industry by bridging the gap between security administration services and the financial sector in order to contribute to the development of the nation's economy as a social infrastructure system.
- 4. Provider of Various Services to the Capital Market**

KSD provides domestic and overseas financial institutions such as securities brokerages, banks, insurers, asset management companies, futures trading companies, and pension fund management companies with various financial services including securities depository settlement, futures trading and derivative product services.

Vision 2020

Korea Securities Depository (KSD) has established a new vision and vision framework in line with the fast-changing internal and external environments and disclosed it in the 'KSD Vision 2020 Announcement' ceremony held in January 2012. The new vision incorporates the commitments of our associates for fast and stable processing of financial services using the company's physical, human and systematic networks. We will develop KSD into one of the leading global securities depository service provider through assuring convenient and secured financial infrastructures.





Governance Structure

Shareholders

The shares of KSD are owned by the Korea Exchange, securities companies, banks, insurers and other investors. The Korea Exchange holds a 70.41% stake in KSD as the company's largest shareholder.

(Unit: million won)

Shareholders	Legal Capital	Paid-In Capital	Ownership (%)
Korea Exchange	49,238	35,207	70.41
Koscom	3,241	2,316	4.63
Yu Hwa Securities	2,345	1,677	3.35
Woori Investment & Securities	1,869	1,337	2.67
Others	13,307	9,463	18.94
Total	70,000	50,000	100.00

Structure and Roles of BOD

KSD's Board of Directors (BOD) has the highest authority of reviewing and determining the issues set forth by applicable regulations and articles of incorporation or authorized by shareholders through their meetings and the material issues related to the basic management policies and business operations. Consisting of two executive directors and four non-standing directors, the board is chaired by the CEO. The Executive Nomination Committee is convened to appoint the CEO or auditors while non-standing directors are appointed at shareholder's meetings. The directors, who have special interests in a specific agenda items brought to the board, are not entitled to exercise their voting rights pursuant to Article 8 Clause 3 of the BOD Regulations in order to prevent a conflict of interests within the board.

Subcommittees under BOD

KSD has established an Executive Remuneration Committee and an Executive Nomination Committee under its BOD in efforts to enhance the governance structure and the transparency of management.

Subcommittees	Compositions and Responsibilities
Executive Remuneration Committee	<ul style="list-style-type: none"> The subcommittee consists of (four) non-standing directors, from whom a chairperson is to be nominated and elected. It examines and determines remuneration and retirement pay to executives and managing directors, retirement pay standards, and other improvements in regulations.
Executive Nomination Committee	<ul style="list-style-type: none"> The subcommittee consists of board members and knowledgeable and experienced experts in legal, economic, media, academic, and labor fields nominated by the board of directors. It is convened to appoint a CEO or auditors.

Operations of BOD

KSD proactively engages in developing new management issues and brings them into the Board of Directors in effort to reinforce the accountability of the BOD. Regular board meetings are held every month while temporary meetings are convened when resolutions are required. The minutes of BOD meetings are updated on the website to enable shareholders and stakeholders to review material management decisions quickly.

BOD Meetings

	Number of Sessions	Agenda Items	Corrective Resolutions (%)	Attendance of Non-Standing Directors (%)	Speeches of Non-Standing Directors (%)
2010	13	36	11.1	94	56
2011	17	47	10.6	94	72
2012	15	40	10.0	97	79

*Only issues resulting in resolutions were collected for review.

Reinforcing Roles of Non-Standing Directors

KSD has appointed top-notch experts in securities, legal service and media industries as its non-standing directors. Non-standing director meetings are also convened quarterly or more frequently in order to allow non-standing directors to engage more in management. The meetings are held before material issues are examined and determined by the Board of Directors to conduct intensive reviews and discussions for more effective decisions, which helps ultimately strengthen the BOD's function. Non-standing directors are also invited as instructors to management strategy conferences and manager workshops in order to tap into their experiences and expertise and expand communication with associates. The management proposals of non-standing directors are reviewed by relevant department officials to determine whether to adopt or make them available for further reference and report the results to supervising directors. KSD also established a management proposal menu on its website to enable non-standing directors to peruse the BOD agenda as well as internal research reports, key statistic data and to request information as required, aiming to help gain more understanding of the company enhance their commitments.



'Management Proposal' Menu on Website

Performance Evaluation and Compensation

KSD's Chief Executive Officer (CEO) enters into management service contracts over the management objectives that need to be accomplished during the tenure and other key projects with the Chairman of the Financial Services Commission after discussions with the Executive Nomination Committee and undergoes annual management service execution inspection conducted by the government management assessors (Ministry of Strategy and Finance). Managing Directors and other Executives also enter into service agreements with the CEO and have their performances evaluated through internal and external management assessments and individual evaluations to further promote management accountability. Management Executives are remunerated in consideration of their positions and contributions as specified by the Executive Remuneration Committee. Service allowances are granted to non-standing directors.

Upgrading Governance Structure

KSD looks set to revamp its governance into a user-oriented structure optimized for its central depository and settlement system and to consistently improve the governance structure. We are planning to reduce the ownership of the Korea Exchange, the largest shareholder, as part of our efforts to prevent unilateral control by a specific shareholder and establish a well-balanced ownership structure to assure user-oriented governance by 2017. We will undertake efforts to embrace the opinions of stakeholders and enhance the management independence as a public service provider to assure checks and balances and a healthy and transparent governance structure.

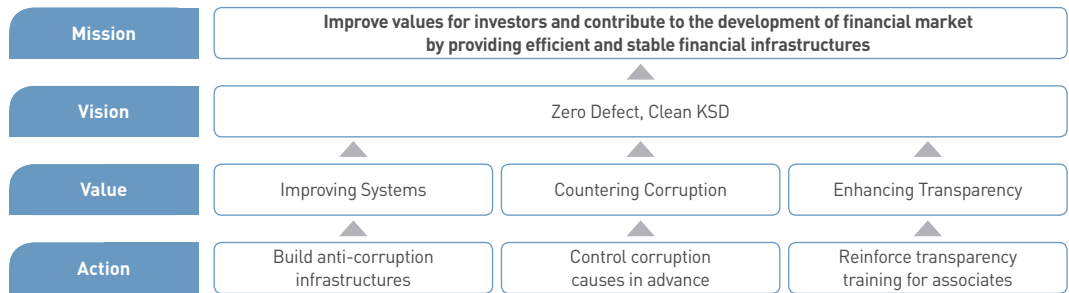


Transparent and Ethical Management

Ethical Management Framework

Anti-Corruption and Transparent and Ethical Management System

Based on the ethical management vision of 'Zero Defect, Clean KSD', Korea Securities Depository has established a comprehensive operating system on transparent and ethical anti-corruption management practices based on ethical management visions and identified specific action plans to implement enterprise-wide ethical management practices.



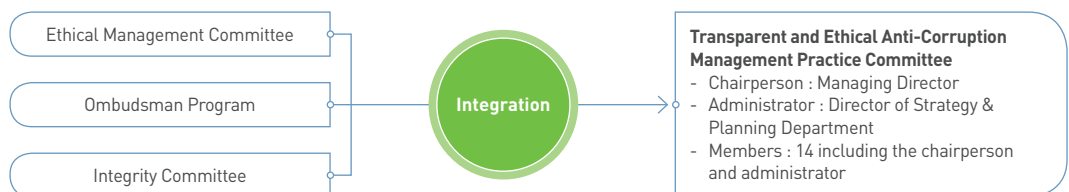
Ethical Management Regulations

KSD operates well-structured internal regulatory systems related to transparent and ethical anti-corruption management practices in effort to ensure a clean and transparent corporate culture.

Ethics Code	Mission	<ul style="list-style-type: none"> KSD Ethics Charter
	Code	<ul style="list-style-type: none"> Code of Conduct for KSD Associates
Ethics Standards	Regulations	<ul style="list-style-type: none"> Regulations on the implementation of associate integrity contract Guidelines on sexual harassment prevention, maternity protection and gender equality in employment Guidelines on fraud reports and reporter protection Report standards of vocational violations and operating guidelines on active administrative waiver program Personnel Committee regulations, reward and punishment standards Regulations over the management of civil grievance, management disclosure guidelines

Ethical Management Practice Organization

KSD has integrated three different organizations related to ethical management into 'Transparent and Ethical Anti-Corruption Management Practice Committee' in August 2012. We have secured the systematic implementation and consistency of anti-corruption initiatives and ethical management practices to enhance the efficiency in the operation of the committee to build sound ethical management footholds.





Ethical Management
Practice Pledge Ceremony

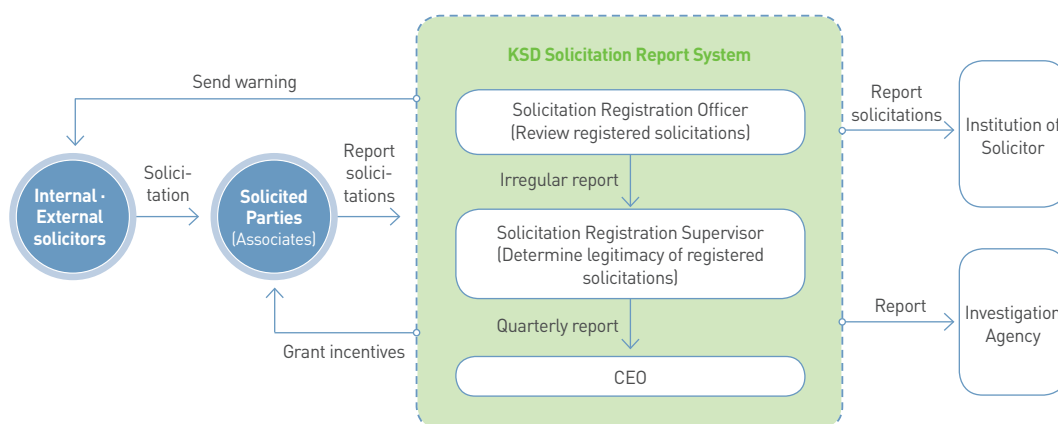
Establishing New Ethics Charter

Having reshaped the '10-Point Program' in line with the new mission, vision framework and management guidelines, KSD has established and announced a new ethics charter in December 2011. We have also reorganized 10 'Ethical Management Principles' consisting of five respective corporate and vocational principles by specifying the ethical management targets. In the New Year kick-off meeting held in January 2012, all KSD executives and employees pledged to engage in ethical management practices in order to gain more trust from customers and help KSD fulfill its social responsibilities and continue to develop as a central depository and settlement service agency. The complete text of the new ethics charter is available on KSD's website.

Building Anti-Corruption Infrastructures

Establishing Solicitation Report System

KSD endeavors to promote transparent practices and raise awareness of corruption by conducting continuous monitoring to prevent fraud. The solicitation report system and customer meeting registration system were also established in October 2012 to encourage whistle-blowers to report violations. The solicitation report system covers all internal and external unfair solicitations and assures the anonymity of the reporter. The customer meeting registration system incorporates unofficial interviews and meetings with customers. When the reported cases are verified to constitute regulatory violations, disciplinary actions are undertaken.



Transparency Incentive Program

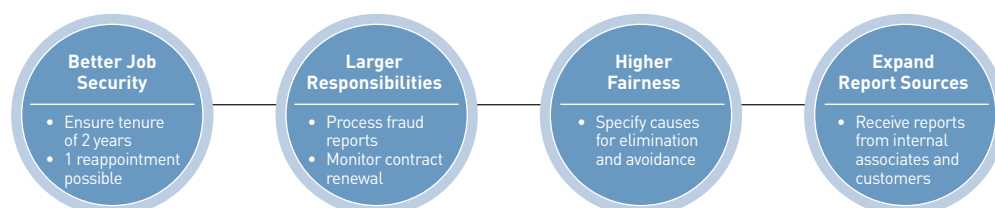
KSD has adopted an incentive program for transparent associates by granting more personnel management benefits and compensation to them in order to assure the effectiveness of the program.

Categorization	Description
Evaluation	Reflect the performances in evaluation process (sincerity and integrity)
Proposal Contest	Reward selected proposers and teams
Integrity Mileage	Reward the associates with large integrity mileages
Integrity Certification	Reward certification winners

Preemptive Control of Fraudulent Factors

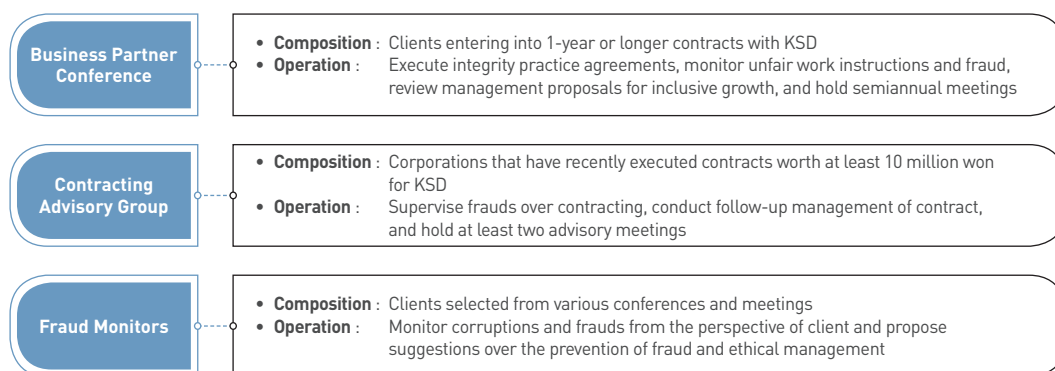
Upgrading Ombudsman Program Operations

KSD currently runs an Ombudsman Program to identify internal frauds and grievances and take corrective measures proactively. We have undertaken efforts to enhance the performance of the program in 2012 to take more corrective actions and also expanded the program as specified below in order to reinforce self-initiated controls on corruption in cooperation with private sectors.

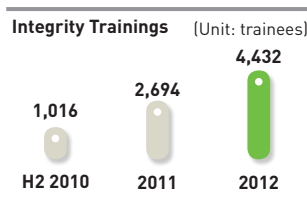


Establishing Cooperative Relations with Private Enterprises

KSD has established cooperative partnerships with private enterprises to heighten its anti-fraud practices.



Reinforcing Integrity and Ethics Education for Associates



* Data has been collected from the second half of 2010.

KSD is reinforcing its educational initiatives by making it compulsory to take integrity training sessions and expanding curriculums to upgrade transparent management practices. We have made it mandatory for team managers and higher-ranking officials to take integrity training sessions over ethics codes and attitudes of public officials for at least five hours a year. The associates for HR, budgeting, accounting, contracting, subsidy grant and other areas vulnerable to corruptions are required to take sessions for five hours while newly hired employees and the associates to be promoted must take integrity training for two hours. We also continuously engage in ethical management education in effort to enhance awareness of ethical management and promote best practices.

KSD has also offered online and field classes over the ethical standards for public officials, history-based public service ethics and code of conducts in 2012, aiming to help associates to better cope with ethical dilemmas and improve ethical awareness.



Risk Management

Risk Management Framework

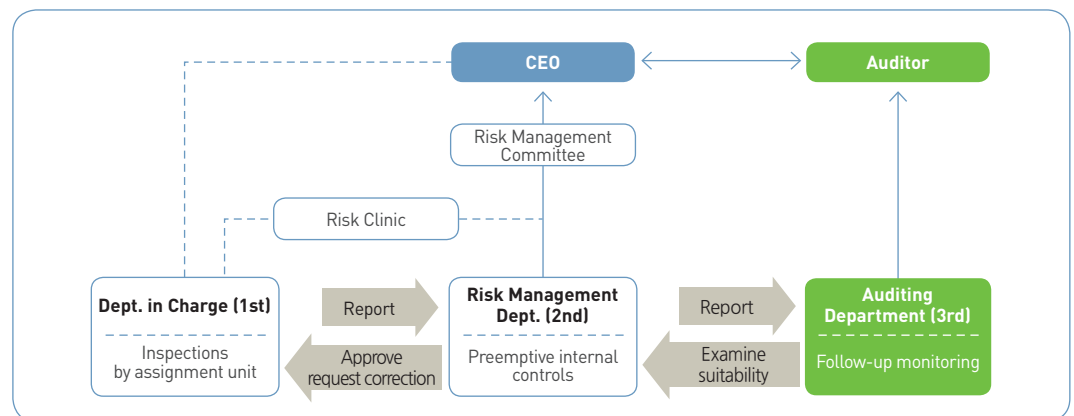
Risk Management Strategy

As a comprehensive manager of the public's investment assets, Korea Securities Depository engages in strict risk controls and management in order to protect the securities deposited by institutional and retail investors securely and manage a variety of internal and external risk factors effectively.



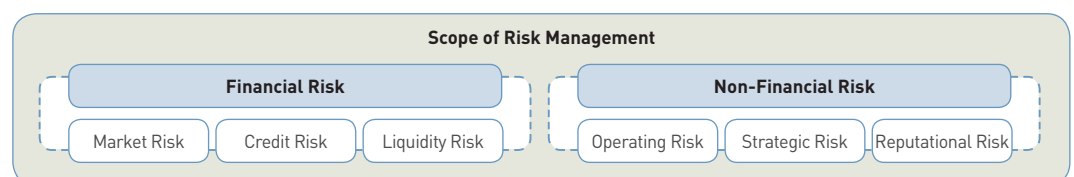
Risk Management Organization

Besides the Board of Directors, KSD operates a Risk Management Committee and engages in controlling risks through the three-step management approach of the Risk Management Department and Auditing Department. We have formed a risk clinic consisting of risk experts specialized in respective areas in 2012 in order to cope with new risks and contingencies effectively to ensure high stability and reliability as a global depository and settlement service provider.



Scope of Risk Management

KSD categorizes risks into financial and non-financial factors while focuses on managing and operating risks since the company constitutes core infrastructures for the capital market that deals with a variety of financial service products for local and overseas financial institutions.



Establishing Enterprise Risk Management System

Roadmap for Establishing Enterprise Risk Management System

Korea Securities Depository (KSD) has expanded the risk management system that was adopted in 2010 and has been developed and revamped to better address operating risks in order to build an Enterprise Risk Management (ERM) system. We have extended compliance functions and reinforced the expertise of the risk management organization. We also plan to set up a Governance, Risk Management & Compliance (GRC) system to implement risk management, compliance, and respective monitoring requirements comprehensively in line with management strategies and governance structure from 2013.



Expanding Scope of Risk Management

KSD has been expanding the scope of risk management since 2012 to build a basis for the Enterprise Risk Management (ERM) system and identify and control risk factors over entire operations.

Categorization	Description
Financial risk management	<ul style="list-style-type: none"> Heighten risk assessment and monitoring of respective transactions
Operating risk management by backup departments	<ul style="list-style-type: none"> Supervise and monitor risk factors in all backup departments Apply the risk management system of the department in charge
Link with internal accounting management program	<ul style="list-style-type: none"> Test the reliability of backup operations using internal accounting management system and utilize upgraded functions for risk management Conduct self-assessment and periodical monitoring of control and assessment items semiannually Utilize operating instructions, guidelines and checklists to examine operating risks Regulations over the management of civil grievance, management disclosure guidelines

Reinforcing Expertise of Risk Management Organization



Risk Clinic

Operation of Risk Clinic KSD operates a temporary taskforce 'Risk Clinic' to address a variety of risks quickly and effectively. We have specified in-house expert groups in IT, legal, operations and tax fields in advance to convene expert meetings when certain risk factors turned out to be difficult to be resolved by the Risk Management Department, aiming to identify solutions for such risks. We also hire external experts when required and handle risk factors posed to customers related to our services.

Risk Management Training KSD makes it compulsory for the associates of the Risk Management Team to take specialized education sessions at least once in effort to heighten the competence of the risk management organization and personnel. We outsource legal, compliance, and risk management education services to professional agencies in accordance with annual education plans. The associates, who have obtained Financial Risk Manager (FRM) licenses, public certifications of risk management service, are also entitled to special additional allowances to encourage employees to obtain professional licenses.

Internal Control

Establishing Internal Control System

Internal control system refers to the standards and activities that must be continuously observed to protect the organizations and associates from risks and the underlying supportive programs. Korea Securities Depository has revamped the conventional risk management system, focusing on financial risks to set up an internal control system that incorporates the real-time monitoring and preemptive alert system over key risk indicators (KRI) and risk and control self-assessment (RCSA) and the periodical reporting system of monitoring results.



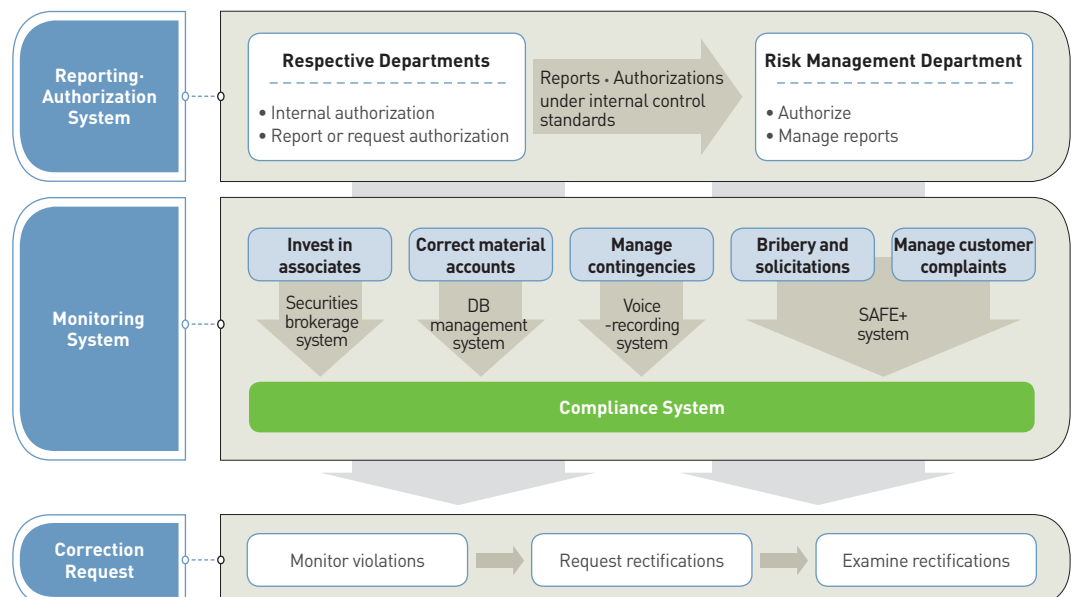
Image of Main System Screen



Image of Monitoring Screen

Introducing Compliance System

Compliance activities of inspecting the internal regulations and their compliances are required to assure effective internal controls of risk. As part of the efforts to establish an Enterprise Risk Management system, KSD has enlarged its compliance function and reorganized the methodologies, scopes and approaches of respective controls on IT and business operations in 2012. Such initiatives aim to upgrade the conventional compliance function focusing on regulatory compliance into an enterprise-wide risk management function.

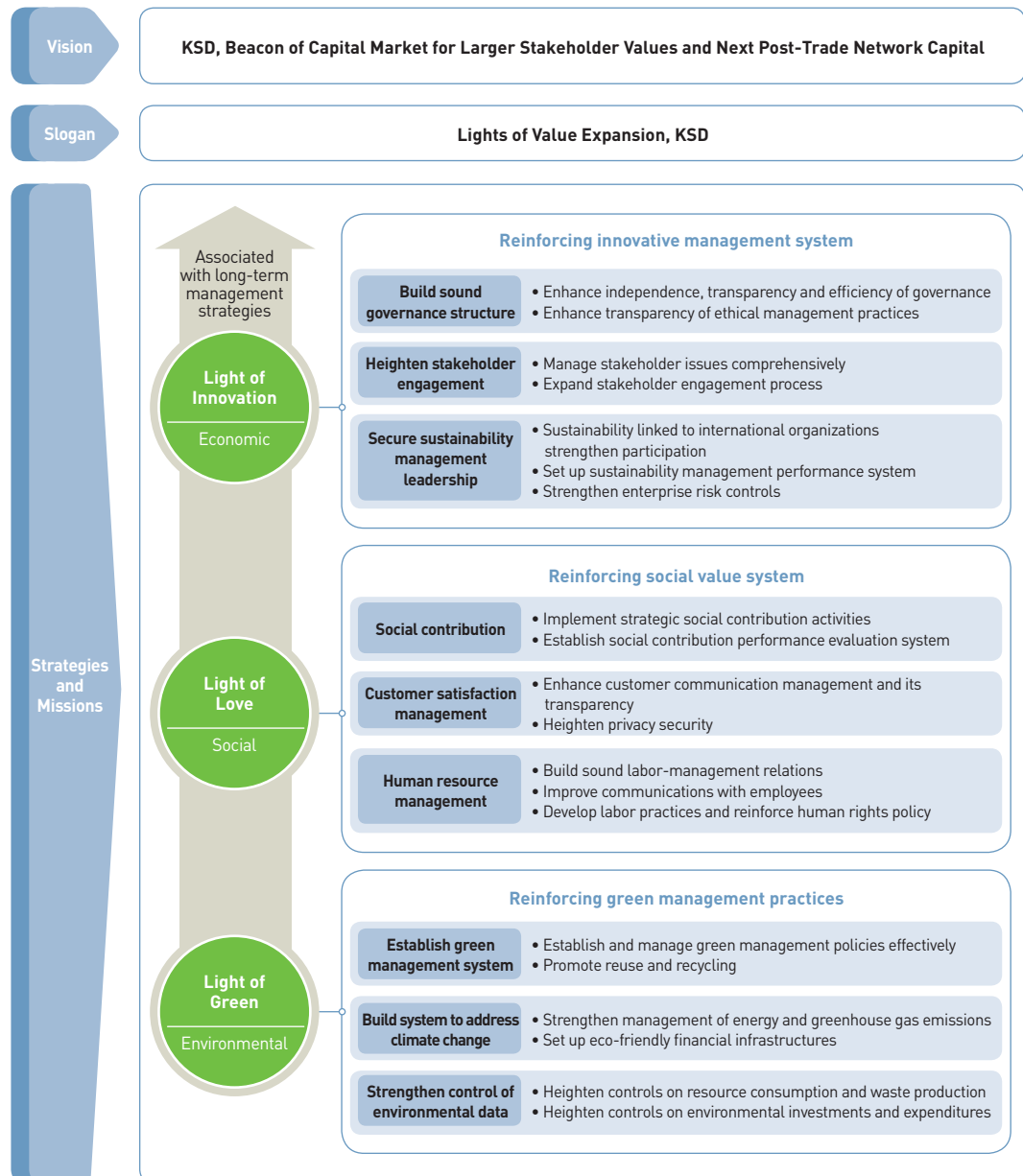




Sustainability Management

Sustainability Management Strategy Execution Framework

Under the sustainability management slogan of 'Lights of Value Expansion, KSD', Korea Securities Depository engages in sustainability management practices actively. We are establishing and implementing sustainability management strategies and action plans in association with management strategies in order to enhance KSD's sustainability and values for stakeholders through well-balanced growth in economic, social and environmental respects.



Environmental Aspect-Light of Innovation

Based on the innovative initiatives to build a sound governance structure, promote stakeholder engagement, and secure sustainability management leadership, Korea Securities Depository will fulfill its duties as a central depository and settlement agency to produce more social values by raising the efficiency of the financial industry and making further contributions to the nation's economy.

Social Aspect-Light of Love

KSD will develop itself into 'the Next Post-Trade Network Capital' that fulfills its responsibilities as a corporate citizen through engaging in social contribution activities based on active stakeholder communications and reinforcing its customer satisfaction and human resource management practices.

Environmental Aspect-Light of Green

KSD undertakes efforts to manage environmental data effectively using the well-established green management system and minimize environmental impacts in order to protect the clean and beautiful nature. We will also make our best efforts to address the growing challenges for climate change and save energy more actively.

Sustainability Management Roadmap

KSD has revamped its sustainability management orientations and action plans in consideration of its new visions and strategies established in 2012. We will continue our efforts to further expand sustainability management practices in the company's objectives and organizational cultures and secure social leadership and corporate values in line with KSD's reputation as a global partner.



Execution Organization

Based on the inter-departmental cooperation between the Human Resources Management Department, General Affairs Department, Risk Management Department and others, KSD operates a sustainability management taskforce to assure sustainability management practices and improve performances. KSD's Strategy & Planning Department supervises overall sustainability management practices. Key issues pertaining to sustainability management are examined and determined by the Transparent and Ethical Anti-Corruption Management Practice Committee. KSD has also set up a Communication Committee in 2012 in bid to promote sustainability management practices further within the organization.



Stakeholder Engagement

Stakeholders of KSD

Identifying eight key stakeholders as government, customers, media, local communities, peers, employees, academics, and shareholders, Korea Securities Depository has established respective communication channels for engagement. Each channel is operated on a regular or irregular basis by the significance and influence of each stakeholder, through which we are collecting a variety of opinions and requests from stakeholders to apply to our management and strengthen KSD's sustainability management.



Issue 1

- Share high quality services and emotional values
- Enhance customer values and satisfactions



Issue 2

- Provide depository and settlement services stably
- Help enhance the global competitiveness of capital market



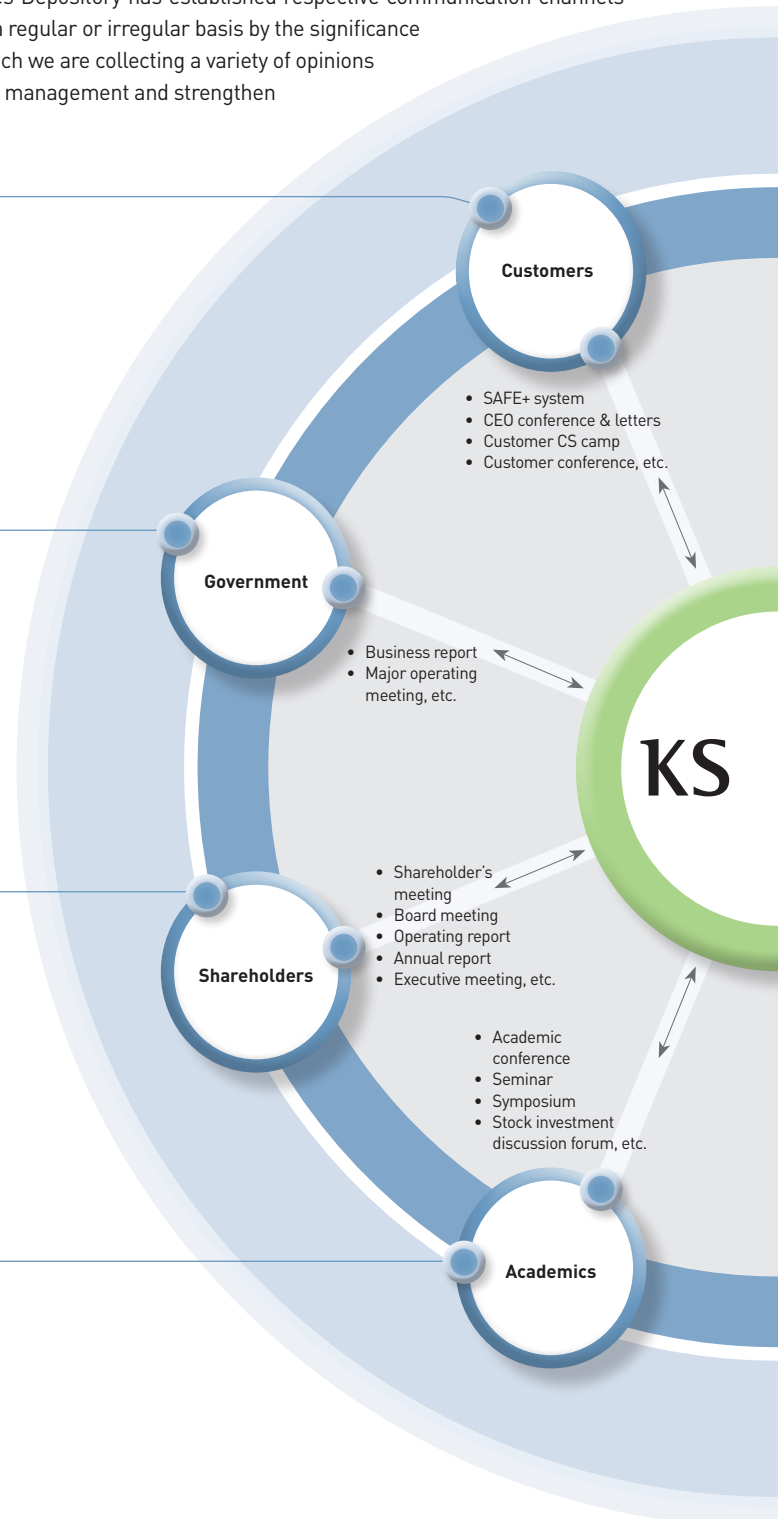
Issue 3

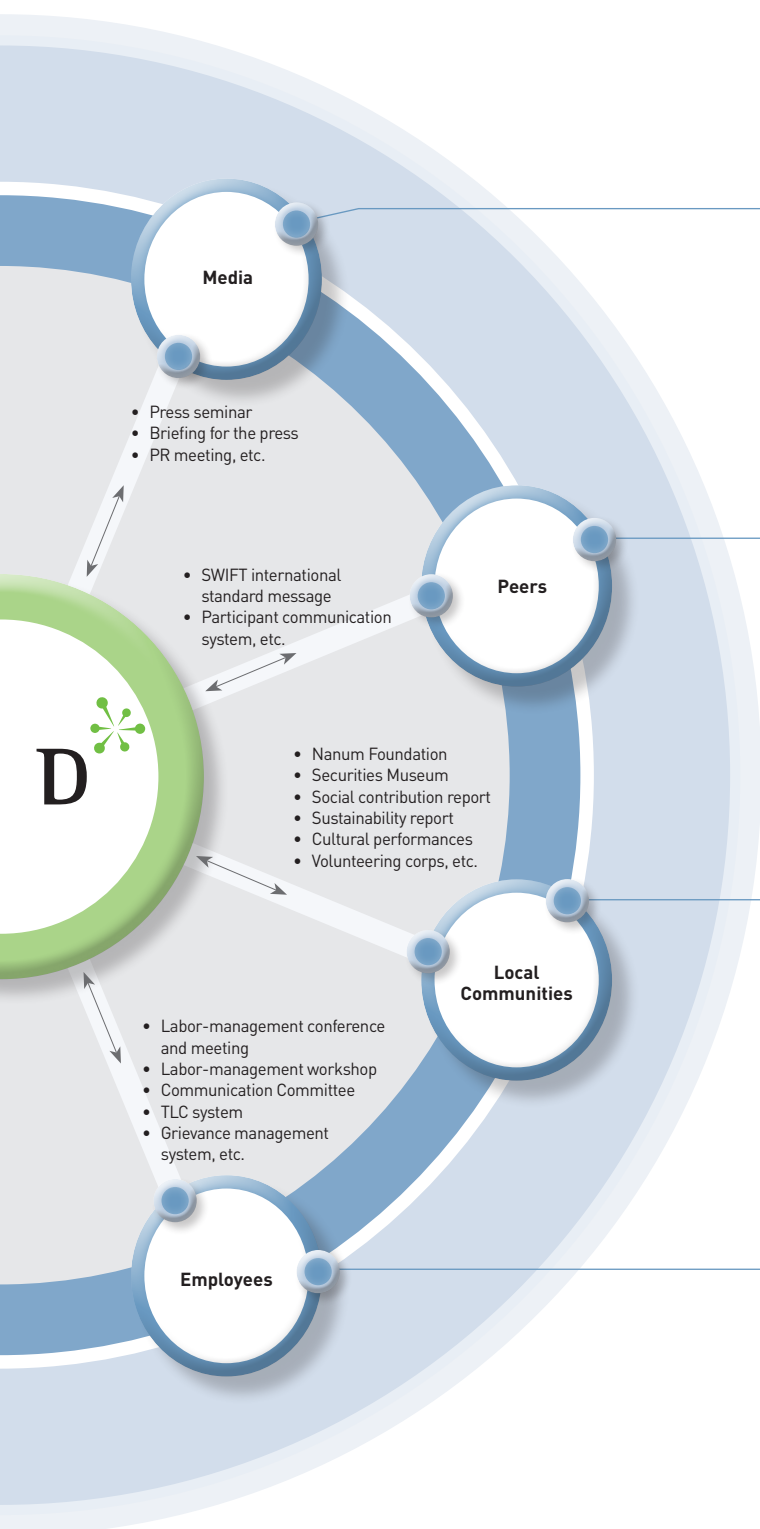
- Ensure the efficient and stable corporate operation
- Distribute management performances



Issue 4

- Improve the values of basic research
- Provide commercialization opportunities





Issue 5



- Provide news release on management performances and operations

Issue 6



- Provide fast, accurate, and affordable international depository and settlement services

Issue 7



- Fulfill social responsibilities as a corporate citizen
- Create jobs

Issue 8



- Enhance the job satisfaction and capacity of employees
- Improve work environment
- Help balance work and life

Materiality Test

Korea Securities Depository (KSD) applies the following structured approaches to specify material issues, include them in the sustainability report and report them to internal and external stakeholders. We have conducted a survey with key stakeholders to aggregate a wide range of opinions and conducted interviews with external stakeholders to discuss issues in depth. Through such activities, we have undertaken a comprehensive analysis and prioritized report subjects.

STEP 1. Identify Issues

Identify internal issues

- Analyze management status
- Survey employees
- Interview employees

Identify external issues

- Analyze media (1,251 articles)
- Benchmark advanced corporations (8 companies)
- Survey external stakeholders
- Interview external stakeholders in depth

STEP 2. Prioritize Issues

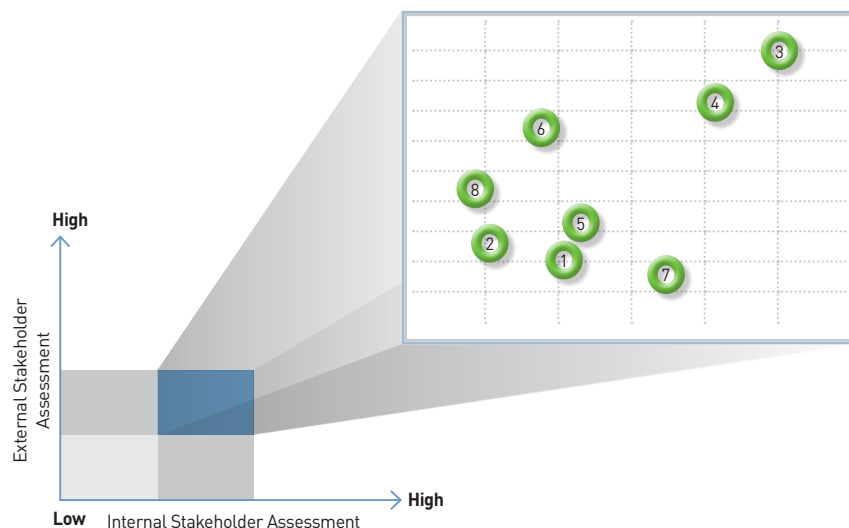
Analyze interests of stakeholders

- Analyze respective issue frequency
- Analyze the materiality of stakeholders

Assess impacts on the organization

- Assess strategic importance
- Assess urgency of issue

STEP 3. Materiality Test



1	Reinforce enterprise-wide risk controls	5	Heighten social contribution activities
2	Secure financial soundness and stability	6	Customer satisfaction management
3	Expand functions as core infrastructures for financial market	7	Improve job satisfactions of employees
4	Develop new projects to upgrade financial industry	8	Build low carbon financial infrastructures

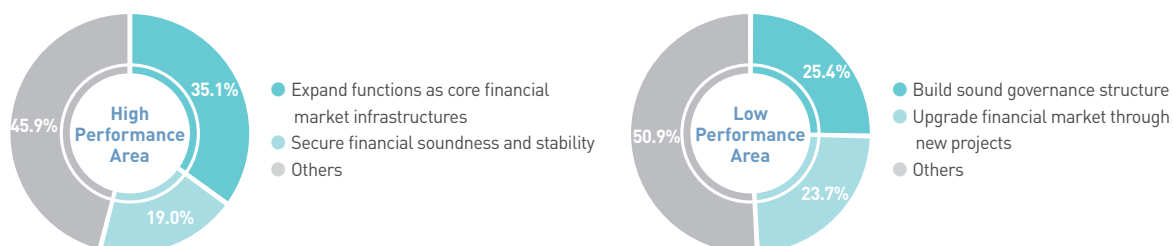
Stakeholder Survey

Outline

Korea Securities Depository (KSD) conducted a Stakeholder Survey to reflect the key issues and opinions of internal and external stakeholders on the 2012 Sustainability Report. The survey was undertaken using email questionnaires sent to 142 internal stakeholders and 94 external stakeholders for seven days from November 30 to December 6, 2012. We will improve our sustainability management practices based on their assessments and opinions.

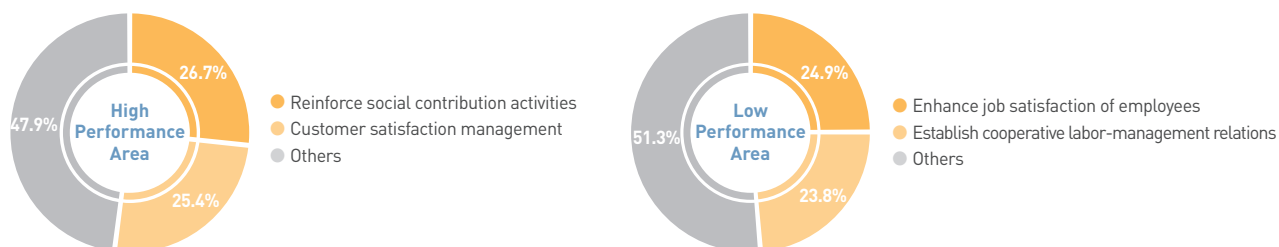
Economic Activities

Internal and external stakeholders stated that KSD demonstrated excellent advances in improving the functionality as core infrastructures for financial markets and enhancing the financial soundness and stability while pointing out that the company needs more efforts to improve the governance structure and develop new projects for the upgrade of capital market.



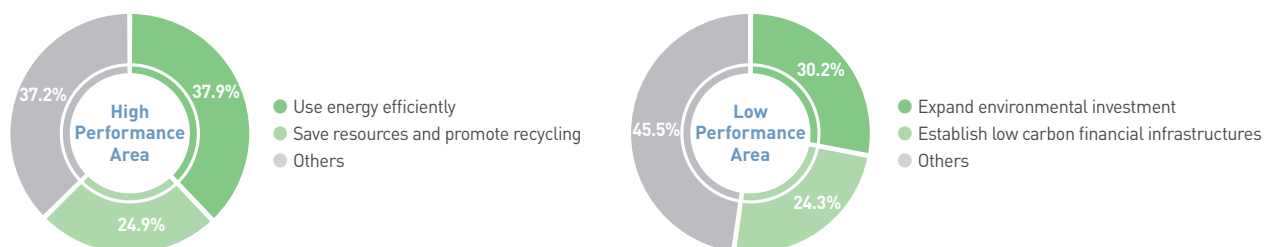
Social Activities

We earned high ratings for social contribution activities and customer satisfaction management practices in the social category, but stakeholders specified that employees' satisfaction and the cooperative labor-management relations must be further improved.



Environmental Activities

We earned high ratings for the efficient use of energy and the resource-saving and recycling promotion activities, but respondents specified that we need to make more environmental investments and gear up for the establishment of low carbon financial infrastructures.



Stakeholder Interview



Korea Securities Depository (KSD) conducted in-depth interviews with seven external stakeholders to identify their issues and demands over the enhancement of KSD's sustainability and social responsibilities.



Deputy Director,
Capital Market Department of
Financial Services Commission
Kim Je-dong

01_Government

I want KSD to track the trends of the global capital market and respond to changes.

KSD manages the crucial infrastructures for the Korean capital market, increasing its presence in the fast-changing global economic environment. I hope that the company remains committed to initiating and stabilizing the electronic short-term bond infrastructure services and makes more efforts to offer fast and affordable financial services in 2013. Despite diverse initiatives to build better financial market infrastructures, Korea's capital market still has many loopholes compared to the global standard. I want KSD to keep tracking the trends of the global capital market and respond to changes in order to enhance the global competitiveness of the local capital market.



Team Manager,
Strategic Management Team
of the Korea Exchange
Hong Soon-wook

02_Shareholders

I want KSD to avoid settling for the status quo and pursue consistent development.

KSD made efforts to lower transaction costs and help the Korean capital market gain more competitiveness through cutting commissions amid the growing external economic uncertainties. The company also maintains stable cash inflows through well-managed operations. I think KSD has been spearheading the initiative to upgrade the Korean capital market further. Now, KSD is required to share its experiences, knowledge, and knowhow with other Asian counterparts. I want KSD to play more leading roles in developing the Asian capital market. I also look forward to seeing KSD globalize further through cooperating with overseas advanced CSDs.



Deputy Director,
Investment Trust Department
of Hana Bank
Ko Byoung-ki

03_Customers

I want KSD to revitalize reference groups and run CS camps over a variety of themes.

The effective efforts to listen to the voices of customers are the most important issue in the establishment of capital market infrastructures. For such purpose, KSD has been operating reference groups in effort to aggregate customer's opinions when many different projects were planned and executed. It is also operating CS camps to help customers improve their intellectual capacities. I want KSD to tap into measures to further revitalize reference groups and handle various themes through CS camps. I also want KSD to operate programs in consideration of time and budget available for customers.

04_Academics

I want KSD to place the top priority on the stability of depository and settlement service which is the company's mainstay responsibility.

KSD is a public institution playing the central role in depository and settlement services for Korea's capital market, and the company has recently initiated supplementary services such as supportive operations for asset management and derivatives market. It is required to secure economic feasibility based on the stable securities trading system in order to establish a matured capital market. For such reasons, I place the top priority on controlling the risks in depository and settlement services effectively. Considering that the risks from supplementary services may dent the fundamentals of mainstay services, the company needs to revamp its risk management framework and reinforce controls. As the Korean capital market gets mature like other advanced markets, KSD needs to consider distributing its roles to lower the risks from supplementary services.



Business Administration
Professor of
Kookmin University
Hong Jung-hoon

05_Media

I want KSD to secure eye-catching tools to raise public awareness.

KSD has relatively low external popularity compared to its roles in the local financial market because some financial knowledge is required to clearly understand the company's functions. If KSD adopts some catchphrases, images and mascots to establish its identity and promotes them consistently, it will be able to raise the public awareness further and gain more recognition for its sustainability management practices. Such eye-catching tools are expected to help KSD earn more popularity.



Associate Reporter,
Market Desk of
Asia Economic Daily
Kim Yu-ri

06_Local Communities

I hope for more support and care for our global social contribution activities.

Corporate engagements in social contribution programs have large positive impacts to help enrich society. Children are known to be educated with the values of 3S of Saving, Spending, and Sharing in the United States where social contributions are widely popular. KSD recently contributed to the development of Emergency Response Center established to cope with contingencies through civil approaches, which is a trailblazing case for the social responsibility activities of other public organizations. I hope KSD globalizes its social contribution initiatives to provide care and support to many underprivileged people across the world.



Chairman,
Seoul Branch of Korean
Red Cross
Je Ta-ryong

07_Peers

I pin high hopes on KSD's role as a central depository and settlement agency for the interests of Korea's capital market.

As Korea's only central depository and settlement service provider, KSD has been undertaking efforts to represent the interests of the public, customers and shareholders in a harmonious manner. KSD is currently required to act as a central depository and settlement service agency to represent the interests of local market participants rather than competing with local financial service institutions. An independent and fair decision-making process is required to achieve this purpose. I hope the company makes further efforts to invite experts and listen to various voices in order to handle the fast-changing global economic environments proactively. KSD is also required to revamp its strategies on customer satisfactions. It needs to expand communication channels with customers, reinforce customer-oriented mindsets of associates, and develop various programs including more overseas trips to advanced financial institutions.



Director, Relationship
Management North Asia of
Clearstream Banking
Choi Yoon-jeong

More engagements produce better results

Happy × together & growth

We are committed to **sharing economic wellness with the world.**

KSD, Korea's only central securities depository and settlement service provider, undertakes efforts to fulfill our responsibilities as an infrastructure service company for the stable development of the capital market.



Values from Joint Growth



After enduring harsh wind and rain,
trees bear beautiful fruit that tastes better when shared with others.
KSD is expanding its safe financial investment infrastructures
through 23 services in 6 business domains.



Business Operations

Korea Securities Depository (KSD) pursues constant change and innovation and assures stable financial infrastructure in a bid to enhance investor values and contribute to the development of the financial market.

	Businesses	Objectives	Descriptions
Conventional Businesses	Depository and Settlement Services	Enhance the functionality of depository and settlement infrastructures	Improve the process of depository and settlement service, the core and exclusive operation of KSD, and lower investor's costs to help develop the capital market
		Reinforce securities-related administrative services	Adopt electronic securities issuance system to help issuers lower offering costs and enhance the efficiency of securities-related administrative services for larger customer values
Newly Developed Businesses	Asset Management Support Services	Reinforce services to support the asset management market through FundNet	Establish low-cost high-efficiency infrastructures for asset management sector by standardizing processing for fund management to lower cost burden on market players and accelerate and facilitate processes
	Derivatives Market Support Services	Enhance the efficiency of services to support the derivatives market	Mediate securities lending transactions, facilitate redemption of repo trades, manage collateral for OTC derivatives transactions, and keep custody of derivatives- linked securities efficiently to contribute to the development of the derivatives market
	International Depository and Settlement Services	Raise efficiency in services to support direct overseas financing and global investment	Enhance efficiency in services for supporting direct overseas financing and global investment through international networks to help local corporations attract foreign investments stably and assure secured and efficient support for investments in the global financial market
Upgrade Project	Capital Market Upgrade Project	Upgrade the capital market system to protect investor's rights and help stabilize the market	Protect investors and promote the upgrade of capital markets through heightening bond investor protections, activating electronic voting systems, and stabilizing an electronic short-term bond system

Key Performances in 2011 and 2012

Qualitative

Quantitative

Initiatives in 2013

- Open next-generation system SAFE+
- Initiate a new securities settlement system
- Lower securities trade commission by 20%

Securities deposits

(Unit: trillion won)



- Establish settlement systems for new markets (ATS, KONEX)
- Develop a deposit system to embrace new financial products
- Improve clearing-settlement system in accordance with FMI principles

- Promote electronic stock issues
- Conduct a campaign to return unclaimed stocks to owners

Electronic stock issues

(Unit: million shares)

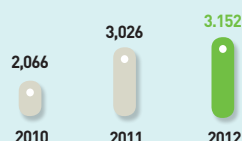


- Lower transfer agent service commission for SMEs to support the inclusive growth initiative

- Initiate the operation support system for Korean hedge funds
- Open the offshore fund service platform
- Set up a fund report comprehensive management system

Uses of FundNet

(Unit: 100,000 uses)



- Establish communication system between securities lending intermediary systems of prime brokers (PB) and FundNet
- Stabilize and improve management asset platform (MAP) services

- Adopt repurchase settlement system on RTM (Repo to Maturity) trades
- Initiate the real-time system of disclosing repo transaction data

Securities-related derivatives trades

(Unit: trillion won)



- Introduce GCF (General Collateral Financing) Repo trades
- Set up a comprehensive settlement system for Repo-trading funds
- Prepare for adopting CCP program on securities lending and Repo transactions

- Provide new services such as lending of foreign currency securities and DVP settlement of over-the-counter trades
- Hold the 15th ACG meeting
- Enhance international cooperation and partnerships

Foreign currency securities trades

(Unit: USD 100 million)



- Provide foreign currency securities report and additional services
- Offer data about overseas depository and settlement systems and taxation and other services
- Establish CSD linkages to support cross-listing of ETF
- Revamp regulations to issue new DRs

- Set up electronic short-term bond infrastructure
- Initiate indenture trustee services
- Promote electronic voting

New partnerships on electronic voting management services

(Unit: companies)



- Stabilize electronic short-term bond system and expand product coverage
- Strengthen infrastructures for indenture trustee services and reinforce market leadership
- Help improve systems, expand functions for electronic voting systems, and undertake PR-marketing initiatives to promote electronic voting

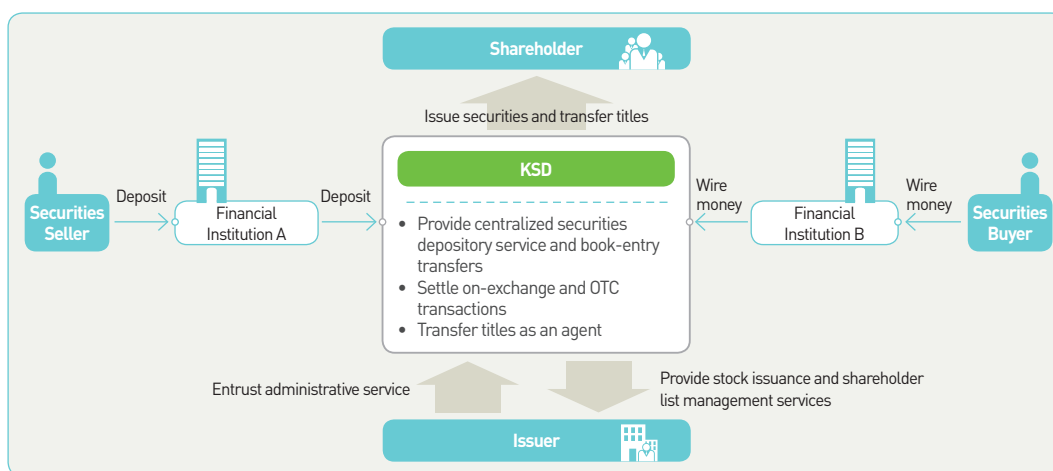


Reinforcing Conventional Functions

Depository and Settlement Services

Business Operations

Depository and settlement services constitute the core operations of the Korea Securities Depository, consisting of a centralized depository service, settlement service, and transfer agency service.



Key Performances in 2012

As KSD has undertaken efforts to stabilize the new securities settlement system since January 2012, helping brokerages receive securities and payments faster through reducing bottlenecks in settlement processes and accelerating the initiation of settlement. This contributed to the enhancement of efficiency in asset management, utilization of securities and stability in settlement. We also digitized the issuance of participant account certificate and published the depository and protective deposit service manual to improve customer services.

Initiating New Securities Settlement System

In cooperation with the authorities, the Korea Exchange and the Bank of Korea, KSD initiated a new securities settlement system in January 2012 to reduce chronic bottlenecks in settlement and raise conformity to international standards by adopting Continuous Net Settlement (CNS) and changing the settlement bank and securities settlement method. The new system was successfully activated to remove bottlenecks and the settlement process is initiated at 9 am. Such improvements allow securities brokerages to receive securities and payments faster, improving the efficiency in asset management, utilization of securities and stability in settlement.

Categorization	Before Change	After Change	Benefits
On-exchange stock settlement	DVP3(DNS)	DVP3(CNS)	Accelerate settlement closing (2 hours 12 minutes)
On-exchange government bond settlement	DVP3	DVP1	
Institutional settlement of stock	DVP3	DVP2	Accelerate the receiving of settlement payments (about 1 hour earlier)
Institutional settlement of bonds	DVP1	DVP1	
Supply of settlement liquidity	-	Intraday RP	-
Settlement bank for stock exchange transactions	Shinhan and Woori Bank	Bank of Korea	-



Next-Generation Depository and Settlement Network SAFE+

What is the depository and settlement network?

The depository and settlement network is designed to process the Korea Securities Depository's operations fast and accurately on a real-time basis utilizing private lines or internet links between KSD's main computer and customers' computers. The system helps reduce labor and time consumption from previous offline operations by processing operations and transferring data between clients and KSD online. It also provides a wide range of real-time data to help system users raise accuracy in operations and minimize operating risks. This contributes to the enhancement of the operating stabilities of clients.

Opening next-generation system SAFE+

Standing for Speedy, Accurate, Faithful, and Efficient, SAFE is designed to protect securities and the rights of market participants safely. Since being established in 1998, it has been upgraded partially over the years. KSD has initiated a totally renewed system, SAFE+ (SAFE Plus), in 2011. Spurred by the development of the new system, we doubled the capacity of depository and settlement services and extended the seven-digit account number, that has been maintained for three decades, into 12 digits. Such changes allowed us to service a wider variety of emerging financial products and electronic securities systems. We have also revamped the user interface for more user-friendliness and heightened security functions against virus attacks and hacking attempts. We expect SAFE+ to add more efficiency to the operations of brokerages and reduce about 43.5 billion won in securities trading cost annually.



Consistent system upgrades

As over 70 financial service firms have their systems connected to SAFE+ while more than 280 companies engage in the system through web, it clearly acts as the most advanced financial market infrastructure. KSD began to overhaul SAFE+ in September 2012 in order to improve customer satisfaction and service quality. The renovation project would add a real-time monitoring system, which enables it to detect errors in advance using real-time analysis of usage, and BI (business intelligence) functions, which assess the usage patterns of SAFE+ intelligently and produce strategic statistical data to identify customer's needs and required improvements proactively. The renovation project will be developed and tested by early 2013 before the official launch. As a financial market infrastructure service provider, KSD will continue its efforts to upgrade financial market infrastructures by improving services and systems.



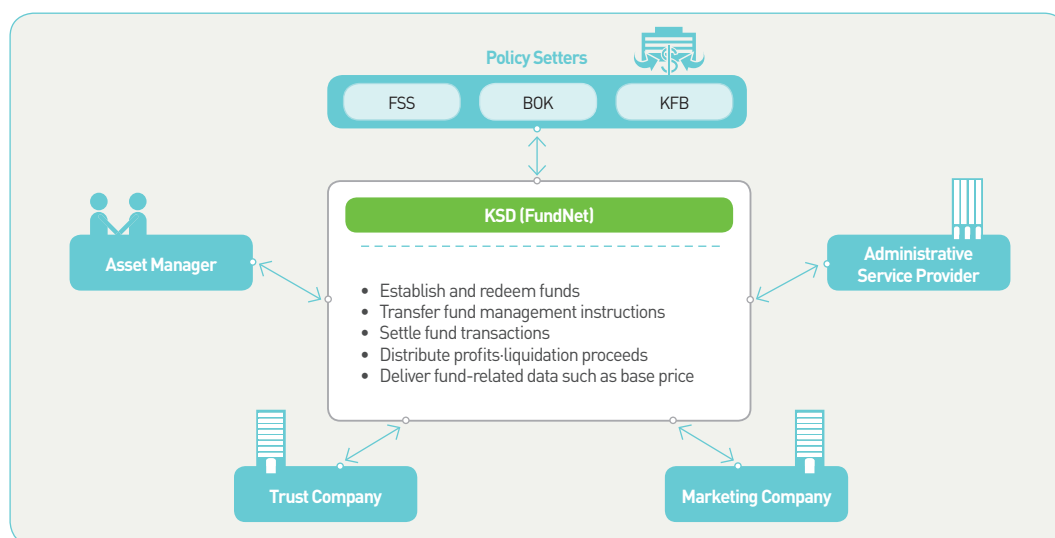


Promoting New Services

Supporting Asset Management Businesses

Business Operations

Using FundNet, a system designed to support the collective investment operations, the Korea Securities Depository provides support to the efficient operations of the establishment, management, and dissolution of funds, which include the establishment, redemption, management instruction transfer, settlement, distribution of profit proceeds and liquidations, and delivery of fund-related data.



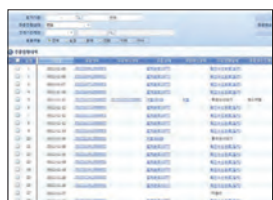
Key Performances in 2012

KSD expanded the functionality of FundNet through supporting performance compensation processes for hedge funds and authorizing the diversification of fund marketing firms in 2012. We also initiated the offshore fund service platform for the funds established overseas by foreign management companies, enhancing operational stability and efficiency. The comprehensive fund report management system and the Asset Management Platform (AMP) were set up to raise efficiency in the asset management market and reduce costs.

Initiating Hedge Fund Support System Customized for the Korean Market

KSD started running 'Securities Lending Transaction Link System' in March 2012 to facilitate the operations of Korean hedge funds. Hedge funds usually use long-short approaches by purchasing specific stocks and short-selling other stocks in the same industry to hedge risk. Therefore, prime brokers are required to borrow and offer specific stocks to hedge fund managers. However, prime brokers have been borrowing securities through KSD's brokerage system so that some restrictions regarding the lending of securities have applied to prime brokers due to collateral obligations.

'Securities Lending Transaction Link System' is a new Securities Lending Transaction brokerage service system to directly match securities lenders, borrowers, and hedge funds. Having aggregated the opinions of major brokerages and prime brokers for 10 months from May 2011, KSD has developed the new system. Prime brokers are not required to pledge collateral so that they are able to save collateral costs and hedge funds are expected to gain more momentum in operations.

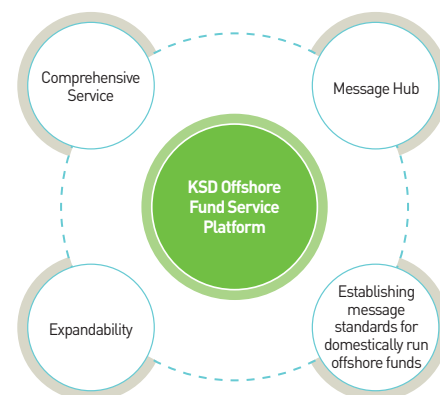


Offshore Fund Service Platform

Establishing Offshore Fund Service Platform

Korea Securities Depository (KSD) established 'Offshore Fund Service Platform (OSP)' to provide comprehensive infrastructure services to offshore funds through FundNet in November 2011. Korean investors currently invest about eight trillion won in offshore funds. We have also started developing services in cooperation with Euroclear Bank FundSettle to improve the high-cost low-efficiency operations of domestically run offshore funds in May 2011.

Based on FundNet's networking functions for existing participants, KSD jointly developed the link with FundSettle through an 18 month-long project. Euroclear Bank focused the resources of FundSettle in Korea on KSD's offshore fund service platform and upgraded the services of FundSettle thanks to the association with KSD. Having adopted the communication method utilizing SWIFT ISO 20022 international fund standard messages first in Korea, the new service enables asset managers to use the standardized and automated service platform affordably instead of fax or email-based manual operations. This process helps prevent errors in ordering and net-asset value pricing to improve processing stability and convenience substantially.



Developing Comprehensive Fund Report Management System

Background

The Capital Market Act specifies that fund management companies (trust companies) shall send asset management reports (asset deposit and management reports) to investors through marketing firms at their own expense on a quarterly basis. However, the delivery process largely relies on manual work based on phone calls, faxes, web hard entries, and emails therefore it is highly labor-intensive and costly. As marketing companies are distributing such reports, it has been pointed out that there are insufficient efforts to reduce costs.

Progress

As the enforcement decree of the Capital Market Act and the Regulation on the Financial Investment Service Business were amended in December 2011, KSD formed an advisory committee and aggregated opinions from various fields to set up a basic plan for fund report forwarding services. The system initiated development in June 2012 and is scheduled to be opened in January 2013.

Expected Benefits

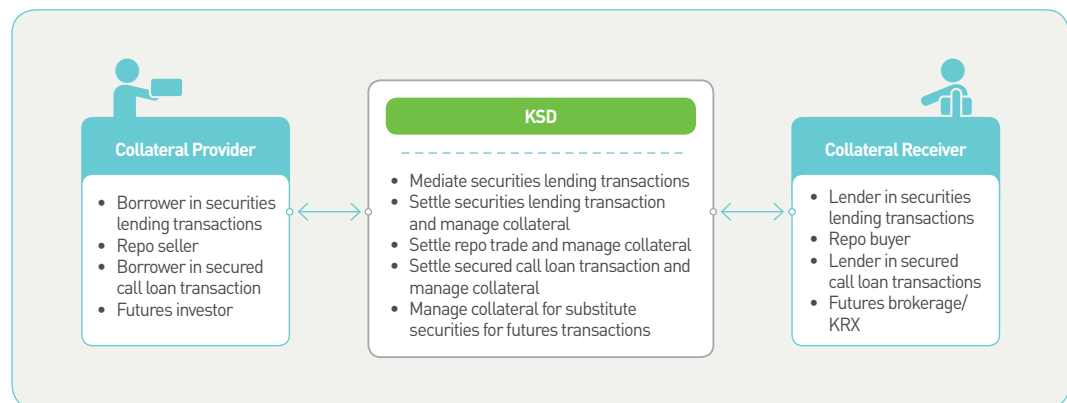
KSD integrates the production and distribution of fund reports by asset management and marketing companies using the FundNet-based management system, significantly saving labor-intensive operations. KSD's integrated forwarding service is expected to help management and trust companies cut their production and mailing costs by 35% and 50% respectively.



Supporting Derivatives Market

Business Operations

Korea Securities Depository (KSD) provides efficient support to operations related to derivatives transactions, including securities lending and borrowing and provision of collateral. We also engage in securities lending services, repo and secured call service, and management of substitute securities for futures transactions.

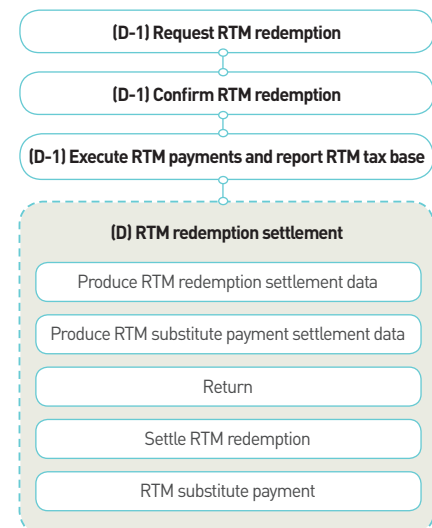


Key Performances in 2012

The balance of securities lending transactions expanded 67.5% (11.4 trillion won → 19.1 trillion won) in 2012 from a year earlier while the scale of bond lending has also jumped 170% (1.0 trillion won → 2.7 trillion won). KSD provided bond lending services to support the Bank of Korea's efficient execution of monetary policy and introduced lending-based transaction services to prime brokers to contribute to the development of the hedge fund industry.

Adopting RTM Trade Redemption Settlement Method

Reflecting the opinions and needs of clients, KSD adopted a new redemption method for Repo-to-Maturity (RTM) trades in June 2012. RTM transactions refer to the trades whose term of repo trade is equivalent to the maturity of underlying securities. In executing such trades, repo trades are redeemed without exchanging actual underlying securities by settling the difference between the maturity and redemption values of securities. KSD expects the new method to help market players reduce transaction costs in securing underlying securities to process the redemption of securities (including margin) and raise conveniences. After the new redemption method was adopted, Nomura International, seller, and Sumitomo Mitsui Bank, buyer, executed the first RTM transaction in October 2012. The transaction of currency stabilization bond worth 120 billion won resulted in the redemption of 100 million USD. The purchaser transferred bonds through accounts in the morning of October 2 while the seller paid the redemption value to the seller, which led to the first successful RTM transaction.



Adjusting Securities Lending Commission

As the Bank of Korea Act was amended on December 2011 to authorize the central bank to execute securities lending transactions on its own account in the open market for the implementation of monetary policy, the Korea Securities Depository began to intermediate bond lending transactions in which the Bank of Korea (BOK) is a participant. When the BOK, which was engaging in securities lending transactions to execute its monetary policy, and its counterpart the National Pension Fund (NPS) jointly called for reduction in commission, KSD decided to cut intermediary fees charged to participants of securities lending transactions executed for monetary policy from April 2012 in order to support the government's implementation of financial policies and expand KSD's bond lending intermediary service. The lower commission allowed KSD to gain more competitiveness in the bond lending intermediary service and help the BOK execute monetary policies more efficiently.

	Category	Previous	New
BOK as Borrower	Lender		Waived
	BOK	2% of lending fee (When the lending fee rate is 1% or lower, the commission shall be set at 0.02% of the value of lent securities)	90% cut
BOK as Lender	BOK		To be negotiated at the time of trading
	Borrower		



Launch System to Provide Real-Time Repo Trade Data

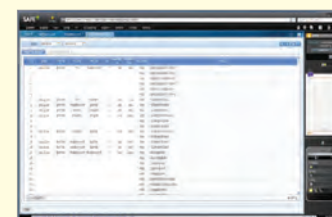
Institutional Repo Transactions and KSD's Roles

KSD initiated a new system to update institutional repo transaction data on a real-time basis through its website (www.ksd.or.kr) and electronic system SAFE+ in July 2012. Institutional repo transactions (Tri-party repo) are transactions which are executed by the lenders (cash borrowers) and borrowers (cash lenders) of securities while a third party is commissioned to handle the corresponding settlement, collateral assessment and other management services. KSD has been engaging in back-office services including settlement, marking-to-market and management of purchased bonds since November 1999 as recommended by the government and International Bank for Reconstruction and Development (IBRD).



Background for the Establishment of System

The system was established as part of an effort to improve repo trading infrastructures under the Financial Services Commission's 'RP & Electronic Short-Term Bond Market Promotion Plan for Short-Term Financing Market'. KSD has been offering data on the volumes of repo transactions and remaining balances by institution while Korea Financial Investment Association (KOFIA) has been providing institutions' repo trade data. However, the data lacked timeliness and comprehensiveness, causing concerns about their usefulness. Given such conditions, KSD began to provide data on repo transactions, daily interest rates, market volume, and other statistics on a real-time basis to retail investors, academics, and researchers.



Expected Benefits

The new system is expected to enhance transparency in repo transactions and reduce information dissymmetry so as to produce reasonable prices and revitalize transactions.

International Depository and Settlement Services

Business Operations

International depository and settlement services consist of international investment services supporting the cross-border issuance and distribution of securities such as the issuance of overseas securities by local corporations and the public listing of foreign companies on the Korean stock markets as well as foreign currency securities depository and settlement services supporting investments in the global capital market.



Key Performances in 2012

Korea Securities Depository (KSD) has revamped tax codes to allow overseas investors to receive dividend payouts from local corporations more conveniently and held the DR Forum for Overseas Direct Financing to support direct overseas financing of Korean SMEs. We also published a research report on the development of KDR and foreign securities issued by foreign corporations to suggest an efficient way for foreign corporations to issue securities in the Korean market. For foreign currency denominated securities depository and settlement services, we initiated foreign currency securities lending services to help foreign securities investors to earn additional income. We also began to provide DVP settlement of over-the-counter foreign currency securities transactions to enhance the stability and efficiency of such transactions and support investors.

International Partnerships



The 15th ACG General Meeting

Pursuing the role of a 'global partner connecting Asia to the world with standardized international investment support services', Korea Securities Depository held the 15th ACG General Meeting in Seoul in November 2011. Asia Pacific Central Securities Depository Group (ACG) is an association of central securities depositories in the Asia-Pacific region established in 1997. Currently, 30 institutions from 21 countries are registered as ACG's members.

Largest General Meeting Ever Successfully Held

The Seoul meeting was the largest ACG general meeting ever held, which was attended by approximately 100 participants from 21 CSDs from 14 Asia-Pacific countries, international securities depositories such as Euroclear and Clearstream, U.S. and Russian CSDs, Asia Development Bank, European Central Bank, and other international financial institutions.

CSDs in Evolution

Under the theme of 'CSDs in Evolution', attendants discussed new challenges and opportunities to CSDs as the competition intensifies between markets due to the growth of OTC derivatives markets and the advent of various trading systems such as ATS. They also discussed the well-oriented development of CSDs to expand their functions by add securities lending, tri-party repo, asset management infrastructure service, derivatives matching, and provision of collateral management platform to the conventional depository and settlement services.

Discussions for the Development of Asia's Financial Market

Before the general meeting, local and overseas experts and financial institution representatives attended the international seminar on 'Development of capital market infrastructure in the post-crisis financial environment'. The seminar highlighted the changes in Asia's capital market after the financial crisis, the emergence of Yuan as an international currency, and the functions and roles of settlement agencies to address the global financial crisis. They have also reviewed the roles of CSD in line with the establishment of the 'Regional Settlement Intermediary (RSI)'.



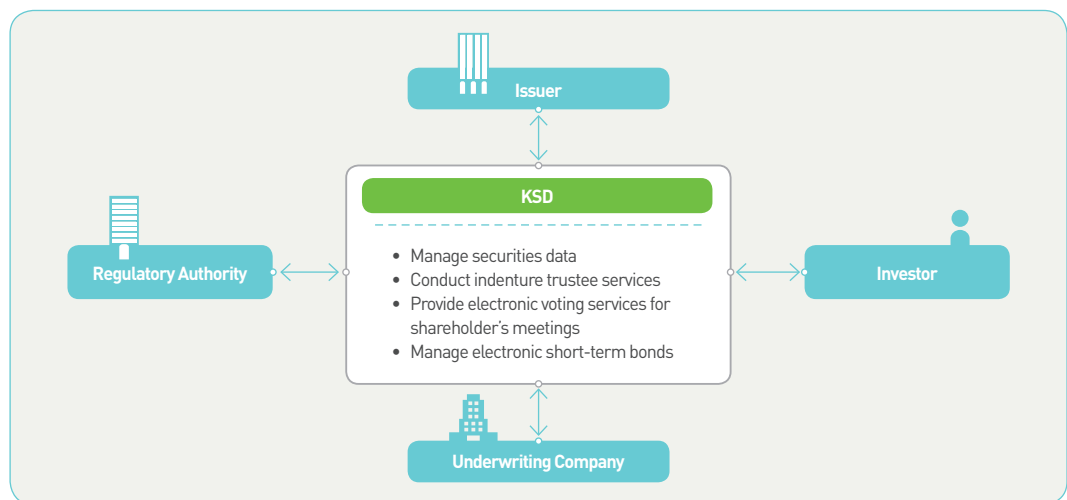


Upgrading Capital Market

Capital Market Upgrade Project

Business Operations

Korea Securities Depository (KSD) engages in securities data management, bond management, and electronic voting management services for shareholder's meetings and aims to develop new businesses in order to gain more growth potential for the financial industry.



Key Performances in 2012

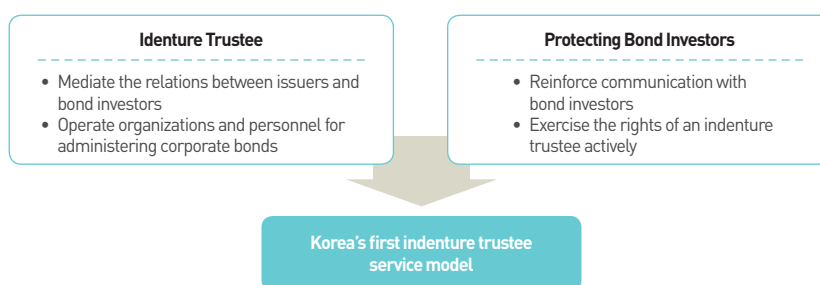
Having started indenture trustee services in September 2012, KSD entered into the first indenture trustee agreement with Korea Western Power. As of the end of 2012, KSD formed partnerships with eight issuers including Woori Financial Group. We also completed the establishment of electronic short-term bond infrastructure and helped enact the enforcement decree of the Electronic Short-Term Bond Act. We are working to set up registration guidelines and revamp regulations to waive the obligations of submitting securities registration reports and withholding taxes for the promotion of electronic short-term bonds. The functions of the electronic voting system were enhanced and the strategic PR and marketing initiatives were reinforced to further promote the electronic voting system.

Establishing Electronic Short-Term Bond Infrastructure

KSD has established the infrastructure for the 'electronic short-term bond' service, the nation's first electronic securities registration system, in 2012. Corporate bills, the major short-term financing tool of Korean companies, have caused damages to investors during the financial crisis and have other problems due to the inefficiency in issuing paper bonds and non-transparency of issuance and distribution data. Infrastructure for electronic issuance, distribution and exercise of rights has been established to resolve such problems and develop the short-term financing market. Electronic short-term bonds will bring innovative moves to the short-term financing market because the electronic system will help reduce issuance cost by 25.6 billion won annually and allow Korea's short-term financing market to make more advances through digitalized financial services and stable processing. Issuers will be able to make efficient financial management through the upgrade of financing tools while financial institutions will be able to develop new financial service products stably and tap into a wider range of investment opportunities. Investors will be also able to access data through KSD to ensure better protections. All market players will benefit from the upgraded capital market on electronic securities.

Initiating Indenture Trustee Services

Korea Securities Depository (KSD) started offering indenture trustee services in September 2012 to protect corporate bond investors as a fair and independent manager.



Website for Indenture Trustee Service

First Indenture Trustee in Korea

As the nation's first independent indenture trustee, KSD specified operating principles for conducting services for public interests, balancing various interests, and protecting corporate bond investors further to fulfill its responsibilities of managing the primary corporate bond market that has previously left to issuers. KSD does not share any interests with issuers and underwriters as an independent third party. KSD will monitor financial and credit data of issuers continuously for early detection of defaults and other contingencies, aiming to facilitate the exercise of rights by bondholders and maximize recovery on claims in case of defaults and bankruptcies for better investor protection.

Operating Indenture Trustee Taskforce

KSD operates professional indenture trustee taskforce consisting of attorneys and bond management experts to set up a standard bond management service model on a well-balanced structure between investors and issuers.

Website for Indenture Trustee Service

As an independent indenture trustee without any interests with issuers, KSD plans to open a website for bondholders to provide necessary data in a timely manner and establish a corporate bond management system for the convenience of issuers. Also, the company plans to provide one-stop services for the deposit procedure required for the exercise of rights by bondholders in association with the bond depository system and registration issuance system.

Promoting Electronic Voting

Using the electronic voting program, shareholders may exercise their voting rights online without attending the shareholder's meetings. This program was adopted in Korea in 2010 as the Commercial Act was amended to resolve difficulties in exercising voting rights and attending shareholder's meetings due to the tightly scheduled meetings. KSD has opened 'K-evote', an electronic voting system, in October 2010. After the authentication process using public key certificate, shareholders can exercise their voting rights on respective agenda items two weeks prior to shareholder's meetings to exercise their rights without restrictions. We are currently endeavoring to promote electronic voting programs by amending applicable regulations including the Capital Market Act and engaging in large-scale PR activities.



K-evote

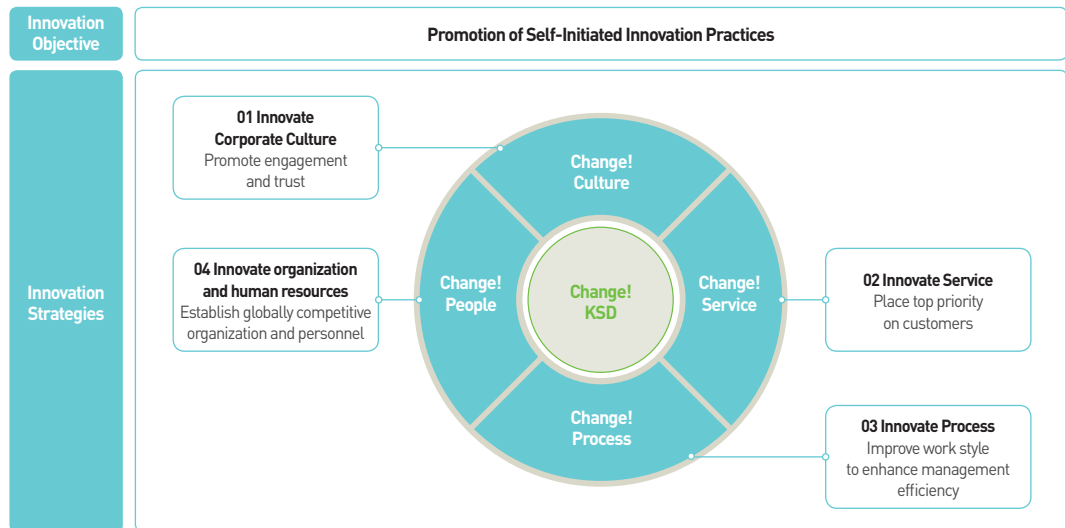


Management Innovation

Management Innovation Framework

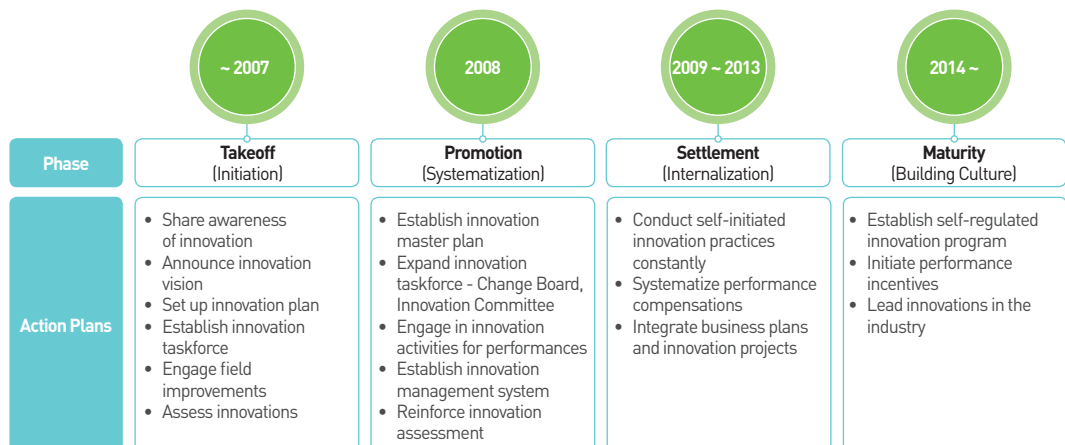
Innovation Strategy

Under the slogan 'Change! KSD', the Korea Securities Depository engages in four strategies and specific action plans in a bid to 'promote self-initiated innovation practices'. The innovation initiatives that began to be carried out in 2004 in line with the government's innovation policy have penetrated into our operations and have helped build KSD's company-wide innovative culture.



Innovation Management Roadmap

KSD's innovations were largely carried out through 2012 and will enter the stage of maturity in the coming years. We are set to internalize innovations by developing field innovation leaders, promoting innovative operations, and engaging in self-initiated innovation practices constantly in 2013 in order to improve our innovation performances.



Major Management Innovation Activities

Innovation Promotion Education

KSD conducted external best case sessions and field trips to develop innovation managers of departments into field innovation leaders in September and October 2012. The innovation managers have shared management innovation cases with teammates to promote innovative ideas and apply them to the 'Proposal Festival' held in the second half of 2012 and the establishment of 2013 business plans.

Integration of Business Plan and Innovation

KSD engages in innovation practices that are embedded in existing operations. Each department includes best practices and measures to materialize innovative ideas in its business plan using the most innovative methodology in terms of cost, benefit, operating efficiency, risk and customer satisfaction.

Sharing and Promoting Best Innovation Cases

KSD plans to hold an innovation case competition over the establishment and execution of business plans by department to evaluate innovation performances and share practices throughout the organization. We will hold a BP competition in the second half of 2013, in which each division shall make a presentation of one or more best innovation cases to be evaluated using PDCA (Plan-Do-Check-Action) approach. High performance groups will be rewarded.

Conduct Innovation Constantly through Proposals

We are currently operating a reward program for suggestions to help materialize key innovation initiatives including creativity and improvement in effort to promote innovation initiatives further. 'Proposal Festival' is held semiannually to encourage suggestions. The winning departments or individuals are granted additional credits for internal assessments or rewards.



2012 Proposal Festival

Proposal Festival is an event to encourage associates to develop creative ideas for corporate management and share new proposals over key issues with others. The festival is held semiannually for about 45 days in order to promote associates' participation. Departments with the largest number of proposals and best submissions are rewarded. The suggestions selected through the first and second screening processes shall be reviewed by different departments to report follow-up measures, aiming to allow creative ideas to be applied to the company's operations and organizational culture quickly. 'Integrated Management of Overlapping Processes for Clients' and 'Improvement of Project Execution Assessment Program' were selected as the best cases for the first and second half of 2012. KSD is set to continue to develop innovation practices such as proposal festivals based on our belief that associate's ideas contribute to the long-term development.



Economic Performances

Financial Information

Major Economic Performances

(Unit: 100 million won)

	2010	2011	2012
Revenue	1,300	1,408	1,289
Operating Income	562	477	286
Net Profit	1,151	816	618
Total Asset	22,873	23,002	25,679
Net Profit per Share (won)	11,557	8,197	6,184

Performances by Service Category

(Unit: million won)

	2010	2011	2012
Depository and settlement services	88,384	96,804	87,152
Supporting asset management industry	8,300	7,863	8,179
Supporting derivatives market	24,799	26,781	24,123
International depository and settlement services	4,686	4,190	3,838

Key Financial Indicators

(Unit: %)

Category	Indicators	2010	2011	2012
Profitability	Net profit margin	88.50	57.98	47.97
	Return on equity	14.37	9.71	6.95
	Return on asset	5.03	3.55	2.40
Growth	Operating profit growth	-7.87	-15.15	-39.90
	Sales growth	-3.06	8.26	-8.45
	Net income growth	18.71	-29.08	-24.25
Stability	Debt-to-equity	185.58	173.56	188.62
	Current ratio	122.88	140.99	134.05
	Total borrowings	-	-	-

* No borrowings from financial institutions are included in the assessment of debt-to-equity as debts consist purely of customer deposits.

Distribution to Stakeholders

Korea Securities Depository (KSD) distributes economic values resulting from business activities to stakeholders through paying taxes, creating jobs, contributing to local communities, and supporting the inclusive growth of SMEs.

(Unit: 100 million won)

	Activities	2010	2011	2012
Government	Tax	375	267	184
Shareholder	Dividend	94	279	174
Customer	Lower commission	294	118	118
Academics	Subsidies	10	11	12
Employee	Wage	384	462	505
Community	Donations	62	173	36
Public	Return of unclaimed stocks	2,911	1,060	439

Lower Commission

The government, the Korean Exchange, and KSD have cut securities trading-related commission rates four times since 2005 in bid to offer more reasonable fee programs and reduce the burden on investors. We have also cut commissions by 20% in May 2012 to maintain affordable commission rate as a public institution, lowering the trading commission rate for securities and futures (index, interest rate, and currency) to the world's lowest level. The lower commission helped reduce cost burden of 17.4 billion won in terms of the annual trading volume in 2011. Retail investors are estimated to save 84 won on average for stock investments of 10 million won.

Helping Retrieve Unclaimed Stocks

KSD carries out a 'campaign to retrieve unclaimed stocks' every year to further protect the rights of shareholders and revitalize the economy in line with government policies. The 'information desk for stock retrieval' was installed in the lobby on the first floor of KSD's head office building while the 'call service center' and online service corners also initiated respective services to help many investors regain their unclaimed properties. The campaign was started in 2003, and 8,491 stockholders have recovered stocks worth 666.3 billion won in total through six campaign sessions.



Unclaimed Stock Retrieval Campaign

SME Sponsorship

KSD cut commissions charged to SMEs that are suffering hardships amid the global economic crisis in effort to promote the inclusive growth drive of government and promote the initiative. KSD currently charges SMEs transfer agent, safe-custody, and bond registration fees. The cost cut benefit is estimated at 1.26 billion won this year alone. We also invested 20 billion won in the interest rate reduction fund for SMEs to help lower the lending rates for SMEs by 1 to 2 % points.

Preferential Procurement from SMEs and Social Enterprises

KSD preferentially procures supplies from SMEs, technology developers, female-led corporations, social enterprises and companies hiring severely disabled employees or veterans to engage actively in the government's policies. We have specified annual purchase targets for each category in establishing the comprehensive annual purchasing plans for supplies, services, and construction contracts. The purchases made in the categories above totaled 17,310,288,382 won in 2012, accounting for 73.07% of total purchases.

Happiness expands through sharing

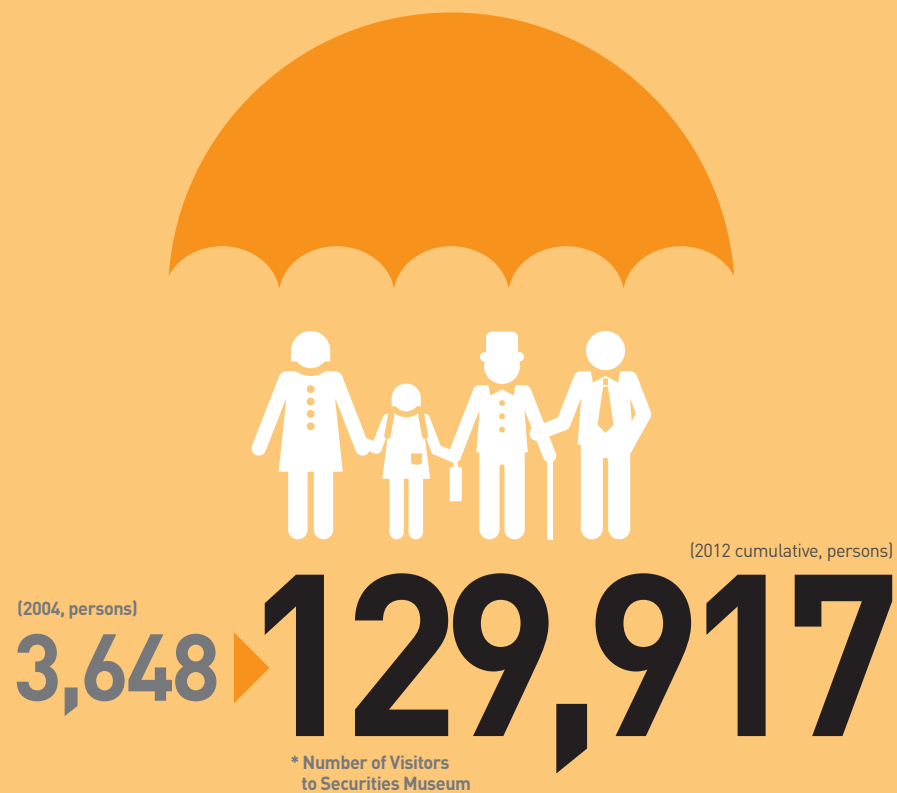
Happy × community & enjoy

KSD leads efforts to build
a co-prospering and **bright society**.

KSD pledges to fulfill its responsibilities as a corporate citizen
by systematically engaging in social contribution activities and expanding communication
with stakeholders.



Values of Sharing for Everyone



Trees help travelers avoid rain or sizzling sunlight,
serving as safe havens where happy memories can be shared.
KSD operates the Securities Museum and KSD Culture Gallery to support
our environmental engagements for the community.

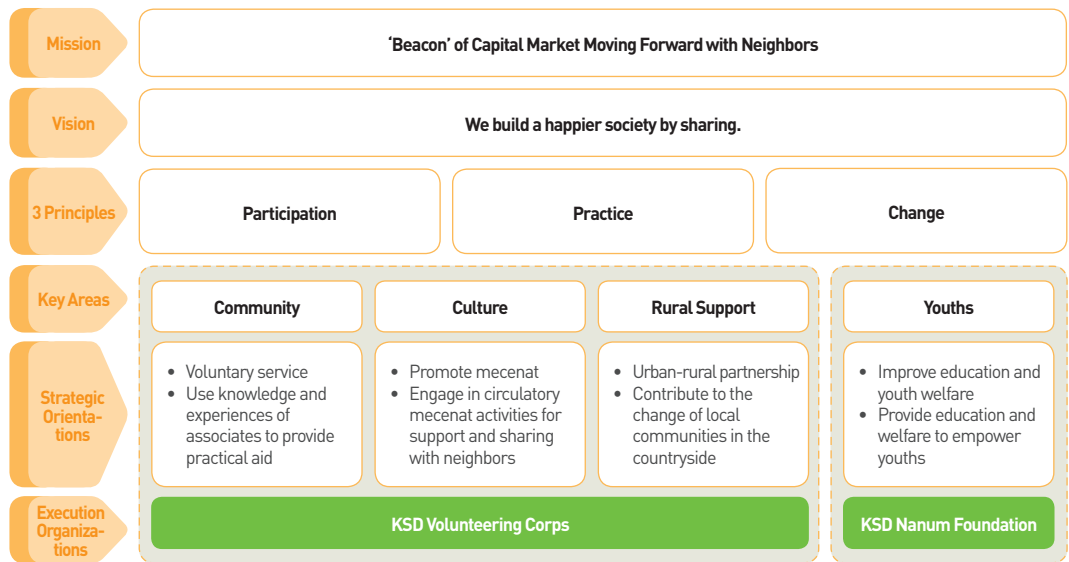


Social Contribution

Social Contribution Framework

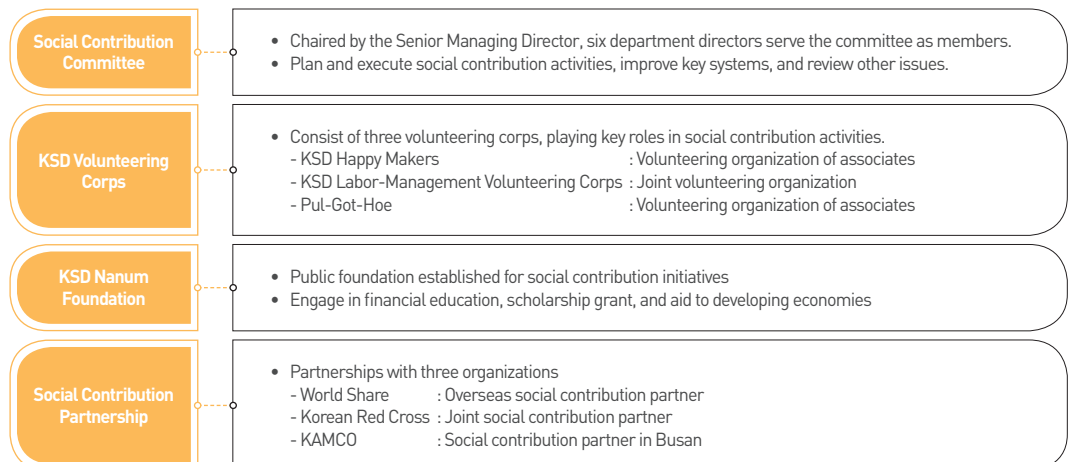
Social Contribution Strategies

Korea Securities Depository (KSD) spearheads social contribution activities to become a good and sound corporation fulfilling its social responsibilities as a corporate citizen.



Social Contribution Organizations

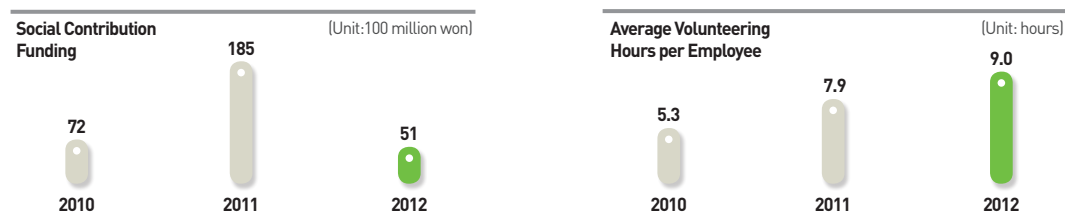
KSD focuses its resources on its volunteering corps and charity foundation. It also formed partnerships with social welfare institutions and public organizations to expand its engagements and maximize the performances of activities. The Social Contribution Committee was also established to undertake social contribution activities more efficiently in 2011.



Happy Sharing of KSD Volunteering Corps

Community Programs

Korea Securities Depository's social contribution activities rely on the engagement of three major volunteering service organizations. The meal service program of 'KSD Happy Makers', special services for disabled people by 'KSD Labor-Management Volunteering Corps', and the monthly donation of 'Pul-Got-Hoe' represent the company's volunteering programs.



* Social contribution investments include donations set forth in p.44 and sponsorships for academic groups. KSD has donated 13 billion won to the KSD Charity Foundation in 2011.

Cultural Programs

KSD continues to engage in mecenat programs supporting cultural and art activities. We have been holding the Rice Ball Concert at the parking lot of our Yeouido head office building since 2008, offering cultural amenities to the office workers in the area and customers as well. We also raise funds through the concert to support low income households with difficulty in purchasing enough food. KSD Culture Gallery was also established in the lobby of our headquarter building in 2009, exhibiting the artworks of young or disabled artists for free to encourage aspiring artists.



Rice Ball Concert



The Family-Harmony Month exhibition



Culture Gallery poster

Rural Support Programs

KSD has partnered with several farming and fishing villages to contribute to the development of local communities. We have formed a partnership with Sangsan Village in Sancheok-myeon, Chungju, North Chungcheong Province, in 2006, since then we have helped the farming community in high seasons and purchased farm produce directly from the village. KSD also partnered with a fishing village in Goongpyeong-ri, Seoshin-myeon, Hwaseong, Gyeonggi Province, in 2010. We also helped fishing community in high seasons and purchased seafood products directly from the village.

"Sangsan Village has developed a lot thanks to KSD."

We appreciate the support of KSD's volunteering corps. As the rural population is seriously aged, we are suffering from a shortage of labor. Young KSD associates are very helpful to us. When we were fertilizing land, they worked hard until they became completely soaked in sweat. Their sincere attitude towards our farms has always impressed me. The sponsorship grants, scholarships, and investment in community facilities also helped us develop our town a lot. We hope to continue our good relations further. Once again, we really appreciate your help.



Lee Soo-young
Head of Sangsan
Village

KSD Nanum Foundation's Youth Sponsorships

Established in 2009, the KSD Nanum Foundation returns the support and value from the public to the society as the nation's first public foundation in the capital market.

Financial Education

KSD Nanum Foundation conducts financial education services to help the underprivileged to gain well-directed financial perspectives. Repeated and systematic financial education is offered to allow children and teenagers of low income households to learn and utilize financial concepts easily.

Dream Camp at Jeungdo Elementary School

KSD invited the students of Jeungdo Elementary School in Jeungdo-myeon, Shinan-gun, South Jeolla Province, to a 3-day camp program in November 2012 to give them opportunities to tour the city and take financial classes. Located in Jeungdo Island, 77.9 kilometers from Mokpo, Jeungdo Elementary School currently has 47 students. 30 students from third to sixth grades including two children of multicultural families have participated in the camp. They watched musicals, visited the presidential house and congress building, took financial classes, and toured the Securities Museum.



Scholarship Grant

KSD grants scholarships to children and students of low income households or without parents and college students suffering from high tuition fees. Scholarship students are entitled to aid until they graduate from high school or university.



Aid to Developing Economies

KSD Nanum Foundation provides support to help improve poor housing, food supply, medical, educational, and water supply conditions in developing economies. We have been engaging in overseas volunteering service programs for Asian developing countries such as Cambodia and Laos since 2009. We also donated funds to the victims of the earthquake in Turkey and financed eye surgeries of patients from suffering cataracts and other eye diseases in Ghana.

Well Drilling Project in Tanzania

KSD has donated a total of 200 million won to the well drilling project in Tanzania through two separate grants in June and October 2012. KSD associates were also dispatched to the country to conduct volunteering activities. We helped install wells at 15 elementary schools in Tanzania, allowing students and residents access water more conveniently without walking long distances.



2012 Social Contribution Activity Schedule



Shopping at traditional markets during holiday seasons _ **January**



Scholarship grants from KSD Charity Foundation _ **February**



Volunteer activities at Mapo Welfare Center _ **March**



Social responsibility partnerships with Myeongdong Cathedral _ **April**



KSD Charity Foundation Dream Camp _ **May**



Water resource development project in Tanzania _ **June**



Happy Makers at Seoul Station _ **July**



Partnership with a military camp _ **August**



Holiday shopping assistance service for seniors _ **September**



MOU for rice grants to low income communities _ **October**



Partnership for fishing villages _ **November**



Sponsorship for KSD Mentoree Little Baseball Team _ **December**

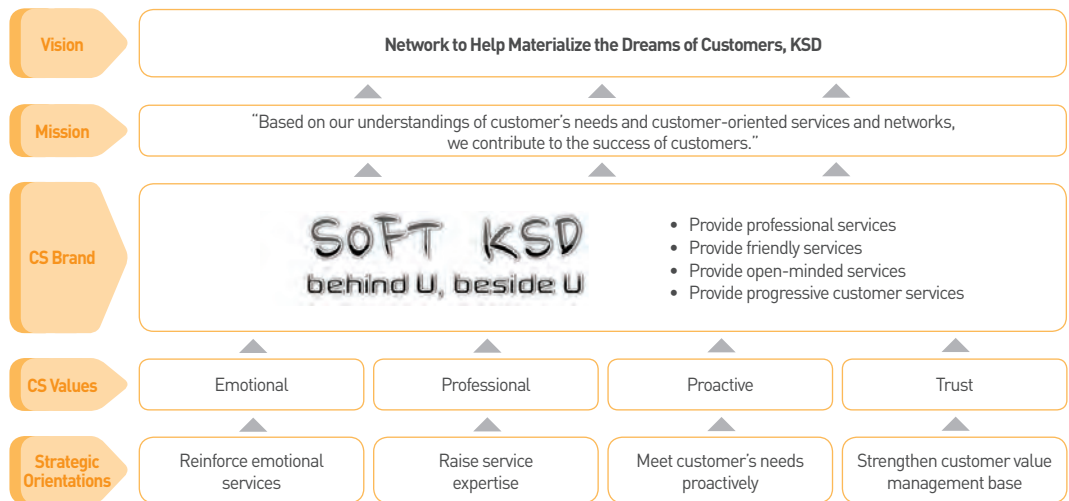


Customer Satisfaction Management

Customer Satisfaction Management Framework

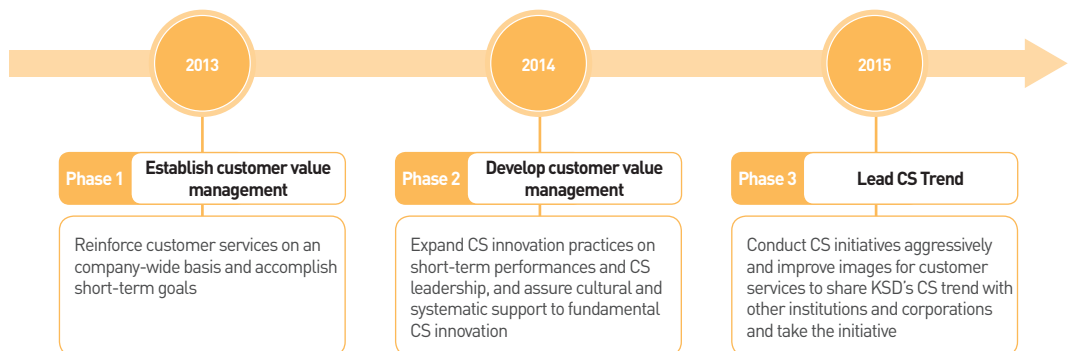
Strategies

Korea Securities Depository (KSD) has reshaped its customer satisfaction management framework by placing higher priorities on customer values in August 2012 in effort to raise customer satisfaction and service quality. The company has also renewed the Customer Satisfaction (CS) strategic framework.



Implementation Roadmap

In line with the new customer satisfaction management framework, KSD has mapped out a mid-term CS strategy execution roadmap until 2015. We will start establishing the customer value management framework in 2013 to produce visible improvements in customer service.



Implementation Organization

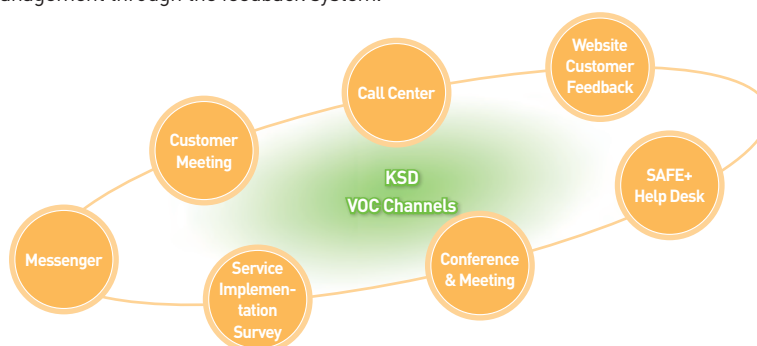
CS Management Committed acts as a decision-making agency on CS initiatives. The Customer Satisfaction Department is in charge of executing enterprise CS projects and integrate and coordinate CS plans of different departments. CS managers are also appointed in each department to better assure responses by product.

Incoming VOC **618** case
 Response **96.5%**

Systematic VOC Management

Diversification of VOC Channels

Korea Securities Depository (KSD) operates a variety of Voice of the Customer (VOC) channels to improve customer services and respond to their inquiries quickly. We manage identified customer's needs on a comprehensive basis to improve management through the feedback system.



Upgrading VOC Management

KSD set out three major missions of establishing the VOC management monitoring system, reinforcing statistical VOC analysis, and developing management resources out of VOC to heighten VOC management in line with the new CS strategic direction and mapped out a phased execution plan to be implemented by 2015.

2012	Establish online VOC monitoring system - Monitor the process of handling VOC
2013	Reinforce online statistical VOC analysis - Conduct statistical analysis of incoming VOC from website and SAFE+
2014	Establish an integrated DB - Establish DB to integrate online and offline VOC
2015	Adopt an integrated VOC system - Expand the functions of contact center and integrate VOC system



Customer Proposal Festival

KSD holds annual customer proposal festivals to aggregate valuable opinions of customers. The event is designed to share various feedback and ideas with regard to service complaints, operating systems, regulations, operating processes, service methods, operating system environments, and attitudes of associates. We also reward the customers who brought in excellent suggestions in an effort to improve our services.



Strengthening Customer Communication

Operating Customer Conference

KSD runs customer conferences to collect opinions regarding its businesses and implement them into improvements. 15 different conferences are established for various customer groups and currently in service. Each conference acts as a communication channel to share common understandings with customers.

Participant Conference for Better Customer Communication

KSD convenes Participant Conferences four times a year in order to brief operating status to customers and aggregate various opinions. The Participant Conference is the oldest customer meeting currently run by KSD, providing guidance on operating improvements and changes related to deposit, settlement, entitlement management, data control, introducing new programs, aggregating customer suggestions, and deliberating future plans. Working-level staff of brokerage firms and trust banks usually attend Participant Conferences, and two to three issues are discussed on average in each session. Customer's suggestions are officially registered as VOC for follow-up management and KSD attempts to find solutions from customer's perspectives.



Holding Client CS Camp

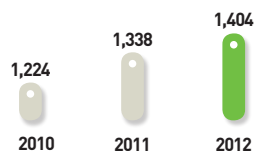
KSD operates client CS camps to help the associates of client firms gain more mutual understanding and to reinforce relations. The camp is held for two days on Jeju Island with the working-level employees of client firms every year since 2006 and 83 customers attended the 2012 camp. We introduce our CS activities and major issues to participants to assure active communications between KSD associates and customers.

Offering Customer Training Programs

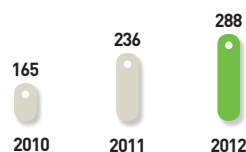
KSD provides various customer training programs to allow customers to gain more understanding of the company's services and make efficient use of administrative processes. The program offers knowledge and information about economy, finance, and securities market to a wide range of trainees including securities company employees and students.

Trainees

Practical Course (Unit: persons)



Special Course (Unit: persons)



Basic Training

- Commissioned training of new employees of brokerages
- Commissioned training of judicial apprentices
- Commissioned training of new public officials

Operations Training

- IB support course
- Securities settlement course
- Securities lending · Repo course
- Securities deposit course
- Indirect investment asset course
- Securities issuance course
- OTC securities course

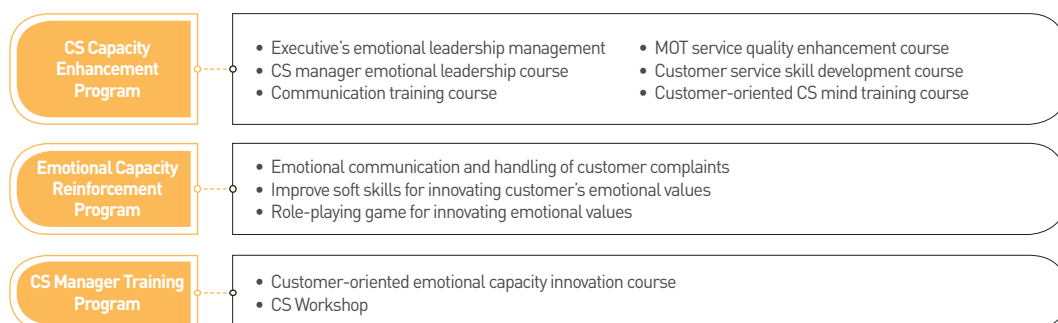
Special Training

- Securities economy (deposit and settlement) lecture
- Commissioned training of teachers
- Commissioned training of law school students
- Introduction of securities market and KSD for cub reporters
- Introduction of deposit, settlement and transfer agent services

Reinforcing Associate's CS Capacity

Associate CS Training Programs

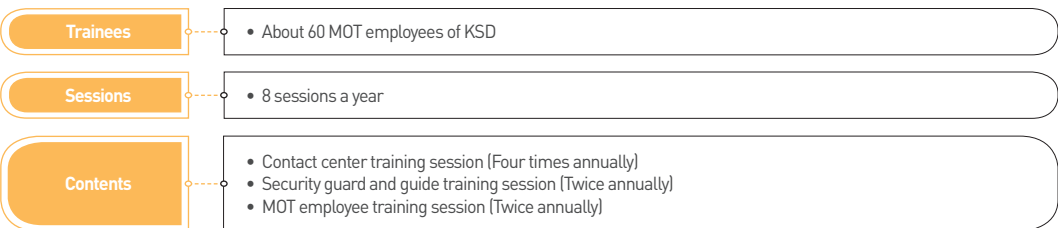
Korea Securities Depository (KSD) offers CS training programs to close the gap in the awareness of CS practices and promote CS initiatives that get easily stagnant. We have categorized training sessions by rank in 2012 and are planning to initiate enhancement programs for employees in 2013.



MOT Training

Specialized CS Training for MOT Associates

KSD offers CS training programs to Moment of Truth (MOT) employees on the front lines. The programs are designed to help KSD to provide the best quality services to customers as a public enterprise, encourage associates to have more pride in their services and motivate them to engage in CS practices more actively.



KSD wins certification of excellent service quality

KSD has obtained 'Korea Excellent Service Quality Certification' from the Korean Agency for Technology and Standards of the Ministry of Knowledge Economy in 2012, thanks to its consistent efforts to improve customer services. The certifications are granted to the corporations verified to demonstrate outstanding performances in service quality and customer satisfaction. Thanks to our consistent commitment to our CEO's service philosophy and leadership in areas such as service quality management strategy, customer data system, customer service operations, human resources, organizational management, effective utilization of resources service management performances, KSD received an A rating in the government's management survey. Given the official certification, we will remain committed to becoming a global depository providing top-notch services by upgrading the customer service quality further to the level of leading corporations.

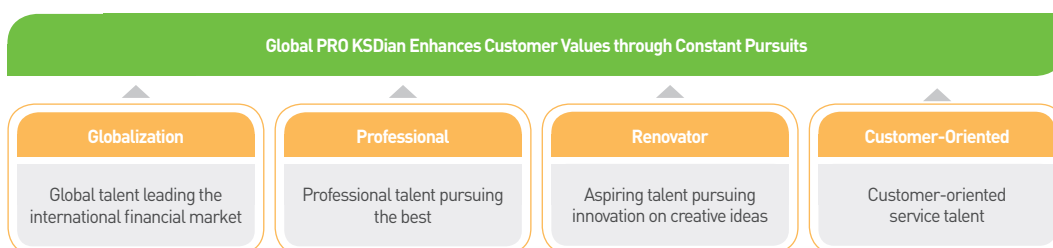




Human Resource Management

Human Resource Development Target

Korea Securities Depository (KSD) has specified human resource development goals of 'Global talent leading the international financial market,' 'Professional talent pursuing the best,' 'Aspiring talent pursuing innovation on creative ideas,' and 'Customer-oriented service talent' in effort to develop itself into the global top-notch securities management powerhouse in the 21st century. Based on the objectives, KSD offers educational and training programs customized for individual capabilities to train global professional who can enhance customer values through constant pursuits.



Executives and Employees

A total of 532 executives and employees are working at KSD as of the end of 2012, including temporary workers and interns.

Gender Equality

We apply the same wage program to all our employees regardless of gender and attempt to treat female associates equally in terms of promotion and compensation. A total of 90 full-time female associates are working as of the end of 2012, accounting for approximately 20% of entire personnel. Females employees account for 3.4% of managers.

Affirmative Actions

Disabled workers account for 3.1% of full-time employees. Disabled applicants are granted privileges in employment.

Turnover

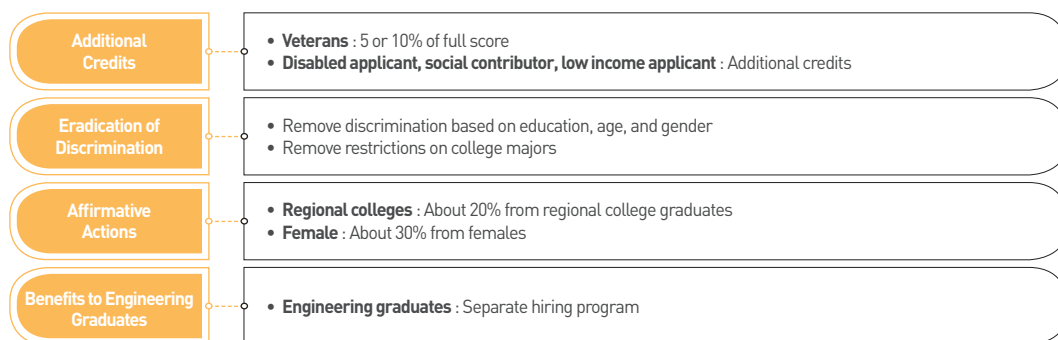
A total of 11 employees left the company in 2012, accounting for 2.14% of total staff. Majority of employees who left the company were temporary associates with an interim working status. The turnover rate for full-time associates was measured at a very low level of 0.39%.

	Category	Unit	2010	2011	2012
Total	Managing Executives	persons	3	3	3
	Full-Time Employees	persons	424	430	453
	Temporary Employees	persons	47	58	62
	Interns	persons	18	8	14
Gender Equality	Females among full-time associates	%	18	18	20
	Females among managers	%	3.9	3.7	3.4
Underprivileged	Disabled associates among full-time associates	%	3.5	3.7	3.1
Turnovers	Full-Time Employees	persons	2	0	2
	Temporary Employees	persons	9	11	9
	Turnover Rate	%	2.34	2.25	2.14

Employment

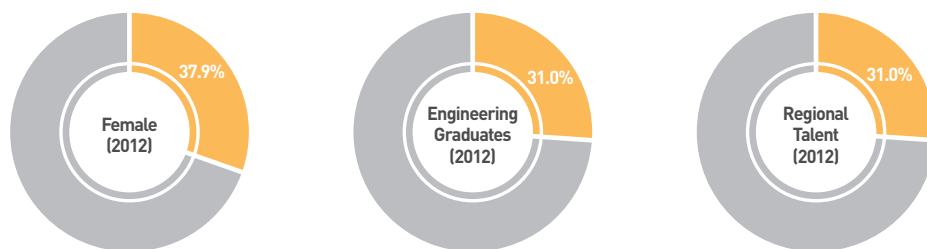
Transparent Employment Policy

Korea Securities Depository (KSD) offers fair job opportunities and supports underprivileged individuals to help narrow the social gap by executing affirmative action programs. We also eradicated discrimination based on education, age, and gender and comply with applicable regulations to reinforce the fairness and transparency of employment.



Employment

KSD assesses the appropriate size of personnel using its long-term human resource management plan and attempts to create jobs by adjusting quota, hiring, education and workload in line with the plan. We have hired 29 new employees in 2012, of which 11 employees are female while nine employees majored in engineering and science. Joining the government's job-sharing initiative, we have hired nine applicants from non-Seoul areas. We also ran a youth internship program. Starting with 19 interns in 2009, KSD hired 31, 29, and 34 interns from 2010 to 2012 respectively to create jobs along with the government's efforts.



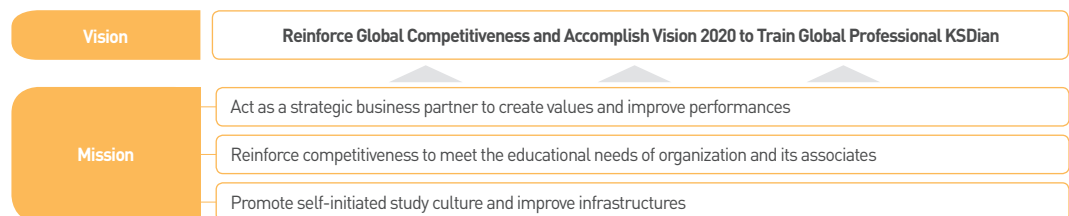
Compensation for Performance

KSD established a global human resource management system and implemented fair personnel policies to build work environments for talented employees to fully utilize their capabilities. Compensations are set in accordance with roles and performances. Expertise, risk, and responsibility are also considered to classify performance compensations. Such compensation programs help reinforce individual capabilities and improve management efficiency. We have also revamped the executive compensation program by simplifying executive pays into the combination of basic wage and merit-based pay in order to encourage them to share burden amid growing economic uncertainties and raise management efficiency with the reasonable wage program.

Human Resource Development

Human Resource Development Framework

We need more talent with global networking skills and capabilities amid the globalization of work environments. We are also increasingly required to enhance the organizational efficiency further as the government is committed to upgrading the management of state-run enterprises. It is necessary to secure field professionals with the upgrade of work environments. Given such changes, KSD developed common, management, and vocational capability development programs to train professionals within the company based on its Human Resource Development (HRD) system.



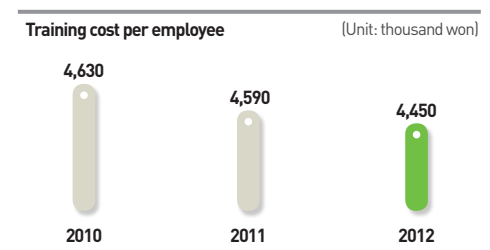
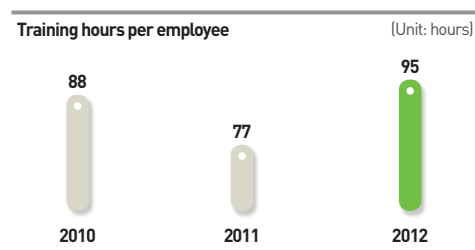
Human Resource Development Program

KSD offers various employee capability development programs. Employees can attend common, management, vocational, academic, self-development and other training programs according to their rank.

Common	Outside overnight training, special lectures on humanities and general topics
Management	SERI CEO, PRO course, leadership coaching session, healing camp
Vocational	Vocational academy, documenting skill, data protection, orientation
Academic	Training program for high performance associates, short-term domestic master's program, academic study program for assignees
Self-Development	Subsidize application fees for license test and finance language programs
Others	Retirement preparation program, temple stay, health lectures

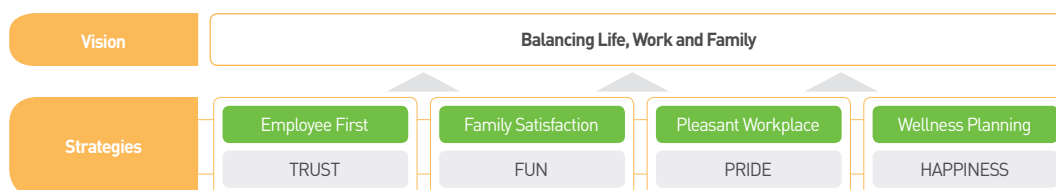
Education and Training

Each employee took on average 95 training hours in 2012, which incurred a cost of 4,450 thousand won. KSD finances the education and overseas training programs for the development of its associates. The company also offers academic study programs to encourage high performance associates to earn master's degrees in Korea and abroad.



Welfare Benefits

Korea Securities Depository (KSD) engages in family-friendly management practices providing optional benefit programs to assure the balance of work and life for associates.



Great Workplace

KSD offers a variety of welfare benefit programs, including health care, housing, child care, disaster aid, and hobby activity sponsorship, to help associates balance their work and life. The corporate housing lease, home purchase and rent lending program, living stabilization fund, bachelor's dormitory, sabbatical leave, training program and Employee Aid Program (EAP) are offered through the life-cycle support program to motivate employees and raise satisfactions with welfare programs.

Female-Friendly Environment

KSD operates nursing rooms, a rest area for pregnant employees in the female employee lounge, and also allows them to use maternity or infertility leaves as well as child birth grants. KSD, Korea Exchange and Koscom have jointly established a child care facility for employees in March 2012 and subsidize its operations.

Family-Friendly Environment

We offer temple stays, weekend farm programs, nursing subsidies, funeral services, match-making services, leaves of absence for parents and family day events to encourage our associates to improve relations with their families. We also fund medical care, health checkups and infant and child vaccinations to improve the health of associates and their families. Resort facilities and club activity grants are offered to refresh employees as well.

Retirement Aid

KSD offers pre-retirement training programs to help retiring associates to start businesses or find new jobs as the aging population raises awareness of post-retirement careers. The programs help earn real estate agent or baker licenses and establish online shopping malls and farm businesses.



Certified for Family-Friendly Environment

KSD was certified by the Ministry of Gender Equality and Family for its family-friendly work environment in October 2012. The certification program is designed to designate the institutions that have built work environment to help employees balance their work and living harmoniously. KSD has set up an Employee Satisfaction Team in 2011 to engage in various family-oriented initiatives such as child care facility, a family farm program, subsidies for weekend entertainment for families with multiple children, and a family sports festival. We will make further efforts to increase associates' satisfaction and establish a family-friendly work environment.



BBQ Party at Weekend Farm

Upgrading Labor-Management Relations

New Labor-Management Relations

Korea Securities Depository (KSD) developed new labor-management development visions and objectives in November 2011 to improve mutual trust and promote inclusive growth, carrying out three key strategies of labor-management communications, social accountability, and reinforcing labor-management relations management capacity.

Vision	Establishing and governing an organizational culture by constituting public and corporate ethical values			
Goals	Establish 'enjoyable' organizational culture to assure joint labor-management development, upgrade labor-management relations and accomplish organizational goals			
Strategies	Upgrading Labor-Management Relations	Strengthening Labor-Management Communication	Joint Social Accountability of Labor and Management	Reinforcing Management Capacity of Labor-Management Relations

Upgrading Labor-Management Relations

Korea Securities Depository (KSD) is creating cooperative and equal collaboration with unions for the advancement of labor management relations in accordance with relevant regulations and government standards.

Strengthening Labor-Management Communication

In addition to collective bargaining, KSD engages in diversified communication channels including non-periodical conversations, brainstorming sessions and partnership reinforcement. We also adopted a labor-management partnership declaration to confirm mutual trust and monitored the respective satisfaction with labor-management relations in terms of various issues such as 'satisfaction with grievance management' or 'employee satisfaction initiatives'.



Field Communication of a Hands-On CEO

The CEO of KSD listens to the voices of employees and answers their questions on the field. The conferences among the CEO, the Chairman of the Labor Union, management executives, and union officials are also periodically held. The CEO also tries to raise employee satisfaction through field concerts with associates.



Joint Social Accountability of Labor and Management

KSD launched 'KSD Labor-Management Joint Volunteering Corps' to fulfill its social responsibilities. The volunteer group has been serving lunch at 'Youngdeungpo Welfare Center' every month since 2009. It is also engaging in special aid activities for welfare facilities for disabled citizens and overseas volunteering programs for developing economies. We plan to further and enable special activities and diversify them into domestic, overseas and emergency programs in the future.

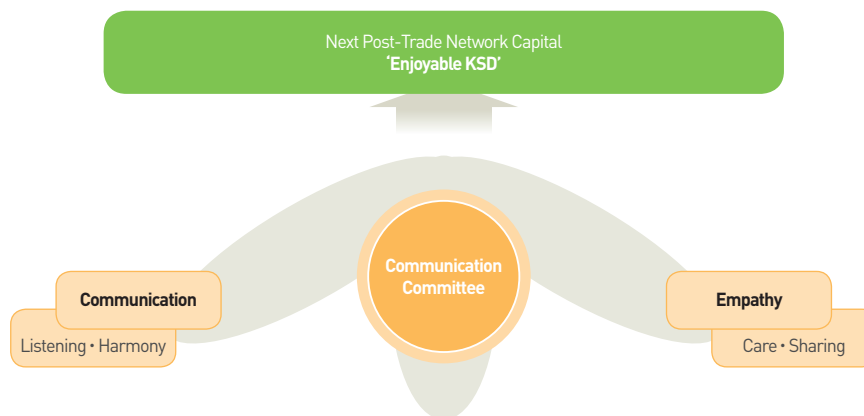
Reinforcing Management Capacity of Labor-Management Relations

Benchmarking advanced labor-management relations, KSD has been upgrading its capabilities of managing labor-management relations. The company obtained upgraded labor-management relation skills through joint education and special lectures. It endeavors to upgrade the labor-management relations by tapping into internal and external resources and building an expert pool to identify solutions on expert's experiences and knowledge.

Organizational Culture

Building a Pleasant Workplace at KSD

Korea Securities Depository (KSD) believes people play the key roles in creating common values and employees can be passionate and creative when they feel satisfaction with their organization. We formed a Communication Committee in April 2012 in order to build 'Enjoyable KSD' and establish the organizational culture in which associates can listen to each other and enjoy working.



Communication Committee

As part of the effort to establish 'enjoyable workplaces', KSD set up a Communication Committee consisting of department representatives and convened meetings in April, June and November 2012. Thirty-three representatives featuring a variety of age groups, ranks and departments deliberate on the lack of communication and underlying causes and share various ideas on better communication. They discussed opinions to develop communication channels and confirmed common awareness of the importance of communication in the first and second meeting. The third meeting offered opportunities to further deliberate on specific measures. Participants agreed that various communication programs such as 'movie or performance parties' or 'sports parties' featuring ping-pong games, bowling matches, or baseball games are required to induce individual changes. We plan to further promote such small changes to cause a larger transition to build an enjoyable workplace.

Boosting Employee Satisfaction

KSD offers various programs to enhance employee satisfaction through more personal relations between executives and employees. The mentoring program for enjoyable workplace, Hof Day (free-flow beer event) for labor-management unity, labor-management ping-pong match, communication camp training and open bar event were undertaken in 2011 and 2012.



New Employee Conference



Hof Day



Open Bar

We save resources for the environment

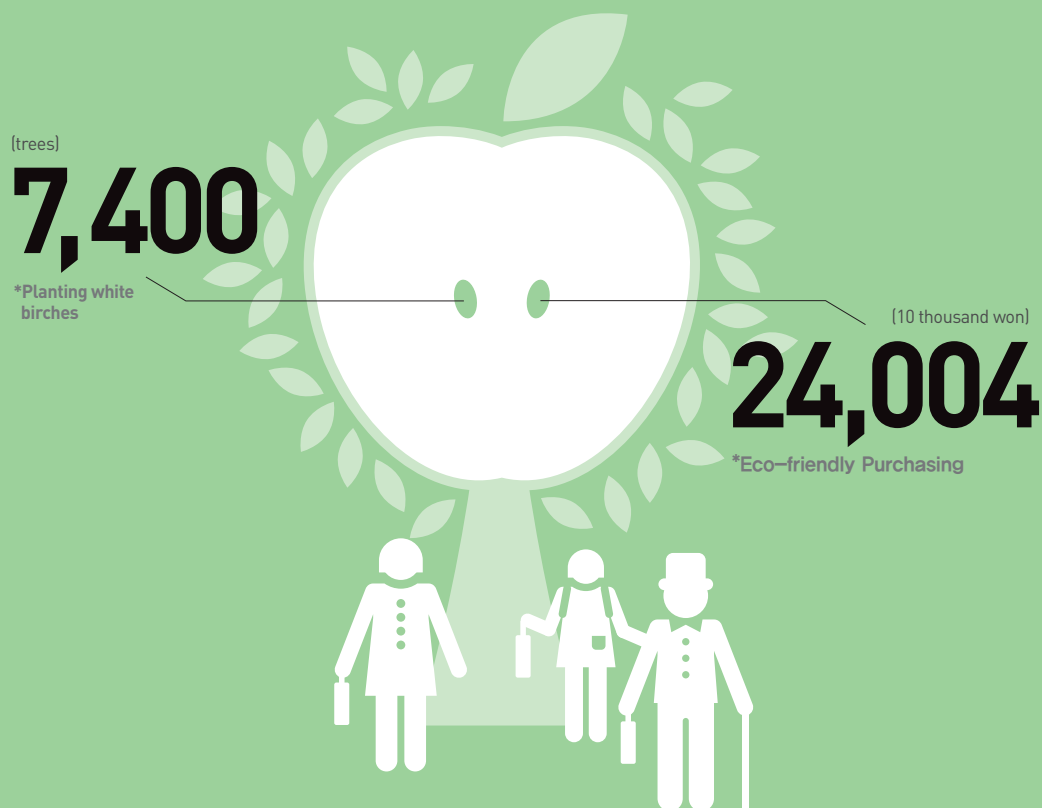
Happy × environment & preservation

KSD engages in initiatives
to build **better environments for all of us.**

KSD is committed to saving energy and resources in line with the government's low carbon and green growth drive through adopting electronic securities and voting systems, minimizing environmental impacts from corporate operations through operating environmental improvement programs and managing corresponding performances.



Sharing Environmental Values



Seedlings grow into flowering trees,
which later bear fruit and seeds that will grow into many new trees for even greater hope.
KSD leads efforts to protect the environment through establishing eco-friendly financial service infrastructures,
operating green office environments, and engaging in reducing carbon emissions through forestation.



Low Carbon Green Growth Initiative

Low Carbon Green Growth Initiative

As an eco-friendly financial institution supporting green growth drive, the Korea Securities Depository actively engages in the government's low carbon green growth policy drive to address global climate change and develop the financial industry by assuring economic growth through green financial infrastructures.

Establishing Eco-Friendly Financial Infrastructures

KSD builds eco-friendly financial infrastructures through electronic securities and voting systems to cut greenhouse gas emissions. The electronic securities system saves costs of issuing and circulating paper securities and reduces resource consumption. The electronic voting system also helps reduce paper consumed for shareholder notice letters and ballots to minimize the usage of transportation for the attendance of shareholder's meetings, indirectly reducing greenhouse gas emissions.

Researching Carbon Credit Market

The carbon credit trading system scheduled to be initiated in 2015 is anticipated to bring in innovative changes to corporate accounting, production and distribution processes. Based on the existing network and business capabilities, KSD conducted research over the depository, clearing, and settlement services in the carbon credit market and the establishment of infrastructures to prepare for introducing the carbon credit trading program.

Forming Partnership to Reduce Carbon Emissions through Forestation

Joining the government's low carbon green growth initiatives to restore forests and ecological systems, KSD formed a partnership with the Korea Forest Service and Pyeongchang County for the 'pilot carbon-reducing forestation project' to address climate change and reduce greenhouse gas emissions. The carbon-reducing forestation project is a voluntary engagement of public and private organizations, corporations and citizens in building forests to absorb carbon emissions. The Korea Forest Service offers certification to the companies that lowered carbon emissions through forestation by implementing objectives with transparent certification procedures.



Carbon-Reducing Forestation Project

In May 2012, KSD formed a partnership for the 'pilot carbon-reducing forestation' project and started planting trees. Over 40 representatives of participating organizations, including KSD CEO Kim Kyung Dong, Eastern Forest Service Director Huh Kyoung-tae, and Pyeongchang County Governor Lee Seok-rae, have planted 7,400 birch trees in a 24,600m² area in Pyeongchang, Gangwon Province. Birch is suitable for the geographic and environmental conditions of the region and less vulnerable to disease, pest, landslide, and wind. It also grows fast and absorbs a relatively large amount of carbon dioxide. The new forest is estimated to absorb 505 tons of carbon dioxide over the coming three decades. The forest management service is commissioned to a local forestry cooperative, which would help create jobs and improve incomes of local residents. In addition to these efforts, KSD will cooperate with Pyeongchang County and a local forestry cooperative organically to manage the forest jointly and engage in the initiatives to prevent fire, disease and pest for assuring positive impacts continuously.



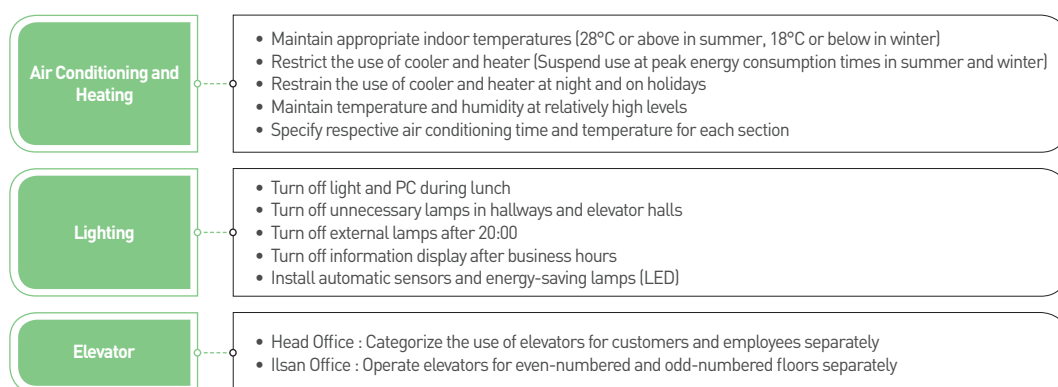


Green Management Practices

Green Office

Energy Savings

Korea Securities Depository (KSD) mapped out energy saving plans and undertake various energy saving initiatives in accordance with the government's 'Public Institution Energy Consumption Guideline'. We reduce power consumption by prioritizing energy-saving activities through the analysis of power consumptions by category. We also inspect energy-saving activities and appoint supervisors to manage the engagement of associates effectively.



Eco-Friendly Commuting

KSD carries out BMW (Bus, Metro, Walk) Campaign to promote eco-friendly commuting practices, encourages biking, and offers carpool programs. We have also initiated Day of Bicycle and expanded bike racks to encourage commuters to ride their bikes to work.



Video Conferencing

KSD operates a video conferencing system at its head office, Ilsan Center, and three regional (Busan, Daejeon, Gwangju) offices. We undertake efforts to reduce travel and time for meetings, improving productivity, saving travel costs, and lowering greenhouse gas emissions through video conferencing.



Environmental Education

We conduct environmental education to raise associate's awareness of environment protection and energy saving. We provide environmental education through various channels such as energy saving campaign broadcasts, intranet mailing, installation of energy-saving banners, and online posting of energy-saving information. An energy saving manager is also appointed at each department to supervise and manage practices.



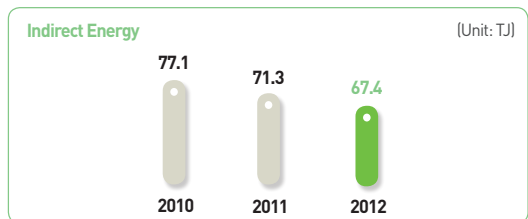
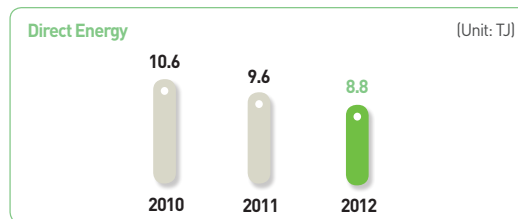


Environmental Management Performances

Energy and Resources Consumption

Energy Consumption

Korea Securities Depository (KSD) uses LNG, diesel, gasoline, electricity, and steam to fuel operations. Most of energy consumptions are made for the operation of computing centers, air conditioning, heating, and lighting. Provided by the Korea District Heating Corporation, steam power is used to control the temperature of the Ilsan Center.

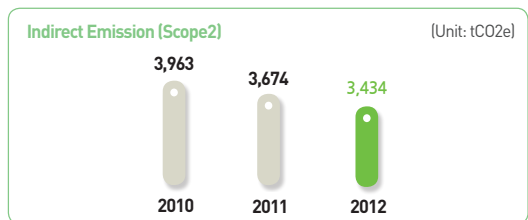
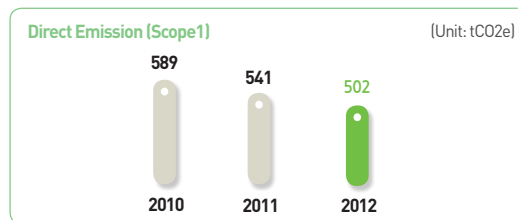


* Direct Energy Sources: LNG, diesel, and gasoline included

* Indirect Energy Sources: Electricity and steam included

Greenhouse Gas (GHG) Emissions

Greenhouse gas (GHG) emissions are produced through the use of Liquefied Natural Gas (LNG) and electricity, primarily for the use of air conditioning and heating during the summer and winter seasons. KSD mapped out energy-saving plans to reduce power consumption, a major cause of greenhouse gas (GHG) emissions, pursuant to the government's 'Public Institution Energy Consumption Guidelines'.

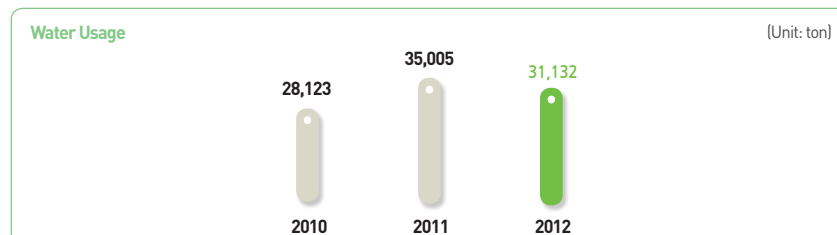


* Scope1: Greenhouse gas emissions produced directly from the assets owned by corporations

* Scope2: Greenhouse gas emissions produced from the externally procured energy

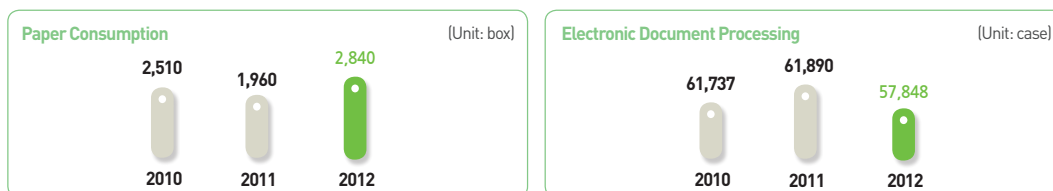
Water Usage and Waste Water Management

KSD procures water directly from the water supply system and the company does not have any water related resources affected by water withdrawal. The entire waste water production is designed to be treated as sewage.



Paper Consumption

KSD undertakes efforts to reduce paper usage by managing documents electronically through the electronic processing system. We use eco-friendly paper and also utilize laptops, tablet PCs, and video conferencing systems in all meetings to reduce paper consumption.



Waste Production

Majority of waste production from KSD is domestic waste, which is properly managed through the volume-rate garbage disposal program. Paper, batteries, and lamps are discarded into recycling bins. KSD does not produce any harmful substances in the course of offering services. Food waste production from the cafeteria is also managed by a waste management company.

Green Purchasing and Environmental Investment

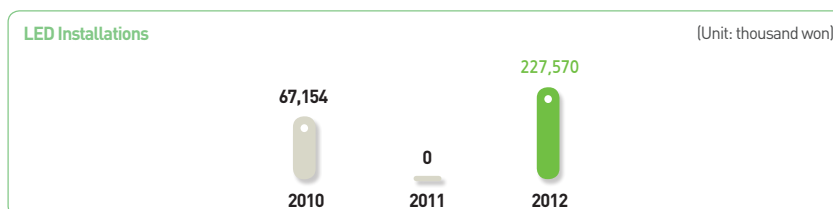
Green Purchasing

KSD engages in green purchasing activities annually by establishing an eco-friendly product purchasing plan for frequently used items. Our efforts include procuring eco-friendly toner cartridges, PC monitors, paper, and wooden office furniture manufactured by disabled workers preferentially to help them gain more independence and social engagement.



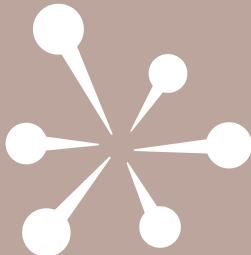
Environmental Investment

We are replacing old lamps with LED lighting to save energy and protect the environment. Hybrid vehicles or eco-friendly vehicles with pollutant reducers are frequently rented for operations.



APPENDIX

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APPENDIX

History

1973 ~ 1993 Korea Securities Settlement Corporation

- 1974** Founded Korea Securities Settlement Corporation (KSSC)
- 1975** Initiated separate safe-custody, transfer agent, and trade settlement services
- 1976** Opened Busan Branch
- 1982** Launched book-entry transfer for bond trading
- 1983** Centralized deposit of securities
- 1985** Implemented Consecutive Deposit System
- 1988** Opened branch offices in Jeonju, Daegu, Daejeon and Gwangju
- 1990** Initiated depository services for overseas securities and institutional settlement service
- 1992** Adopted New Issue Blanket Deposit and proxy voting service, and initiated OTC stock trading settlement service
- 1993** Launched participant terminal system (KSD-Net), and authorized as a registrar of public and corporate bonds

1994 ~ 2004 Korea Securities Depository

- 1994** Established Korea Securities Depository (KSD), launched depository and settlement service for foreign currency securities, and designated as a public organization pursuant to the Regulation of Tax Reduction and Exemption Act
- 1995** Partnered with Euroclear and joined the Society for Worldwide Interbank Financial Telecommunication (SWIFT)
- 1996** Initiated beneficiary certificate issuance service and securities lending transaction services
- 1997** Adopted beneficial owner certificate system and initiated CD deposit service and Development Trust Notes deposit service
- 1998** Initiated CP (commercial paper) deposit service, and completed the construction of the Ilsan Center
- 1999** Initiated overseas CB conversion agent service, substitute securities management service for futures transactions and gold deposit service
- 2000** Launched third-market settlement services and held the 4th ACG General Meeting in Seoul
- 2001** Launched Repo management service for customers
- 2002** Launched stock option settlement service, and relocated to a new office building in Yeouido
- 2003** Transfer agent service certified with ISO9001, and securities deposits surpassed 1,000 trillion KRW in total market capitalization
- 2004** Commenced registered issuance of housing bonds, opened Securities Museum, designated as F/X information reporting institution, launched FundNet

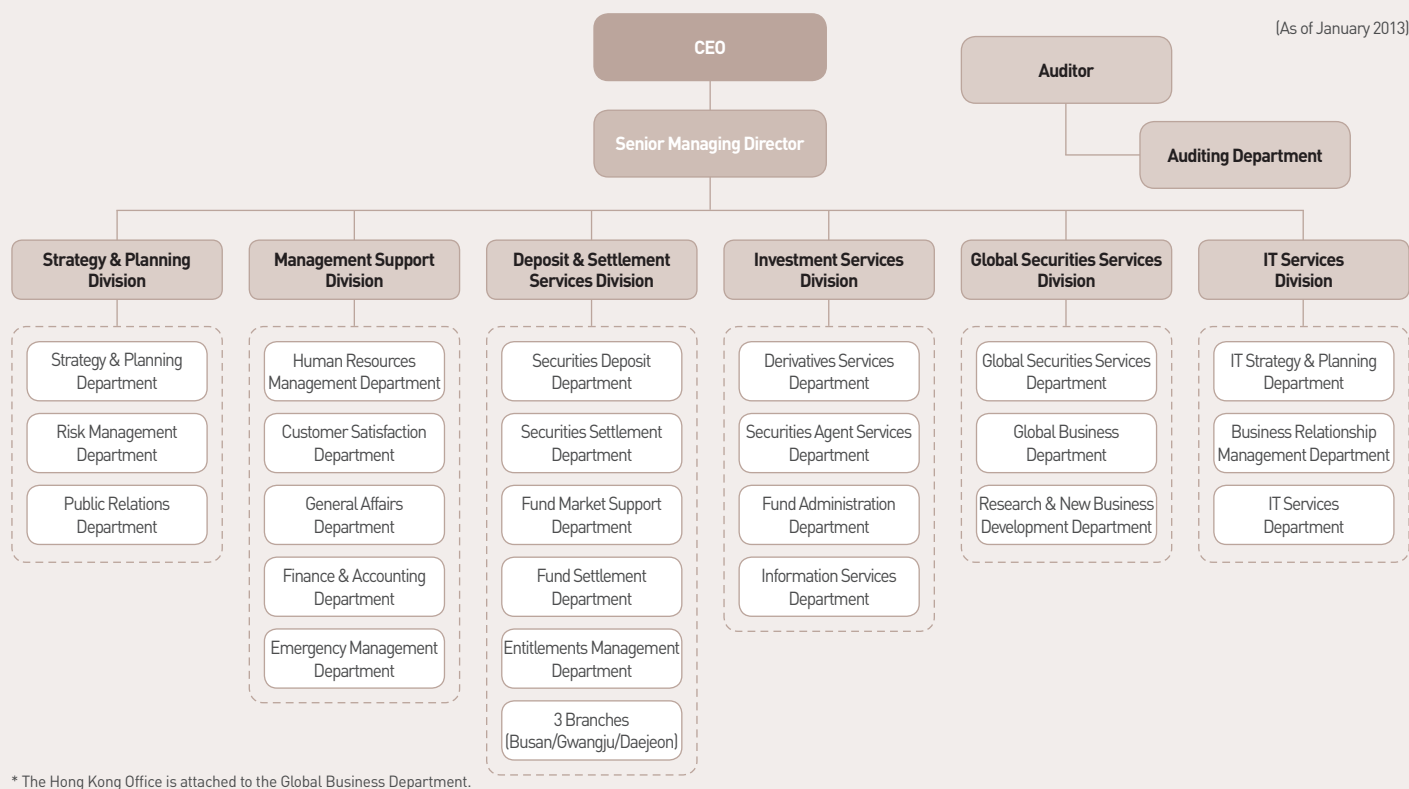
2005 ~ 2008 Korea Securities Depository

- 2005** Renamed to Korea Securities Depository (KSD), exported SLB & Repo system to Thailand, and opened online Securities Museum
- 2006** Established STP system for the deposit and settlement of foreign currency securities, and founded KSD Happy Makers Volunteering Corps
- 2007** Held CSD9, and securities deposits surpassed 2,000 trillion KRW in total market capitalization
- 2008** Launched foreign currency collateral system for securities lending, and signed a KDR depository agreement with a Japanese corporation for the first time

2009 ~ Present Korea Securities Depository

- 2009** Renamed to Korea Securities Depository (KSD), founded KSD Nanum Foundation, and initiated global fund investment services
- 2010** Opened internal control system, and initiated electronic voting management service (K-evote)
- 2011** Opened next-generation SAFE+, established Hong Kong Office, and held ACG15
- 2012** Initiated ABCP plan registration service, and cut securities trading related commission by 20%

Organizational Chart



Awards

Awards	Organization	Year
Rated A in 2011 Public Institution Management Survey (Assessment)	Ministry of Strategy and Finance	2012
Social Contribution Award from the Minister of Public Administration and Security	Ministry of Public Administration and Security	2012
Certified for 'family-friendly environment'	Ministry of Gender Equality and Family	2012
Certified for 'excellent service quality'	Korean Agency for Technology and Standards of the Ministry of Knowledge Economy	2012
Designated as the best practice for the campaign of returning unclaimed stocks to owners	Board of Audit and Inspection	2012
KSD's Pul-Got-Hoe received 'Monthly Sharing Prize'	Ministry of Health and Welfare	2011
Next-generation system earned CMMI Level 3 certification	Software Engineering Institute of Carnegie Mellon University (SEI)	2011
Rated 'excellent' for planning and execution of SME aid	Ministry of Knowledge Economy	2010 ~ 2011
Rated 'excellent' in PCSI for three consecutive years	Ministry of Strategy and Finance	2009 ~ 2011
Rated 'highly excellent' in public institution's anti-corruption plan assessment	Anti-Corruption and Civil Rights Commission	2010

Sustainability Management Practices

Economic Indicators

EC3 Coverage of defined benefit plan

KSD offers pension plans to help retirees enjoy stable post-retirement living.

• Contribution to four major insurance plans

(As of December 2012, Unit: 100 million won)

	Employee Contribution	KSD Contribution	Total
Medical	15	15	30
National Pension	10	10	20
Industrial Accident	0	2	2
Employment	3	6	9

EC5 Range of ratios of standard entry level wage compared to legal minimum wage

Newly hired full-time employees are paid 305% compared to the legal minimum wage in 2012. No gender discrimination was identified in pay.

(Unit: thousand won)

	2010	2011	2012
Average entry level wage	2,386	2,667	2,918

EC6 Local purchasing policy

KSD preferentially procures supplies and consumables from local suppliers and partners at its operations in Seoul, Daejeon, Gwangju, and Busan for purchasing and specifying partners.

Environment Indicators

EN3/EN4 Direct, Indirect energy consumption by primary source

(Unit: TJ)

Primary source		2010	2011	2012
Direct	LNG	7.6	6.5	5.7
	Diesel	1.0	1.1	1.1
	Gasoline	2.0	1.9	2.0
Indirect	Electricity	71.1	67.3	63.4
	Steam	5.9	3.9	3.9

Labor Indicators

LA1/ Workforce by region

(Unit: persons)

	2010	2011	2012
Seoul	450	466	494
Busan	9	10	10
Gwangju	7	7	7
Daejeon	5	5	4

• Including full-time and temporary employees (management executives and interns excluded)

LA2 The number and rate of employee turnover age group, gender and region

(Unit: persons)

		2010	2011	2012
Age group	Less than 30 years old	3 [0.6%]	3 [0.6%]	2 [0.4%]
	30-50 years old	4 [0.8%]	8 [1.6%]	9 [1.8%]
	50 years of age or older	4 [0.8%]	0 [0.0%]	0 [0.0%]
Gender	Male	7 [1.5%]	5 [1.0%]	5 [1.0%]
	Female	4 [0.8%]	6 [1.2%]	6 [1.2%]
Region	Seoul	9 [1.9%]	11 [2.3%]	10 [1.9%]
	Busan	0 [0%]	0 [0%]	0 [0%]
	Gwangju	1 [0.2%]	0 [0%]	0 [0%]
	Daejeon	1 [0.2%]	0 [0%]	0 [0.2%]

LA4 Percentage of employees covered by collective agreements

KSD's labor union was set up in 1983, and 80% of employees are unionized as of the end of 2012. KSD ensures the right to organize, collective bargaining, and collective action pursuant to laws and collective agreements. KSD neither sabotages unionization nor enforces withdrawal.

(Unit: %)

	2010	2011	2012
Unionization Rate	81.32	80.53	80.00

LA5 Minimum notice period regarding significant operational changes

We try to prevent conflicts and disputes through various labor-management communication channels and share key issues to aggregate the opinions of associates. When significant changes occur, they must be informed in advance to enhance the operating stability and mutual trust between the union and the employer.

LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees

The Labor union represents the rights of workers related to safety and health. A labor-management conference is also established as the final decision-making agency on safety and health issues through collective agreement. The conference consists of seven respective representatives of the employer and the union.

LA7 Rates of injury, occupational diseases, lost days, and absenteeism

No accident victims were reported during the report period while no industrial accidents and loss days were also reported.

LA8/LA9 Health care program

KSD operates safety and health standards as specified by collective agreement and provides a variety of programs to support the healthy living of associates and their families.

Beneficiaries	Programs
Employees	Pain clinic lecture
	Anti-smoking campaign
	Mobile counseling on metabolic syndrome
	Health UP festival
Employees and Families	Medical examination (once a year)
	EAP (grievance counseling)
	Temple stay (mental training and rest)

LA10 Average hours of training per year per employee by gender, employee category

(Unit: hour)

		2010	2011	2012
Gender	Male	79	66	89
	Female	120	96	115
Employee category	Staff	84	72	94
	Office Assistant	128	72	107

LA12 Percentage of employees receiving regular performance and career development reviews

(Unit: %)

	2010	2011	2012
Percentage of employees receiving performance reviews	100	100	100

LA13 Composition of BOD

BOD consists of two executive directors and four non-standing directors, all of whom are male.

• Executive directors

Name	Title	Expertise
Kim Kyung Dong	CEO of KSD	-
Kwon Oh-moon	Senior Managing Director of KSD	-

• Non-standing director

Category	Name	Title	Expertise
Public Representative	Chung Dong-ki	Attorney of Barun Law Firm	Law
	Hwang Young-sik	Editorialist of Hankook Ilbo	Media
Shareholder Representative	Chang Ok-soo	Advisor of Bookook Securities	Securities
	Kim Jae-joon	Acting Director of Management Support Division, Korea Exchange	Securities

LA15 Return to work and retention rates after parental leave

• Parental leave

Female employees are entitled to 3-month long parental leave while male employees are entitled to 5-day long parental leave before and after child birth. All eligible employees have fully used parental leave. The following table shows the data over return to work and retention rate for a year after leave.

(Unit: persons)

	2010	2011	2012
User of parental leave	7	8	8
Return from parental leave	7	8	1
Returnee who remains employed after a year following return	6	3	0

• Child care leave

Male and female employees are entitled to child care leave for up to three years. No male employees have used child care leave benefits while females employees have used them as follows.

(Unit: persons)

	2010	2011	2012
User of child care leave	4	2	5
Return from child care leave	4	2	1
Returnee who remains employed after a year following return	4	0	0

Human Rights Indicators

HR1 Percentage and total number of significant investment agreements that include human rights clauses

KSD examines potential human rights violations in screening various risk factors in investment agreements. When entering into an investment agreement with a partner company, KSD requests the partner to comply with the four key principles of UN Global Compact and conducts frequent inspections of compliance. However, KSD has not entered into any investment agreements specifying human rights protection explicitly.

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights

KSD applies no explicit human rights standards to the screening and selection of partners, but the company reviews the financial stability, credit rating, quality and delivery history in general. Through such processes, we also consider the human rights state of employees. We also conduct annual transparency surveys of partners to inspect their transparency and identify any corruptions. The partners are required to sign transparency and fair transaction pledges as attachments to bidding or contracting documents. When this requirement is not met, we cancel bidding results, terminate contracts or restrict the eligibility of participating in bidding.

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights

Pursuant to Article 4 of Gender Inequality Prohibition and Regulation Act, KSD provides sexual harassment prevention education to all employees once a year or more frequently to protect the human rights of female employees.

• Sexual harassment prevention education

	Unit	2010	2011	2012
Educational Session	session	1	1	2
Attendant	persons	459	464	476
Total Hours	hour	1	1	2

HR5 Right to exercise freedom of association and collective bargaining

KSD has a labor union, under which all employees other than 57 directors and higher-ranking managers are registered as members pursuant to collective agreement. Non-unionized workers are also entitled to resort to grievance management procedure to protect their basic rights.

HR6/HR7 Elimination of child or forced labor

KSD complies with the International Labor Organization's 'Convention Concerning the Prohibition and Immediate Actions Toward the Elimination of the Worst Forms of Child Labor' and the labor standards of UN Global Compact. We have not breached any regulations related to forced or child labor since establishment. Child labor is fundamentally prevented.

HR8 Security personnel trained in the procedures concerning aspects of human rights

The security associates, who are highly likely to breach human rights regulations during services, are educated with work procedures, efficiency tips, and human rights regulations specified in constitutions and criminal codes to prevent potential human rights violations.

(Unit: persons)

	2010	2011	2012
Security officials	126	126	126
Security officials trained in human rights protection	126	126	126
Training Rate	100%	100%	100%

HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments

KSD conducts external transparency surveys concerning its head office and branch offices including relations with suppliers. We also undertake periodical self-assessments to enhance the compliance with human rights regulations and fairness.

HR11 Number of grievances related to human rights filed through formal grievance mechanisms

KSD collects various complaints through ombudsman programs and other channels. No complaints related to human rights were filed over the past three years.

Product Liability Indicators

PR3 Type of product and service information required by procedures

KSD offers its business information through IR disclosures, press releases and other formats to help stakeholders gain accurate understandings.

PR6/PR9 Marketing communications and non-compliance with laws and regulations concerning the provision and use of products and services

KSD clearly describes the services offered through public disclosures, and its Risk Management Department and Auditing Department to examine legal compliance in advance to control exaggerations and false data. The company also operates a preliminary commission to consider consumer complaints in the development of services and establishment of marketing policies in order to prevent such complaints effectively. We have not witnessed any violations of advertising and marketing regulations in the reporting period.

PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

(Unit: case)

	2010	2011	2012
Penalties for the violations of privacy	0	0	0
Customer complaints caused by customer data and privacy	0	0	0

Additional Indexes for Financial Sector

FS11 Percentage of assets subject to positive and negative environmental or social screening

KSD holds proportionately large financial assets as most of assets other than land and buildings are categorized into financial assets. The financial asset consists mostly of taxes such as withholding taxes on bond interests and cash offered by customers as collateral. The Joint Securities Institution Fund (126 billion won), that has been managed since 2009, is prohibited from being invested in stocks exposed to issues such as unfair transactions and price manipulations. We have not witnessed any refusals to investments due to social or environmental risk assessments over the past three years.

Independent Assurance Statement

2012 KSD Sustainability Report 3rd Assurance Report

Responsibility and Independence

This assurance is performed by the assurance team of Korea Sustainable Investing Forum (from below KoSIF). KoSIF is an independent organization which has no interest in KSD. KoSIF performed the assurance on the basis of the information collected from on-site investigation, stakeholders' interviews, relevant data and operation system as it is documented on 'KSD 2012 Sustainability Report'. Apart from the assurance opinions, the responsibility for the data and opinions stated in this report solely lies in KSD.

Assurance Standards

This assurance was performed at a moderate level in accordance with the AA1000AS(2008) Type-1 criteria. The assurer reviewed whether KSD complies with the three principles of inclusivity, materiality and responsiveness as defined in the AA1000AS(2008). Besides, it confirmed whether KSD complied with the principles on the report content and quality according to the framework of completing the sustainability report based on the GRI G 3.1. Guidelines. The assurance provider adopted an appropriate level of assurance methodologies to enable reader to trust this report by reducing such risks as mistakes and errors in the report content. Besides, it confirmed that the report content meets assurance standards through the evidence materials including relevant laws & systems, process, regulations and information.

Limitations

This assurance performed is only applicable to the Seoul headquarter. The three branch offices, however (Busan, Daejeon and Hwangju) and Ilsan center are not included. According to the mentioned standards, the reliability of the data provided by KSD in assurance procedure is not verified.

Methodology

The assurer adopted the following methods in verifying the KSD 2012 Sustainability Report.

- Reviews of the selection of the issues addressed and the technical contents in the report
- Verification of the in-house processes and systems by confirming the major data and information through on-site assurance at the Seoul headquarter
- Interviews with employees working in relation with reporting and providing report information
- Verification of the compliance with the principles on the report content and quality according to the index application in GRI G3.1 guidelines

Opinions

Based on the assurance activities described above, the assurer verified that this report reflects KSD's sustainability management activities and achievements in a way that is sincere and fair.

Inclusivity

The assurer verified that KSD is identifying a variety of stakeholders (government, shareholders, customers, academics, press, community, peer, employees) by building up communication channels to collect opinions for sustainability. KSD would benefit from managing the opinions from the stakeholders in a systemic manner so that stakeholder engagement can be achieved anytime and balanced opinions from each stakeholder can be reflected through the communication channels.

Materiality

KSD identified internal issues through employee survey and interviews. Through conducting media analysis, benchmarking well-performed companies and performing survey/interviews with external stakeholders, the external issues are being identified. After that, the critical issues are prioritized by analyzing the extent of stakeholder's interest and the impact on the organization. The assurer confirmed that KSD has demonstrated well the core issues in the report. Yet, it is also confirmed that the balance of the survey and opinions among stakeholders are not yet fairly performed when they are prioritizing the issues. It is recommended that a more comprehensive stakeholder pool is needed to be established so that more balanced opinions among stakeholders can be reflected in material issue selection process.

Responsiveness

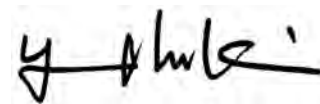
The assurer confirmed that KSD managed to respond to various sustainability issues in the aspects of strengthening overall risk management, integrity of financial status, securing safety, expansion of functionality of core infrastructure for the financial market, support to the advancement of the finance industry through searching for new businesses, strengthening philanthropic activities and customer satisfaction. Meanwhile, it is confirmed that they are being disclosed in a sincere and honest manner. It is recommended that for the sake of responding to critical sustainability issues systemically and integrally, disclosure of the management, strategy and planning and relevant procedures by adopting the key performance indicators (KPI) should be included in the report.

Recommendation

KSD has established the strategic framework to respond to sustainability which is named 'Lights of Value Expansion, KSD'. The assurer recommends that to contribute to the sustainable development of stakeholders, KSD should consolidate the governance which can address sustainability issues by setting up a specific organization which can allow the company on the whole to integrate economic, social and environmental growth. In addition, to evaluate the outcomes of sustainability responses, it is recommended for the company to connect them to the financial outcomes using a variety of indicators.

December 26, 2012

Korea Sustainability Investing Forum (KoSIF)
Executive Director, Young-Ho, Kim



GRI Statement



Statement GRI Application Level Check

GRI hereby states that **Korea Securities Depository** has presented its report "2012 KSD Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 10 January 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because **Korea Securities Depository** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 28 December 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

GRI 3.1 Guideline

● Reported ● Partially Reported ○ Not Reported

GRI 3.1	Description	Page	Reported	Remarks
Strategy and Analysis				
Strategy and Analysis				
1.1	Sustainability statement of CEO	3, 4	●	
1.2	Key impacts, risks, and opportunities	16-18, 23	●	
Organizational Profile				
2.1	Name of the organization	9	●	
2.2	Primary brands, products, and/or services	29-30	●	
2.3	Operational structure of the organization	69	●	
2.4	Location of organization's headquarters	9, 69	●	
2.5	Number of countries where the organization operates	9, 68	●	
2.6	Nature of ownership and legal form	11	●	
2.7	Markets served	9	●	
2.8	Scale of the reporting organization	9	●	
2.9	Significant changes regarding size, structure, or ownership	11, 69	●	No significant change in the reporting period
2.10	Awards received in the reporting period	69	●	
Report Parameters				
3.1	Reporting period for information provided	1	●	
3.2	Date of most recent previous report	1	●	
3.3	Reporting cycle	1	●	
3.4	Contact point for questions regarding the report or its contents	1	●	
3.5	Process for defining report content	21-26	●	
3.6	Boundary of the report	1	●	
3.7	State any specific limitations on the scope or boundary of the report	1	●	
3.8	Basis for reporting on joint ventures and subsidiaries	76	●	Does not exist
3.9	Data measurement techniques such as performance indicators	1	●	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	1	●	
3.11	Significant changes of scopes and boundary of report	75	●	No significant change
3.12	Standard Disclosures in the report	76-79	●	
3.13	Matters related to assurance of the report	73-74	●	
Governance, Commitments, and Engagement				
4.1	Governance structure of the organization	11-12	●	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	11	●	
4.3	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	11-12	●	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	12	●	
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	11-12	●	
4.8	Internally developed statements of mission or values, codes of conduct, and principles	10	●	
4.9	Procedures of the BOD for overseeing sustainability management	11-12	●	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	11-12	●	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	16-18	●	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	80	●	

● Reported ◐ Partially Reported ○ Not Reported

GRI 3.1	Description	Page	Reported	Remarks
Governance, Commitments, and Engagement				
4.13	Memberships in associations and/or national/international advocacy organizations	83	●	
4.14	List of stakeholder groups engaged by the organization	21-26	●	
4.15	Basis for identification and selection of stakeholders with whom to engage	21-26	●	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	21-26	●	
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	21-26	●	
Economic Performance Indicators				
EC1	Direct economic value generated and distributed	43-44	●	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	63-64	◐	
EC3	Coverage of the organization's defined benefit plan obligations	70	●	
EC4	Significant financial assistance received from government	77	●	No assistance received
EC5	Range of ratios of standard entry level wage compared to local minimum wage	70	●	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	70	●	
EC7	Procedures for local hiring and proportion of senior management hired from the local community	56	●	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	48-49	●	
EC9	Understanding and describing significant indirect economic impacts	34, 39, 44	●	
Environmental Performance Indicators				
EN1	Materials used by weight or volume	-	○	Not applicable
EN2	Percentage of materials used that are recycled input materials	-	○	Not applicable
EN3	Direct energy consumption by primary energy source	65, 70	●	
EN4	Indirect energy consumption by primary source	65, 70	●	
EN5	Energy saved due to conservation and efficiency improvements	64, 66, 70	●	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	64, 66, 70	●	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	64, 66, 70	●	
EN8	Total water withdrawal by source	65	●	
EN9	Water sources significantly affected by withdrawal of water	-	●	Water supply only uses
EN10	Percentage and total volume of water recycled and reused	-	●	Recycled water unavailable
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	○	Land with corresponding attributes unavailable
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	-	○	
EN13	Habitats protected or restored	-	○	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	-	○	Not applicable
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	-	○	Not applicable
EN16	Total direct and indirect greenhouse gas emissions by weight	65	●	
EN17	Other relevant indirect greenhouse gas emissions by weight	-	○	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	63-64	●	
EN19	Emissions of ozone-depleting substances by weight	-	○	Not applicable
EN20	NOx, SOx, and other significant air emissions by type and weight	-	○	Not applicable
EN21	Total water discharge by quality and destination	65	●	
EN22	Total weight of waste by type and disposal method	66	●	
EN23	Total number and volume of significant spills	-	○	No harmful substance
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	-	○	Not applicable

● Reported ○ Partially Reported ○ Not Reported

GRI 3.1	Description	Page	Reported	Remarks
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	-	○	Not applicable
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	63, 64	●	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	-	○	Not applicable
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	78	●	No violations of environmental laws and regulations
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	64	●	
EN30	Total environmental protection expenditures and investments by type	66	●	
Labor Practices and Decent Work Performance Indicators				
LA1	Total workforce by employment type, employment contract, and region	55, 56, 70	●	
LA2	Total number and rate of employee turnover	55, 56	●	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	58	●	
LA4	Percentage of employees covered by collective bargaining agreements	70	●	
LA5	Minimum notice period(s) regarding operational changes	70	●	
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	70	●	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	70	●	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	58, 70	●	
LA9	Health and safety topics covered in formal agreements with trade unions	70	●	
LA10	Average hours of training per year per employee by employee category	57	●	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	58	●	
LA12	Percentage of employees receiving regular performance and career development reviews	56, 71	●	
LA13	Composition of governance bodies and breakdown of employees per category	11, 55, 71	●	
LA14	Ratio of basic salary of men to women by employee category	55	●	
LA15	Return to work and retention rates after parental leave	71	●	
Human Rights Performance Indicators				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	71	●	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	71	●	
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	15, 72	●	
HR4	Total number of incidents of discrimination and actions taken	78	●	No occurrence
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	59, 72	●	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	72	●	
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	72	●	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	72	●	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	78	●	No violations involving rights of indigenous people
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	72	●	
HR11	Number of grievances related to human rights filed through formal grievance mechanisms	72	●	
Society Performance Indicators				
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities,	47-48, 63	●	
S02	Percentage and total number of business units analyzed for risks related to corruption	14-15, 18	●	

● Reported ◐ Partially Reported ○ Not Reported

GRI 3.1	Description	Page	Reported	Remarks
Society Performance Indicators				
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	15	●	
S04	Actions taken in response to incidents of corruption	14-15	●	
S05	Public policy positions and participation in public policy development and lobbying	79	●	Lobbying is prohibited during participation in the establishment of public policies.
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	79	●	No occurrence
S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	79	●	No occurrence
S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	79	●	No occurrence
S09	Operations with significant potential or actual negative impacts on local communities	-	○	Not applicable to the financial industry
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	-	○	Not applicable
Product Responsibility Performance Indicators				
PR1	Lifecycle 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	-	○	Not applicable
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	-	○	Not applicable
PR3	Type of product and service information required by procedures	72	●	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	79	●	No violations
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	51-54	●	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	72	●	
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	79	●	No violations
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	72	●	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	72	●	
Additional GRI Indexes for the Financial Services Industry				
FS1	Policies with specific environmental and social components applied to business lines	63	●	
FS2	Procedures for assessing and screening environmental and social risks in business lines	16-17, 47-49, 63-64	●	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	47-49, 51-53, 63-64	●	
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	64	●	
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	40, 52, 63	●	
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	29-30, 37-38	●	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	32, 34, 39	●	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	34, 40, 63	●	
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	16-18	●	
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	79	●	No occurrence
FS11	Percentage of assets subject to positive and negative environmental or social screening	72	●	
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	79	●	No occurrence
FS13	Access points in low-populated or economically disadvantaged areas by type	-	○	Not applicable
FS14	Initiatives to improve access to financial services for disadvantaged people	21-22, 49	●	
FS15	Policies for the fair design and sale of financial products and services	52-53	●	
FS16	Initiatives to enhance financial literacy by type of beneficiary	49, 53-54	●	

UNGC Index

Since having joined the UN Global Compact in October 2008, Korea Securities Depository (KSD) has reported its compliance with the 10 key principles in the human rights/labor/environment/anti-corruption domains through sustainability reports. The UN Global Compact has specified 'Communication on Progress(COP)' regulations in a bid to encourage corporations to fulfill their social responsibilities and promote stakeholder engagement. KSD compiled a 2012 Sustainability Report pursuant to the 'Advanced Level' standards set forth by the newly announced COP regulations.

	UNGC Advanced Level	GRI 3.1	Page
1	The COP describes key aspects of the company's high-level sustainability strategy in line with Global Compact principles.	4.1-4.8	10-12
2	The COP describes effective decision-making processes and systems of governance for corporate sustainability.	4.9-4.10	11-12
3	The COP describes engagement with all important stakeholders.	4.14-4.17	21-26
4	The COP describes actions taken in support of broader UN goals and issues.	4.12	80
5	The COP describes robust commitments, strategies or policies in the area of human rights.	HR1, HR3-HR4, LA4, LA9	15, 70-72, 78
6	The COP describes effective management systems to integrate the human rights principles.	HR11	72
7	The COP describes effective monitoring and evaluation mechanisms of human rights integration.	SO4	14-15
8	The COP describes key outcomes of human rights integration.	HR3-HR4	15, 72, 78
9	The COP describes robust commitments, strategies or policies in the area of labor.	LA1, LA3-LA4	55, 58, 70
10	The COP describes effective management systems to integrate the labor principles.	LA9	70
11	The COP describes effective monitoring and evaluation mechanisms of labor principles integration.	LA4	70
12	The COP describes key outcomes of integration of the labor principles.	LA1-LA2, LA4, LA7-LA8, LA10-LA11, LA13	11, 55, 57-58, 70-71
13	The COP describes robust commitments, strategies, or policies in the area of environmental stewardship.	EC2	63-64
14	The COP describes effective management systems to integrate the environmental principles.	EN26	63-64
15	The COP describes effective monitoring and evaluation mechanisms for environmental stewardship.	EN26	63-64
16	The COP describes key outcomes of integration of the environmental principles.	EN3-EN5, EN8, EN11, EN16, EN18, EN22, EN27, EN30	63-66, 77-78
17	The COP describes robust commitments, strategies or policies in the area of anti-corruption.	SO4	14-15
18	The COP describes effective management systems to integrate the anti-corruption principle.	SO2-SO3	14-15, 18
19	The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption.	HR11, SO4	14-15, 72
20	The COP describes key outcomes of integration of the anti-corruption principle.	SO2-SO4, SO7-SO8	14-15, 18, 79
21	The COP describes implementation of the Global Compact principles in the value chain.	HR1, HR2, HR3	15, 71, 72
22	The COP provides information on the company's profile and context of operation.	1.1-1.2, 2.1-2.10	3-4, 9, 11, 16-18, 23, 29-30, 68, 69
23	The COP incorporates high standards of transparency and disclosure.	3.1-3.13	1, 21-26, 73-74, 76-79

Terminology

Terms	Definitions
Exchangeable Bond (EB)	Corporate bond issued with an embedded option to exchange the bond for the stock of a company other than the issuer or its subsidiary at a specified price.
International Bank for Reconstruction and Development (IBRD)	International financial institution established with IMF in accordance with Bretton Woods conference in 1944 in order to lend long-term development fund.
Mutual Fund	Indirect investment product to manage investments and return profit proceeds to investors.
Unclaimed Stock	Stocks issued as bonus shares or as dividends to shareholders but not received due to the relocation or death of recipients.
Futures	Contract between two parties to buy or sell a specified asset of standardized quantity and quality or financial assets (foreign currency, CD, government bond, etc.) for a price agreed upon today with delivery and payment occurring at a specified future date.
Bond with Warrant (BW)	Bonds with an attached warrant which entitles the purchaser to new stock issues.
Offshore Fund	Foreign fund established by a foreign management company in a foreign currency overseas.
Option	Contract which gives the owner the right to buy or sell an underlying asset or instrument such stock, bond, and stock index at a specified strike price on a specified date.
Euroclear	Eurobond trade settlement institution established by J.P. Morgan & Co., providing settlement services on international securities trades, securities storage services, securities lending service, third-party Repo service, and payment transfer in multiple currencies.
Intraday RP System	Central bank's program to provide liquidity on the collateral of government bond purchases.
Convertible Bond (CB)	A type of bond that the holder can convert into shares of common stock in the issuing company.
Depository Receipt (DR)	Negotiable financial instrument issued by a bank to represent a company's publicly traded securities abroad, aiming to facilitate overseas circulation. As the direct listing of local stocks on overseas markets cause various complex legal, systematic and tax issues, they are highly unlikely to be traded smoothly. A trust company issues DR on stocks as collateral and processes the entitlement services such as dividend payout to facilitate trades. DR is also termed ADR, EDR, LDR, or GDR if it is issued in the United States, Europe, London or globally.
Fundsettle	A global fund investment support platform provided by Euroclear, an international depository and settlement service provider.
Prime Broker	Brokerage companies providing a bundled package of services, including securities lending, financing, asset storage and management, trade settlement, clearing, and payment, to hedge funds.
Korean Depository Receipt (KDR)	Negotiable financial instrument issued by a bank to represent a foreign company's publicly traded securities in the Korean stock market.
Hedge Fund	Private investment fund seeking short-term profits on investment in international securities and currency markets. Hedge funds pursue high profits under less restrictions on investment region or target but they also run high risks. 'Hedge' originally means the avoidance of risk, but hedge funds are more speculative than risk-averse.
Repurchase Paper (RP)	A security sold by a financial institution to their clients with an agreement for the seller to buy back the security at a later date.
Continuous Net Settlement (CNS)	Settlement method in which failed trades are carried over to the next settlement day.
Delivery Versus Payment (DVP)	A securities industry procedure in which the buyer's payment for securities is due at the time of delivery. Security delivery and payment are simultaneous and categorized into DVP1, DVP2 and DVP3
Repo Transaction	An agreement with a commitment by the seller to buy a security back from the purchaser at a specified price at a designated future date.

Associations and Memberships

Categorization	Associations	Key Activities
Overseas	Asia-Pacific CSD Group (ACG)	The Asia-Pacific Central Securities Depository Group (ACG) is an international organization with the objective of facilitating exchange of information and promoting mutual assistance among member securities depositories and clearing institutions in the Asia Pacific region.
	International Council of Museums (ICOM)	International network of museums for cultural, social and economic issues on contemporary society assisted members of the museum community in their mission to preserve, conserve and share cultural heritage.
	International Securities Services Association (ISSA)	Collect and disseminate information on the developments in international securities markets, and offer a forum for securities operations professionals to exchange ideas.
	UN Global Compact	Comply with global ethics codes and submit COP reports.
	Hong Kong-Based Korean Financial Investment Institution Conference	Cooperation and information exchange among Hong Kong-based Korean financial institutions.
Domestic	Gyeonggi Provincial Museum Council	Gyeonggi province association of museums and preservation of society and cultural heritage.
	Korea Listed Companies Audit Association	Independent association in the examination of information of entity, size or legal form for the mutual exchange of data.
	Seoul National University Center for Financial Law	Public institution on the education and research of latest trends of financial systems and the encouragement of academics.
	BEST Forum	Multi-party forum to promote and enhance ethical management practices.
	Securities Agency Council	Provide network formation and consultations for securities agency businesses.
	Korea Options, Swaps & Derivatives Association (KOSDA)	Promote derivatives market, share information related to derivatives market, improve systems, suggest policy alternatives, cooperate with local and overseas partners, build community for derivatives market operators, and enhance ethical awareness among participants.
	Korea IR Service Association	Hold workshops and provide information to offer corporate data to investors through active communication among corporations, shareholders and investors and build reliability.
	Korea Institute of Internal Auditors	Internal audit specialist working in internal auditing, risk management, governance, internal control, information technology audit, education, and security.
	Korea Financial Law Association	Conduct systematic research, analysis, and academic discussion on local and overseas financial laws.
	Financial Information Society of Korea	Share information and conduct academic researches specialized for interdisciplinary studies over the production and use of financial information on economics, statistics, and laws.
	Korea Financial Investment Association	KOFIA, a sole self-regulatory organization (SRO) of the Korean financial industry.
	Korea Management Association	Management association for professional development, training solutions and advancing skills for businesses.
	Korean Museum Association	Membership organization guarding the interest of museums and galleries to advocate and set ethical standards.
	Korea Commercial Law Association	Share information related to commercial laws and provide sponsorships.
	Korean Financial Management Association	Research corporate finance, investment, financial theories, and international finance.
	Korea Securities Law Association	Share information and opinions about securities-related regulations between legal and securities experts and securities-related institutions and conduct comprehensive researches.
	Korea Securities Association	Exchange opinions over academic and practical issues and provide sponsorships.
	Korea Payment & Settlement Association	Research economic and business issues related payment and settlement and applicable laws.
	Korea Derivatives Association	A non-profit research organization providing opportunities for scholars and professionals in derivatives industry to understand derivatives and exchange knowledge on a global scale.
	Korea Accounting Association	Promoting the International Accounting Standards (IFRS) for the excellence in accounting education, research and practice.

KSD Happy Story



Happy thinking
Happy growth
Happy community
Happy environment

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